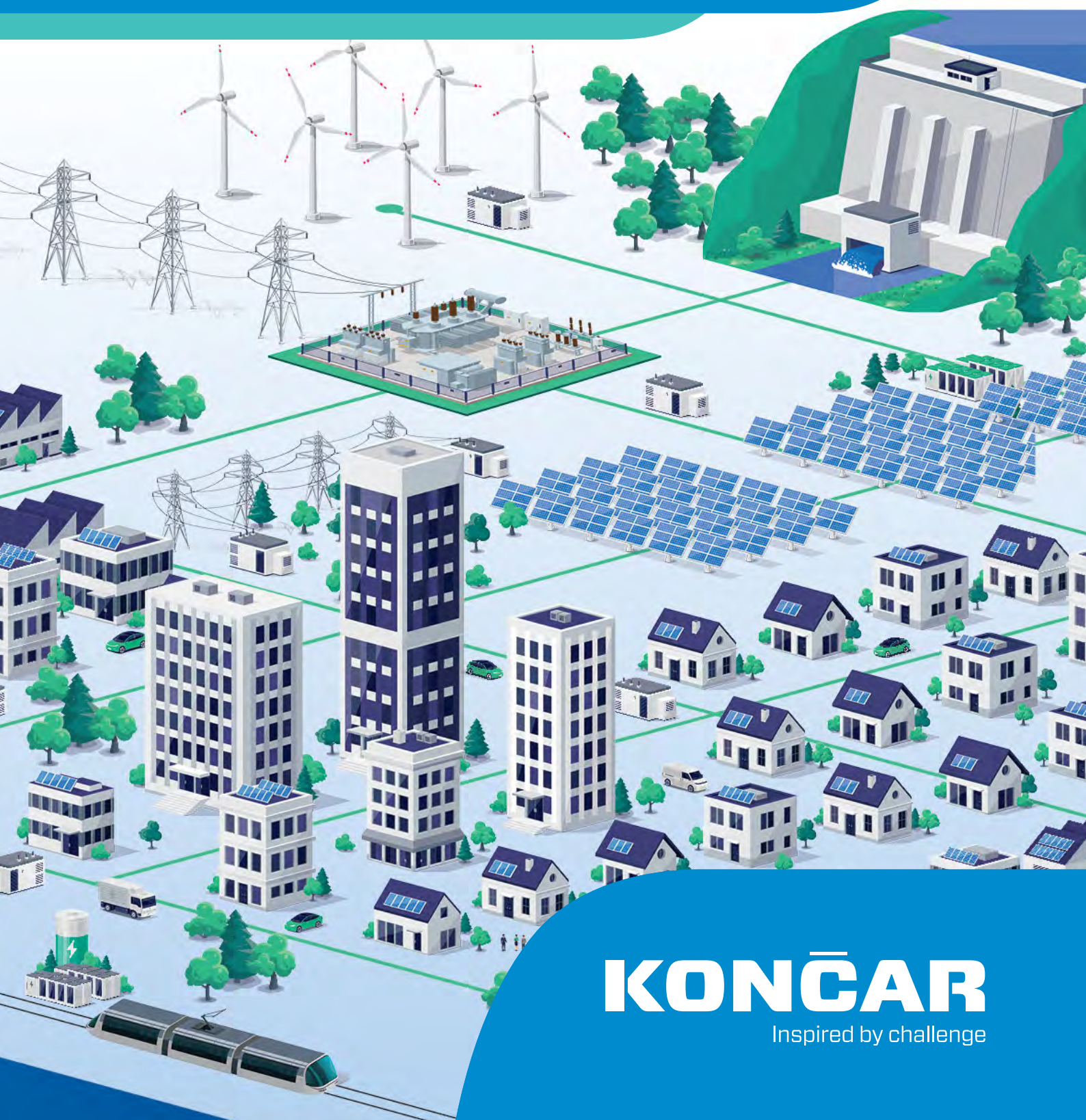


# KONČAR Group

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CONSOLIDATED  
ANNUAL REPORT 2024



**KONČAR**  
Inspired by challenge

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# Consolidated Management Report

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## Key performance indicators

Export

**+28%**

Sales revenue

**+18%**

Book-to-bill ratio

**1.6**

Backlog

**+43%**

Net profit

**+132%**

EBITDA

**+102%**

*Compared to 2023  
Backlog compared to 31 December 2023*

# Overview of KONČAR

With more than a century of innovation at the forefront of industrial advancement, KONČAR stands as a symbol of resilience, technological excellence, and global competitiveness. Today, the Group holds a leading position in the region's energy sector and rail vehicle manufacturing industry.

KONČAR's core operations span the development and delivery of sophisticated solutions, products, and services across key sectors – electricity generation, transmission, and distribution; urban mobility and infrastructure; and digital platforms and smart technologies. These offerings encompass the full project lifecycle: from design, development, construction, and modernisation, to digital control, system integration, maintenance, field deployment, and technical consultancy.

The Group's structure includes the Parent Company and 16 subsidiaries engaged in core activities, alongside one dedicated R&D subsidiary, affiliated entities under the control of subsidiaries, and one associated company, including further affiliated undertakings of these entities.

Employing over 5,500 professionals – one-third of whom possess higher education degrees – KONČAR's enduring success is underpinned by the expertise, innovation, and commitment of its people: from scientists and engineers to production technicians and skilled operators.

Guided by its recently adopted 2030 Strategy, KONČAR continues its transformative journey with the ambition of establishing a more pronounced and enduring presence on the global stage. This strategic direction focuses on the digitalisation of its product and service portfolio, as well as the development of advanced, next-generation solutions tailored for the energy, transport, and industrial sectors.





## Statement by Gordan Kolak, CEO



KONČAR sustained its upward trajectory in 2024, marking a fifth consecutive year of robust growth. Revenue and net profit once again recorded year-on-year increases, with all core financial and operational indicators posting double-digit growth rates. This continued momentum underscores our steadfast commitment to business transformation – anchored in strategic investments in research and development, expansion of production capacities, and state-of-the-art equipment. These initiatives have further entrenched KONČAR's position as a leading technology innovator and the regional benchmark in power engineering, urban mobility, renewable energy, and digitalisation. Our technological expertise, uncompromising quality, and proven reliability are increasingly recognised on the global stage. This is reflected in our record-high backlog, which exceeded EUR 2 billion at the close of 2024, with 74.4% of contracted value originating from export markets. Such performance affirms KONČAR's strengthened positioning as a competitive and trusted partner in international markets.

It is particularly noteworthy that all business segments within the KONČAR Group delivered growth in 2024, with the Transmission and Distribution segment leading the way, as anticipated. Power transformers – our flagship product and the strongest export driver within our portfolio – remain at the heart of our achievements during this period. Outstanding performance was also achieved across other strategic business segments. In the Urban Mobility and Infrastructure segment, we deepened our long-standing collaboration with HŽ Passenger Transport through a new contract for the delivery of six electro-diesel multiple units, designed to strengthen intercity rail connectivity between Split and Zagreb. In parallel, our partnership with the City of Zagreb and ZET advanced through the execution of an agreement for the procurement of an additional 20 state-of-the-art trams. A defining moment in 2024 was KONČAR's presence at InnoTrans

in Berlin – the world's preeminent trade fair for transport technology – where we debuted two next-generation rail solutions: a battery-electric train equipped with an integrated charging station, and a diagnostic measurement train. Both innovations underscore the depth of expertise, ingenuity, and engineering excellence embedded in Croatia's industrial ecosystem, once again positioning KONČAR as a peer among Europe's most prominent manufacturers.

KONČAR's outstanding performance in 2024 did not go unnoticed by the investment community. By year-end, the Company's market capitalisation had surpassed EUR 1.1 billion, positioning KONČAR among a select group of companies listed on the Zagreb Stock Exchange with a market valuation exceeding the one-billion-euro mark. The strength of KONČAR's performance across all key dimensions was further recognised through the prestigious Golden Share of the Year award, conferred by the Zagreb Stock Exchange.

The transformation of the Group continued in 2024 through the merger of KONČAR – Engineering Ltd. for manufacturing and services and KONČAR – Energy and Services Ltd. into the Parent Company, KONČAR Inc. This restructuring is expected to further enhance organisational synergy within the Group, supporting more agile and efficient delivery of complex, high-value-added solutions. Concurrently, KONČAR and Siemens Energy formalised a joint venture agreement in 2024 for the establishment of a new entity – KONČAR – Transformer tanks Ltd – with KONČAR to assume a majority ownership stake of 60% following completion and commencement of operations. This strategic alliance underscores KONČAR's ongoing commitment to reinforcing its technological base through high-impact partnerships and targeted capital investments. It also establishes a strong foundation for both partners to more effectively meet accelerating global demand for transformer equipment.

Despite positive trends in key markets, the global economy continues to face significant geopolitical headwinds. The war in Ukraine persists, and the escalation of conflict in the Middle East – particularly the risk of spillover beyond Gaza and Israel – poses upward pressure on oil prices and prolongs global uncertainty. Against this backdrop, the KONČAR Group achieved exceptional operational results, outperforming the ambitious targets set at the beginning of the year. The backlog at the end of 2024 stood at EUR 2,035.6 million. Notably, the contracted volume scheduled for execution in 2025 has nearly reached full capacity, while the pipeline for 2026 and subsequent years continues to build, with order intake totalling EUR 925.8 million to date.

Strong revenue growth, driven by rising order intake and a record-high backlog, translated into excellent financial performance in 2024. Consolidated revenue from the sale of products and services amounted to EUR 1,054.4 million – an increase of EUR 160.3 million, or 17.9%, compared to 2023. Export activities continued to dominate the revenue structure, accounting for more than 70% of total sales. Year-on-year growth in export sales was recorded across nearly all international markets, with the most significant increase once again achieved in the European Union. Exports to EU member states rose by EUR 133 million, reaching EUR 551.7 million, and now represent 74.3% of total export revenue. This robust sales performance underpinned a further rise in profitability. Reported net profit reached EUR 164.4 million – an increase of EUR 93.5 million year-on-year. EBITDA doubled relative to 2023, amounting to EUR 184.7 million. The EBITDA margin improved markedly to 17.5%, up from 10.2% in the same period last year.

As we enter the new business year, KONČAR remains firmly committed to its ongoing transformation journey, with the goal of further strengthening its position in the global marketplace. Our investment programme continues to be purposefully directed toward the digitalisation of our portfolio, the development of next-generation solutions across the energy, transport, and industrial domains, and the expansion of production capabilities to drive scalable, sustainable growth. We will continue to actively evaluate acquisition opportunities – both in Croatia and across the European Union – as strategic levers to complement our organic momentum. At the same time, we recognise that our long-term success is inherently tied to the strength of our people. That is why the attraction, development, and retention of top talent, and the empowerment of our key personnel, remain central pillars of our corporate strategy for the years ahead.

Gordan Kolak, MSc, BSc Eng.

CEO







# KONČAR in 2024 – Key business highlights

## Major contracts delivered

- Completion of the substation construction project for the Rimac Campus. The facility will provide electrical power to the production plant and testing facility for battery modules.
- First delivery of 22 *GREEN LINE* series instrument transformers as part of a solar power plant development project in Latvia, marking a milestone in the Group's expansion into sustainable energy infrastructure.
- Revitalisation and full integration of the existing SCADA control system completed for the national transmission system operator in Albania, enhancing grid management capabilities.
- Commissioning of a regional passenger train, delivered and now in regular operation, marking the successful conclusion of the EU-funded project for the procurement of 21 new trains.
- Completion of the delivery and installation of 110 kV submarine cables for HOPS (Croatian Transmission System Operator), spanning a total of 42 kilometres and interconnecting the islands of Krk, Cres, Lošinj, Brač, Hvar, and Korčula – significantly improving grid reliability and energy accessibility in island regions.
- Commissioning of the final generating unit at the Sestrimo Hydropower Plant in Bulgaria.
- Successful commissioning of the newly constructed Gratkorn run-of-river hydropower plant on the Mur River in Austria. KONČAR supplied and commissioned two generators, each with a rated output of 7 MVA, further contributing to the region's renewable energy capacity.
- Delivery of the first batch of specialised offshore transformers to 50Hertz (Germany) for the Ostwind 3 project in the Baltic Sea – a strategic contract reinforcing KONČAR's presence in the offshore energy transmission segment.



Regional passenger train



Instrument transformers for Latvia

## New major contracts

- Dalekovod selected as the most competitive bidder for the construction of a new 420 kV transmission line on the Vik – Sogndal section in Norway. The project includes the dismantling of the existing 300 kV line and the construction of a new 420 kV overhead line, spanning 12.5 kilometres.
- Following the successful completion of the design, manufacture, and testing of generators for the Shin Sakagami small hydropower plant, KONČAR has been awarded a new project in Japan – mHE Chidori – further expanding its presence in the Asian hydropower market.
- KONČAR Inc. has signed a turnkey engineering contract for the reconstruction of the 130 kV Flarken substation (PT60) in Sweden, reinforcing its reputation in high-voltage substation projects across Northern Europe.
- A contract has been concluded for the revitalisation of Svarthålsforsen HPP in Sweden and Nuojua HPP in Finland.
- A comprehensive revitalisation contract for the Vidraru Hydropower Plant in Romania has been signed. The scope includes design, manufacturing, delivery, dismantling of existing, and installation of new equipment, as well as testing and commissioning. Awarded through an international tender, the contract is valued at over EUR 188 million, of which KONČAR's share amounts to nearly EUR 80 million. Located on the Argeş River, Vidraru is one of Romania's key hydro assets. The revitalisation will improve plant performance, extend its lifecycle, and bolster national energy security.
- In partnership with the Croatian Transmission System Operator (HOPS), KONČAR has signed a turnkey contract for the reconstruction of the Velebit Pumped-Storage Hydropower Plant. The project is strategically significant for the Group as it involves contributions from multiple KONČAR subsidiaries, showcasing the Group's capacity to deliver integrated, high-complexity energy solutions that enhance system efficiency, reliability, and contribute to the green energy transition.
- Design and construction of another photovoltaic power plant have been contracted – SPP Lipik, a standalone solar facility in the city of Lipik. Developed in cooperation with the City of Lipik, the project supports the development of local sustainable energy infrastructure.
- A contract has been signed with Croatian Railways (HŽ) for the purchase of six electro-diesel multiple units, designed to enhance regional connectivity between Split and Zagreb.
- An agreement has been concluded with the City of Zagreb (ZET) for the delivery of 20 additional low-floor trams, continuing the longstanding collaboration between KONČAR and ZET. To date, 143 low-floor trams have been delivered under this partnership, which also includes ongoing maintenance in cooperation with ZET. This latest contract follows the initial agreement signed in June 2023 for the first batch of 20 new trams, currently in various stages of production.
- The construction of a new 145 kV Tand substation has been contracted for Ellevio AB, a Swedish company for electricity distribution and energy, on a turnkey basis



HPP Vidraru, Romania

## KONČAR Group Strategy 2030: People, Technology, Investment

In 2024, the Supervisory Board of KONČAR Inc. formally adopted, at the proposal of the Management Board, a new long-term strategic framework – *People, Technology, Investment – KONČAR 2030*.

Building upon the foundations of the KONČAR 2020+ Strategy adopted in 2021, this new roadmap sets a bold course for the Group's continued transformation and global expansion. The previous strategy delivered results that significantly outpaced expectations, with several key objectives achieved well ahead of schedule – driven by favourable market dynamics and decisive strategic and operational shifts. The newly adopted 2030 strategy deepens this momentum, positioning KONČAR to emerge as an even more prominent global player with a digitalised portfolio of advanced products, integrated solutions, and high-value services tailored to the energy, transport, and industrial sectors.

KONČAR 2030 strategy *People, Technology, Investment* is anchored on three core strategic pillars designed to propel the Group into its next phase of growth and innovation: Operational excellence through strategic alignment – A comprehensive enhancement of the operational model, focused on strengthening market responsiveness by further developing internal capabilities and deepening integration with strategic external partners. Sustainable investment for technological leadership – Continuation of the Group's disciplined investment cycle aimed at modernising the product portfolio and accelerating its contribution to the energy transition through state-of-the-art technologies. Core business expansion and renewable growth – Reinforcement of KONČAR's core manufacturing and engineering segments through the expansion of production capacities and targeted growth in renewable energy projects. At the heart of this strategy lies a clear commitment to people. The attraction, development, and retention of top talent—and the nurturing of key personnel—will remain a strategic priority, aligned with KONČAR's ambition to be recognised as the desirable employer within its industry.

The 2030 Strategy sets forth ambitious growth projections across all key performance indicators, including the establishment of new international branch offices, an expanded offering of digitally-enabled services, and the continued integration of sustainability and green transition principles into every aspect of the Group's operations. Through this strategy, KONČAR reaffirms its commitment to long-term value creation for all stakeholders, while preserving its role as a critical driver of industrial innovation and economic progress in Croatia and beyond.

### Strategic partnerships, acquisitions, trade fairs, business transformation, and awards

- KONČAR and Siemens Energy have strengthened their long-standing partnership through a new joint venture agreement. Building on a collaboration that began in 1994 through their joint company KONČAR – Power Transformers Ltd. (KPT), the two companies—both pivotal to Europe's green transition – have established a new venture: KONČAR – Transformer tanks Ltd. (KTK). The company will focus on the manufacture and sale of transformer tanks. This strategically significant partnership will enable the expansion of manufacturing capacities, secure a portion of future production for Siemens Energy, facilitate knowledge and skills transfer, enable shared risk management, and position transformer tanks for broader deployment in global markets.
- At InnoTrans 2024 in Berlin, KONČAR showcased its latest advancements in urban mobility and infrastructure, specifically, a battery-electric train and a diagnostic measurement train. Representing the most complex high-tech products ever developed by Croatian industry, these innovations are a testament to the ingenuity and engineering excellence of local professionals. Showcasing in front of over 160,000 attendees from more than 150 countries, KONČAR underscored its role in positioning Croatia within the European high-tech industrial landscape and strengthening national economic competitiveness.
- KONČAR signed an agreement for the acquisition of a majority stake in Adnet Ltd., expanding its portfolio of products, services, and Service Level Agreements (SLAs) in the areas of equipment supply, network and IT infrastructure engineering, implementation, and associated software solutions for the monitoring and management of critical and urban infrastructure systems.
- As of 1 July 2024, KONČAR – Engineering Ltd. for manufacturing and services and KONČAR – Energy and Services Ltd. were merged into KONČAR Inc. as the acquiring entity. The new organisational-operational model is expected to strengthen Group-wide synergy and enhance the delivery of complex, high-value-added engineering solutions.
- At the 19th Convention of Croatian Exporters, KONČAR – Distribution and Special Transformers Inc. was awarded the "Golden Key" as the best large exporter in 2023. KONČAR – Instrument Transformers Inc. was also honoured with a Golden Key award for its success on the Canadian market.
- KONČAR – Distribution and Special Transformers Inc. received the Golden Kuna Award from the Croatian Chamber of Economy (HGK) and the Golden Kuna Charter from the Zagreb Chamber for its overall business excellence in 2023. In addition, it was recognised with HGK's ESG Rating Award for setting a national benchmark in sustainable business practices.
- Mr. Gordan Kolak, CEO, was named Businessperson of the Year, acknowledging his leadership in driving KONČAR's strategic transformation and sustainable growth.
- KONČAR was honoured with the Zagreb Stock Exchange's 2024 "Golden Share of the Year" award, and, for the second consecutive year, received recognition from the Croatian Financial Services Supervisory Agency (HANFA) for exemplary compliance with the Corporate Governance Code.
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### Management Board appointments

At the end of 2023, the Supervisory Board adopted a resolution appointing the new Management Board for a four-year term commencing on 21 January 2024. Mr. Gordan Kolak was reappointed as President of the Management Board, while current Board Members Mr. Miki Huljić and Mr. Josip Lasić were also confirmed for a new term. Two new members joined the Management Board: Mr. Petar Bobek, formerly a member of the Management Board at KONČAR – Distribution and Special Transformers Inc., the Group's most successful subsidiary, and Mr. Ivan Paić, formerly Vice President for Global Project Sales at Schneider Electric.

At its session held on 18 October 2024, the Supervisory Board acknowledged the resignation of Mr. Josip Lasić, Management Board Member responsible for Finance, effective as of 31 December 2024, following his appointment to a new position outside KONČAR Group.

At the same session, Mr. Mario Radaković submitted his resignation from the Supervisory Board, also effective 31 December 2024, and was appointed as Member of the Management Board for Finance, for the term beginning 1 January 2025 through 21 January 2028. Mr. Radaković had served as a Member of KONČAR Inc.'s Supervisory Board since 2020.



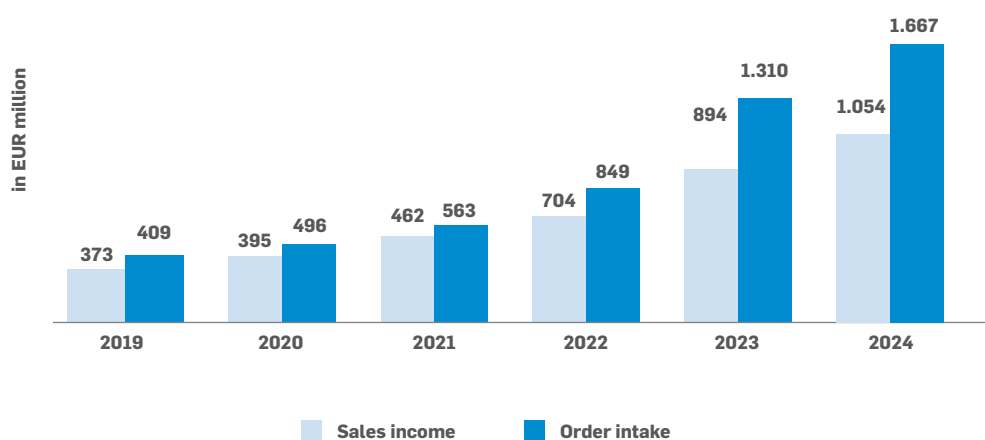


# KONČAR Group key performance indicators in 2024

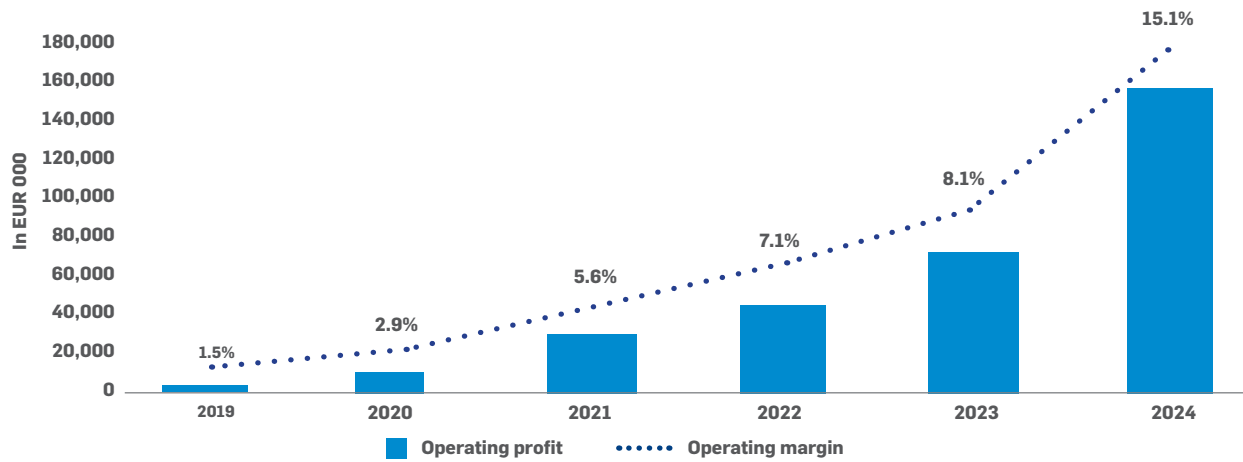
in EUR 000	KONČAR GROUP							CAGR 2024/2019
	2019	2020	2021	2022	2023	2024	2024/2023	
	1	2	3	4	5	6	7	
<b>Operating income</b>	<b>381,842</b>	<b>401,655</b>	<b>471,731</b>	<b>725,260</b>	<b>908,029</b>	<b>1,066,153</b>	<b>17.4%</b>	<b>22.8%</b>
Sales income - total	373,077	394,526	461,537	703,872	894,079	1,054,377	17.9%	23.1%
Sales income - export	219,055	245,483	273,772	430,543	579,149	742,214	28.2%	27.6%
<b>Operating expenses</b>	<b>376,266</b>	<b>390,346</b>	<b>445,984</b>	<b>675,346</b>	<b>835,741</b>	<b>906,546</b>	<b>8.5%</b>	<b>19.2%</b>
EBIT	5,576	11,309	25,747	49,914	72,288	159,607	120.8%	95.6%
Operating margin	1.5%	2.9%	5.6%	7.1%	8.1%	15.1%		
Net profit	6,908	16,932	28,056	49,128	70,902	164,353	131.8%	88.5%
Net margin	1.9%	4.3%	6.1%	7.0%	7.9%	15.6%		
Normalized net profit	9,676	18,004	30,122	42,853	86,782	172,652	98.9%	77.9%
Net margin normalized	2.6%	4.6%	6.5%	6.1%	9.7%	16.4%		
Depreciation and amortization	12,142	12,947	12,912	16,906	19,136	25,072	31.0%	15.6%
<b>EBITDA</b>	<b>17,718</b>	<b>24,255</b>	<b>38,659</b>	<b>66,820</b>	<b>91,424</b>	<b>184,679</b>	<b>102.0%</b>	<b>59.8%</b>
EBITDA margin	4.7%	6.1%	8.4%	9.5%	10.2%	17.5%		
EBITDA normalized <sup>1</sup>	20,486	25,327	40,724	60,546	107,304	192,978	79.8%	56.6%
EBITDA normalized margin <sup>1</sup>	5.5%	6.4%	8.8%	8.6%	12.0%	18.3%		
<b>Order intake</b>	<b>408,682</b>	<b>495,713</b>	<b>562,544</b>	<b>848,531</b>	<b>1,310,074</b>	<b>1,667,411</b>	<b>27.3%</b>	<b>32.5%</b>
<b>Backlog<sup>2</sup></b>	<b>462,566</b>	<b>563,752</b>	<b>661,901</b>	<b>1,006,543</b>	<b>1,422,538</b>	<b>2,035,572</b>	<b>43.1%</b>	<b>34.5%</b>
Book -to- bill-ratio	1.1	1.3	1.2	1.2	1.5	1.6		

EBITDA normalizirana<sup>1</sup>: Normalized EBITDA is defined as EBITDA adjusted by deducting gains from asset disposals, compensation income, and gains from bargain purchases, and increased by impairment of non-current and current assets, as well as the net effect of provisions  
 Backlog<sup>2</sup>: as at 31 December

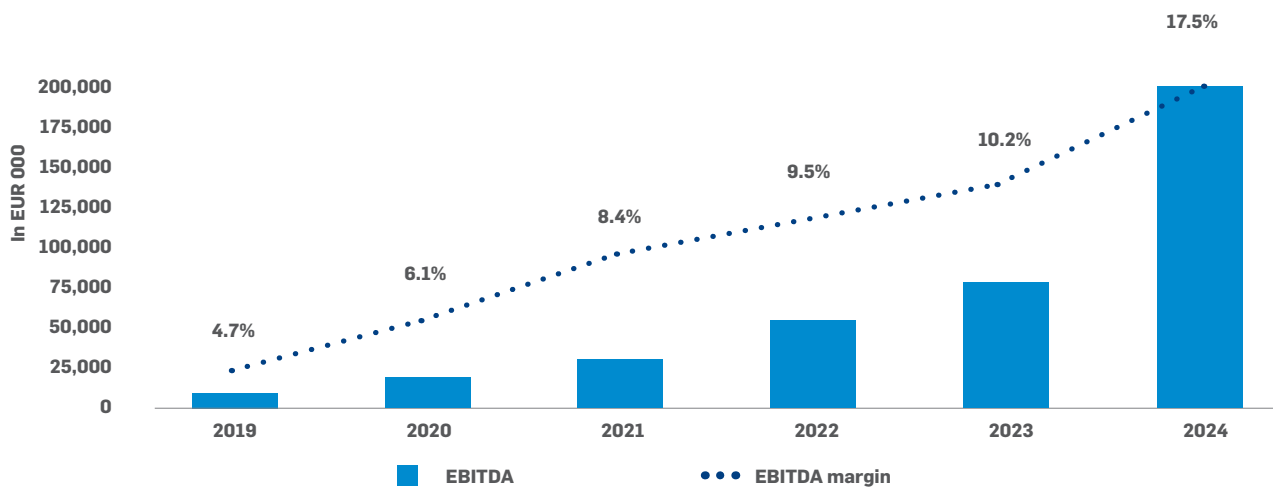
Order intake/Income



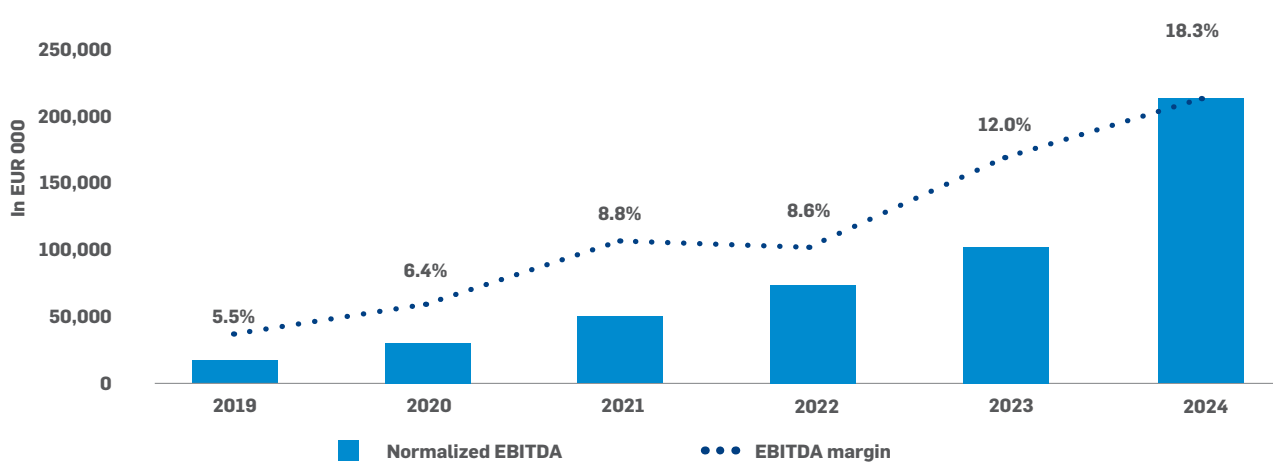
## Operating Profit



## EBITDA



## Normalized EBITDA



# Group results

## Operating Income

In the 2024 financial year, the KONČAR Group recorded total operating income of EUR 1,066.2 million, representing a year-on-year increase of EUR 158.1 million, or 17.4%, compared to the total operating income reported in 2023. The key components of operating income are as follows:

- Revenue from the sale of products and services (consolidated) amounted to EUR 1,054.4 million, which is EUR 160.3 million or 17.9% higher year-on-year. This category continues to represent the principal source of operating income, reflecting strong commercial performance across key business segments.
- Other operating income totalled EUR 11.8 million, representing a decline of EUR 1.4 million year-on-year. In 2023, this category included several non-recurring income items – primarily gains from the disposal of non-core assets, insurance compensation, and reversals of inventory impairment – as well as income from material sales, lease income, and physical inventory surpluses.
- Financial income for the reporting period amounted to EUR 5.3 million, up EUR 2.0 million year-on-year

## Operating Expenses

In 2024, the KONČAR Group recorded total operating expenses in the amount of EUR 906.5 million, reflecting a year-on-year increase of 8.5% compared to 2023. Breakdown of operating expenses:

- Material costs, which include the cost of raw materials and supplies, cost of goods sold, and other external services, amounted to EUR 625.2 million, an increase of EUR 5.9 million, or 1.0% year-on-year. The share of total material costs in adjusted sales revenue (sales revenue adjusted for changes in inventory value) was 58.8%, down by 8.2 percentage points compared to the prior year. Notably, due to a slight downward trend in prices of key raw materials and components in 2024, the share of raw materials and supplies in adjusted sales revenue decreased to 42.5%, representing a year-on-year decline of 9.2 percentage points. The cost of goods sold remained relatively stable, accounting for 4.4% of adjusted sales revenue (compared to 4.7% in the same period of 2023).
- Personnel expenses totalled EUR 208.4 million, marking an increase of EUR 46.5 million, or 28.7% year-on-year. Personnel expenses accounted for 19.6% of sales revenue, which is 1.7 percentage points higher than the previous year. This increase is primarily attributed to workforce expansion and higher employee compensation across Group companies. The average number of employees in 2024 was 5,382 (compared to 4,888 in 2023).
- Other operating expenses amounted to EUR 52.9 million, an increase of EUR 0.4 million year-on-year. This category includes expenses related to per diems for business travel, provisioning effects, intellectual services, insurance premiums, banking and transaction services, non-production-related services, and other general and administrative costs.

## Share of Profit from Equity-Accounted Investments

The associated company delivered a significantly improved financial performance compared to the prior year, recording net profit after tax of EUR 51.8 million (2023: EUR 23.1 million). Under the equity method of accounting, the Group's total share of profit from associates and joint ventures amounted to EUR 34.2 million, representing a year-on-year increase of EUR 20.9 million.

## Operating Profit, EBITDA, and Net Profit

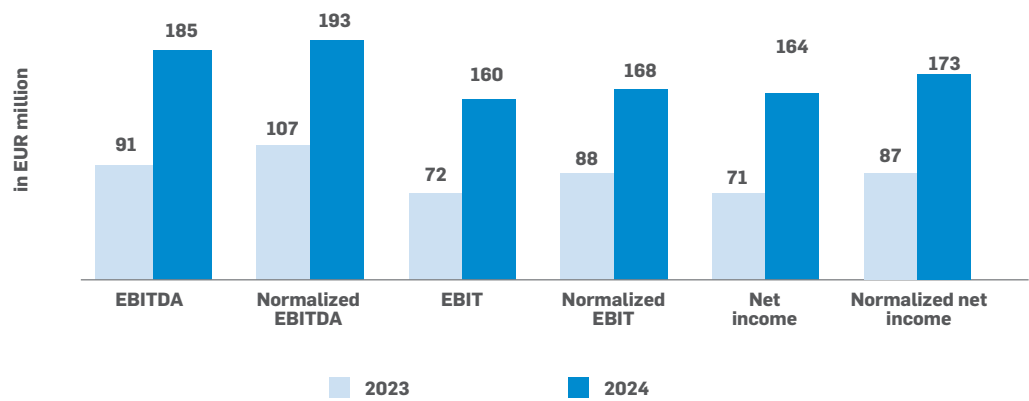
This robust sales performance underpinned a further rise in profitability.

- Operating profit (EBIT) for the year amounted to EUR 159.6 million, marking a year-on-year increase of 120.8% compared to 2023. The EBIT margin rose by 7 percentage points, reaching 15.1%.
- Reported net profit totalled EUR 164.4 million, reflecting a 131.8% increase relative to the previous year.
- EBITDA reached EUR 184.7 million, up EUR 93.3 million year-on-year, while the EBITDA margin improved to 17.5%, compared to 10.2% in 2023. Normalized EBITDA amounted to EUR 193.0 million, an increase of EUR 85.7 million, or 79.8%, compared to normalized EBITDA achieved in 2023. The normalized EBITDA margin rose to 18.3%, up from 12.0% in the prior year.

Normalized performance indicators are calculated by adjusting reported figures for the effects of one-off gains from asset disposals, compensation income, and are increased by impairments of non-current and current assets, as well as net provisions.



Profitability indicator



## Assets and Liabilities

As at 31 December 2024, the total assets of the KONČAR Group amounted to EUR 1,247.6 million, representing an increase of EUR 228.2 million, or 22.4%, compared to the position as at 31 December 2023. Total equity and reserves stood at EUR 650.1 million, up EUR 119.1 million year-on-year.

Total liabilities—including both non-current and current – amounted to EUR 597.6 million, which is EUR 109.2 million higher than at year-end 2023. As at the reporting date, the Group's cash and cash equivalents amounted to EUR 148.0 million, ensuring continued financial stability and operational flexibility.

## Net Debt

The net debt to normalized EBITDA ratio serves as a key indicator of the Group's financial leverage and reflects KONČAR's ability to service and repay its financial obligations.

in EUR 000	31/12/2023	31/12/2024	Δ
Non-current liabilities for loans	46	1	-45
Non-current liabilities to banks and other financial institutions	35,206	29,044	-6,162
Non-current liabilities for future lease payments	688	461	-227
<b>TOTAL Non-current liabilities</b>	<b>35,940</b>	<b>29,506</b>	<b>-6,434</b>
Liabilities to banks and other financial institutions	51,237	41,358	-9,879
Interest payable	1,210	207	-1,003
Current liabilities for future lease payments	366	279	-87
<b>TOTAL Current liabilities</b>	<b>52,813</b>	<b>41,844</b>	<b>-10,969</b>
<b>TOTAL DEBT</b>	<b>88,753</b>	<b>71,350</b>	<b>-17,403</b>
Cash	153,824	147,964	-5,860
Current financial assets	536	80,666	80,130
<b>NET DEBT</b>	<b>-65,607</b>	<b>-157,280</b>	<b>-91,673</b>
<b>Net debt / EBITDA normalized</b>	<b>neg</b>	<b>neg</b>	

## Current Assets to Current Liabilities Ratio

The ratio of current assets to current liabilities is an indicator that the KONČAR Group is liquid and has the financial capacity to settle its short-term obligations with short-term assets and ensure further growth.

in EUR 000	31/12/2023	31/12/2024	Δ
Current assets	706,014	881,517	175,503
Current liabilities	413,781	531,199	117,418
<b>Current ratio</b>	<b>1.7</b>	<b>1.7</b>	

## Cash Flow

The cash balance at the end of 2024 is EUR 5.9 million less. Operating cash flow growth. Cash receipts from operating activities increased by EUR 55.9 million compared to 2023.

in EUR 000

Cash flow from operating activities	31/12/2023	31/12/2024	Δ
Cash receipts from operating activities	999,365	1,169,903	170,538
Other cash payments from operating activities	-844,447	-959,083	-114,636
<b>Net cash flow from operating activities</b>	<b>154,918</b>	<b>210,820</b>	<b>55,902</b>
Net cash flow from investment activities	-17,714	-153,322	-135,608
Net cash flow from financing activities	-40,644	-63,357	-22,713
Cash and cash equivalents at beginning of the reporting	57,263	153,823	96,560
<b>Cash and cash equivalents at end of the reporting</b>	<b>153,823</b>	<b>147,964</b>	<b>-5,859</b>



## Investment Cycle

In 2024, the KONČAR Group continued the implementation of its multi-year investment cycle, with a clear strategic focus on modernising production capacities and advancing its digital transformation agenda. Capital expenditures (CAPEX) for the year amounted to EUR 43.9 million.

In line with the Group's commitment to the energy transition and sustainable development, a significant portion of investments was directed toward green CAPEX – specifically, projects aimed at improving energy efficiency and working conditions, most notably through the deployment of photovoltaic systems and expanded use of renewable energy sources.

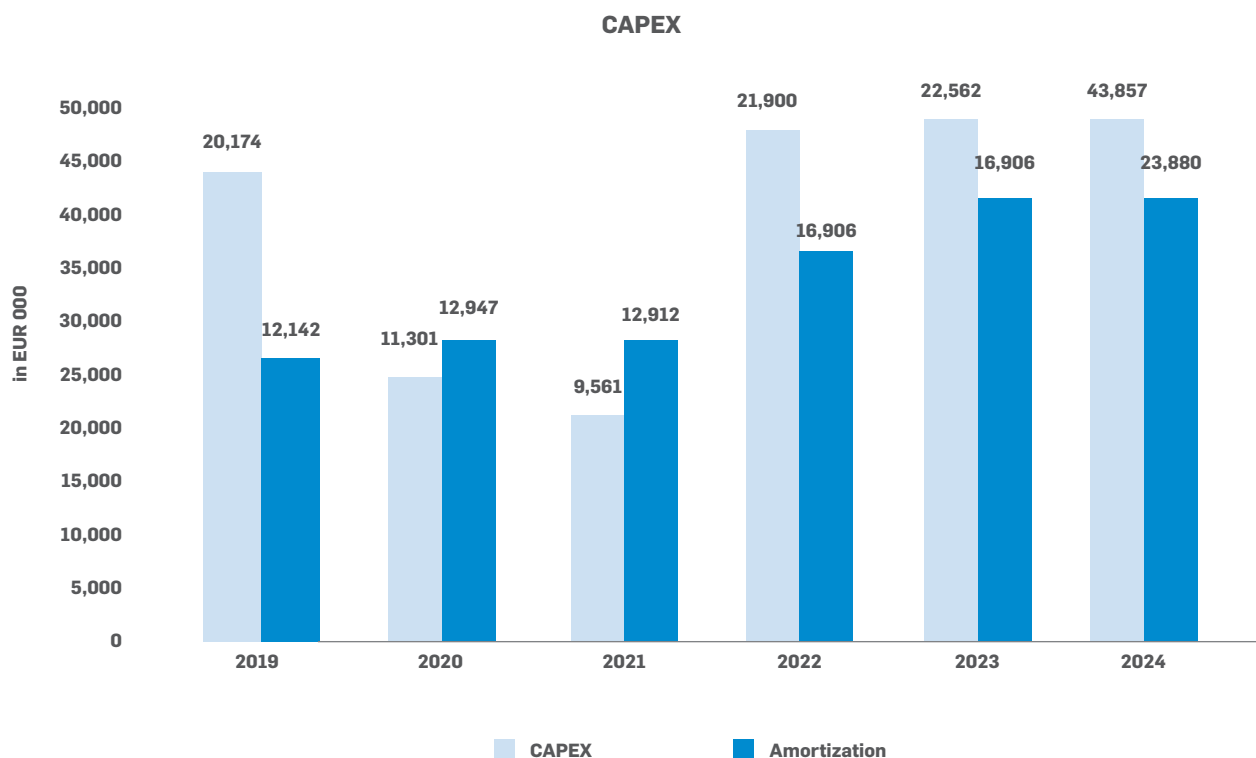
The largest share of 2024 investments was allocated to: Acquisition of new machinery and production equipment, energy efficiency upgrades and expansion of production capacities across multiple Group subsidiaries. Ongoing investments were also made in rooftop photovoltaic plants installed at several manufacturing facilities.

Over the past six years, total investments have amounted to EUR 129.4 million, focused on the following strategic priorities:

- Development of new products, technologies, and production capabilities – essential for the delivery of long-term sales targets.
- Acquisition of machinery and equipment and investment in energy efficiency projects.
- Expansion of production and warehousing capacities at KONČAR – Distribution and Special Transformers, KONČAR – Electric Vehicles, and KONČAR – Instrument Transformers.
- Construction and full equipping of the LAVESP Laboratory at the KONČAR – Electrical Engineering Institute.
- Investment in manufacturing infrastructure at KONČAR – Generators and Motors and KONČAR – Metal Structures.
- Development and procurement of technology and components for battery-electric and hybrid trains.
- Solar energy deployment across multiple industrial sites.

KONČAR recognises investment in research and development as a strategic, long-term commitment to innovation in targeted areas. These efforts are designed to secure sustainable, profitable growth and build new organisational competencies, thereby reinforcing the Group's resilience and growth potential.

The investment cycle will continue in 2025, with planned capital investments exceeding EUR 80 million, primarily directed toward further capacity expansion and production optimisation.



## Market Position

In 2024, the KONČAR Group achieved consolidated revenue from the sale of products and services in the amount of EUR 1,054.4 million, representing a year-on-year increase of EUR 160.3 million, or 17.9%, compared to 2023.

Revenue from domestic sales amounted to EUR 312.2 million, which is EUR 2.8 million or 0.9% lower than in the previous year. The share of domestic sales in total revenue continued to decline, amounting to 29.6% for the reporting period, compared to 35.2% in the same period of 2023.

Within domestic sales: Revenue from sales to entities within the HEP Group totalled EUR 122.2 million, accounting for 11.6% of total consolidated revenue from products and services. This represents a year-on-year decrease of EUR 4.3 million, or 3.4% compared to 2023.

Revenue generated from sales to the HŽ Group amounted to EUR 59.2 million, or 5.6% of total revenue. Compared to the prior year, this reflects a decline of EUR 10.5 million, or 15.1%. The majority of this revenue is attributable to the delivery of contracted trains for HŽ Passenger Transport.

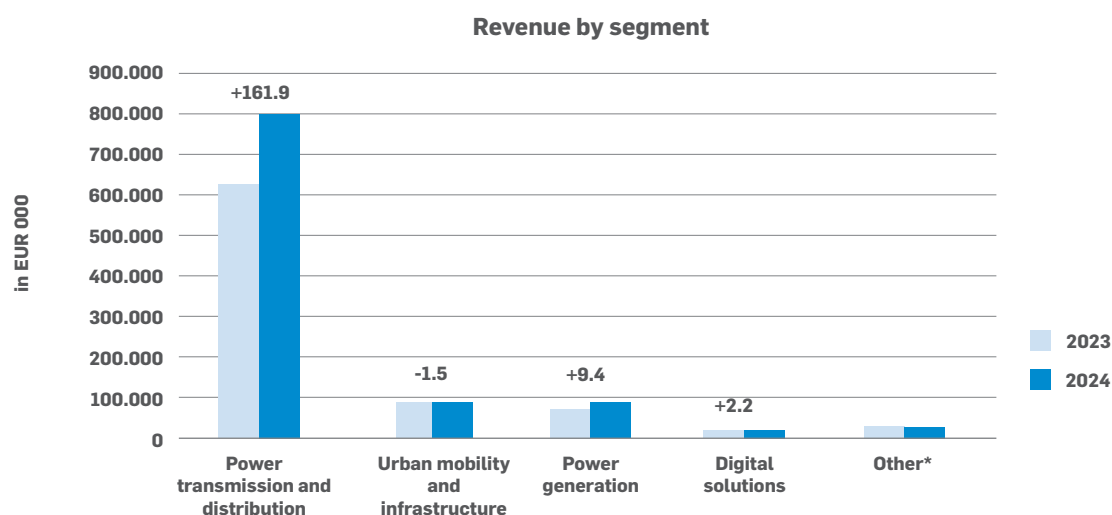
Revenue from international sales reached EUR 742.2 million, marking a year-on-year increase of EUR 163.1 million, or 28.2%. In 2024, the share of revenue from international markets in total sales of products and services reached 70.4%, up from 64.8% in the same period of 2023.

Compared to the previous year, export revenue increased across nearly all geographic regions, with the exception of Asia and Africa, where revenue remained broadly in line with 2023 levels. The most substantial increase in export revenue was recorded in the European Union, where export sales rose by EUR 133.0 million year-on-year. Total exports to EU member states amounted to EUR 551.7 million, representing: 74.3% of total exports, and 52.3% of the Group's total consolidated revenue from the sale of products and services in 2024.

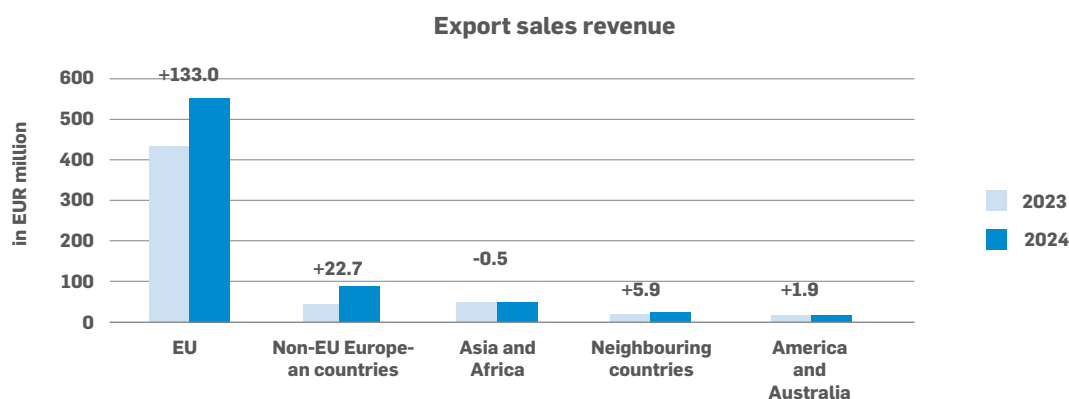
Individually by country, Germany remained the leading export destination in 2024, with goods and services sold totalling EUR 130.6 million, or 17.6% of total export revenue. Sweden followed, with exports amounting to EUR 109.7 million, representing 14.8% of total exports. Austria accounted for EUR 62.5 million, or 8.4%, while exports to the Netherlands reached EUR 39.1 million, making up 5.3% of total export revenue.

In 2024, the upward trend in contracted volumes on international markets continued, creating a strong foundation for further export growth in the upcoming periods.

When analysing income by business segment, the Transmission and Distribution of Electricity segment remained the dominant contributor, delivering exceptional results. Revenue in this segment reached EUR 803.4 million, accounting for 76.2% of the Group's total operating income, and reflecting a year-on-year increase of EUR 161.9 million. The segment's financial performance was even more notable, with net profit increasing by EUR 89.4 million compared to the previous year. In the Electricity Generation segment, revenue increased by EUR 8.6 million year-on-year. Following a net loss in 2023, the segment returned to profitability in 2024, recording net profit of EUR 4.9 million.



In 2024, the KONČAR Group recorded a total value of newly contracted business amounting to EUR 1,667.4 million, representing a year-on-year increase of EUR 357.3 million compared to the same period in 2023.



The book-to-bill ratio for the year stood at 1.6, indicating that the value of order intake significantly exceeded the value of delivered projects, thereby strengthening the Group's forward visibility and ensuring a strong basis for future revenue generation. The increase in order intake was recorded across nearly all Group companies.

On the domestic market, the value of order intake reached EUR 404.8 million. The most substantial share was attributed to contracts with entities within the HEP Group, amounting to EUR 187.3 million, which represents 11.2% of total new order intake. Among the most significant contracts secured on the domestic market in 2024 is the EUR 39.9 million agreement for the delivery of an additional 20 low-floor trams to ZET (Zagreb Electric Tram), marking the continuation of KONČAR's long-standing collaboration with the City of Zagreb and ZET. This follows the initial contract, signed in June 2023, for the supply of the first 20 units. Also notable is the EUR 57.3 million contract with HŽ (Croatian Railways) for the supply of six electro-diesel multiple units, further reinforcing KONČAR's position in the national passenger transport segment. Additionally, a EUR 14.2 million contract was signed with HEP for the delivery of equipment and execution of works on the reconstruction of the Velebit Pumped-Storage Hydropower Plant (RHE Velebit) – a strategically important undertaking that highlights the Group's capabilities in delivering complex energy infrastructure projects.

In 2024, the KONČAR Group secured new international contracts totalling EUR 1,262.6 million, with the European Union market accounting for the majority – EUR 963.6 million, which represents an increase of EUR 198.2 million compared to 2023. The EU's share in total contracted value on international markets stood at 76.3%.

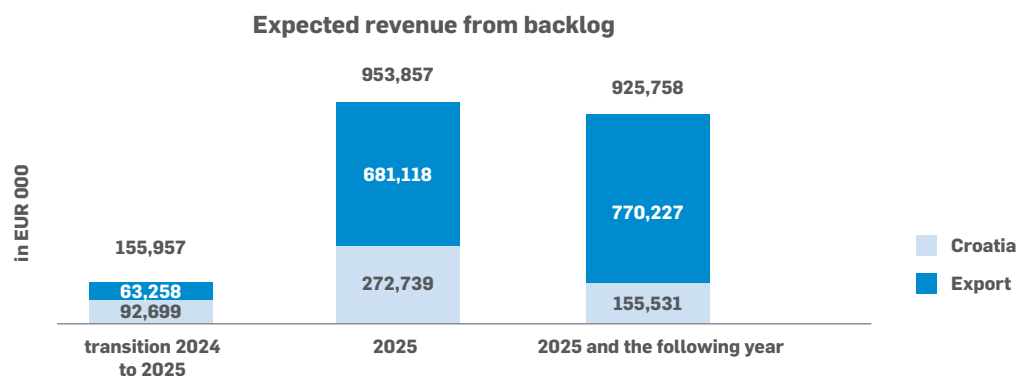
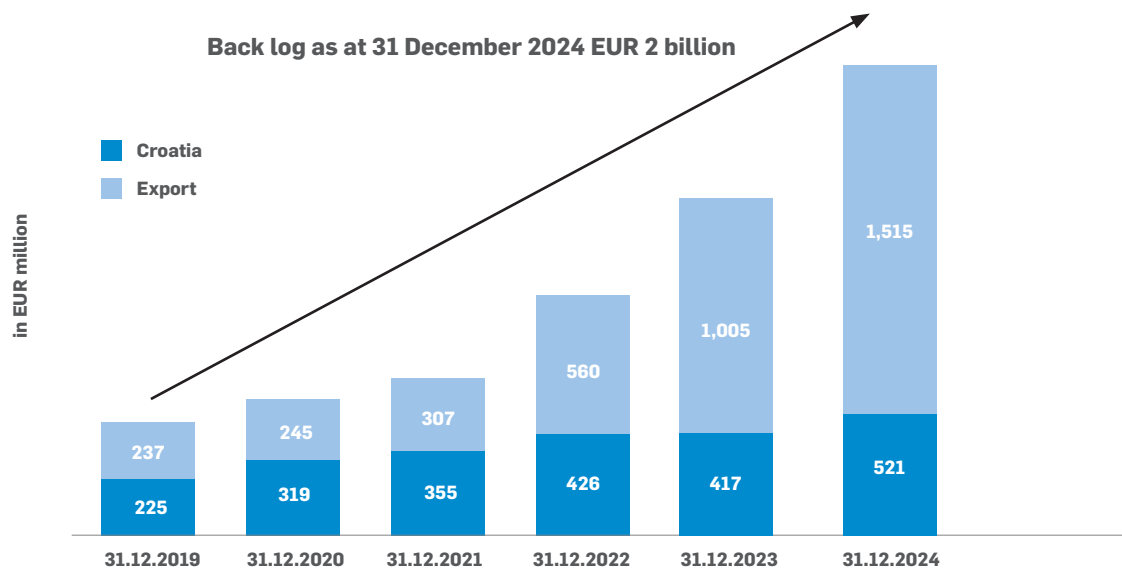
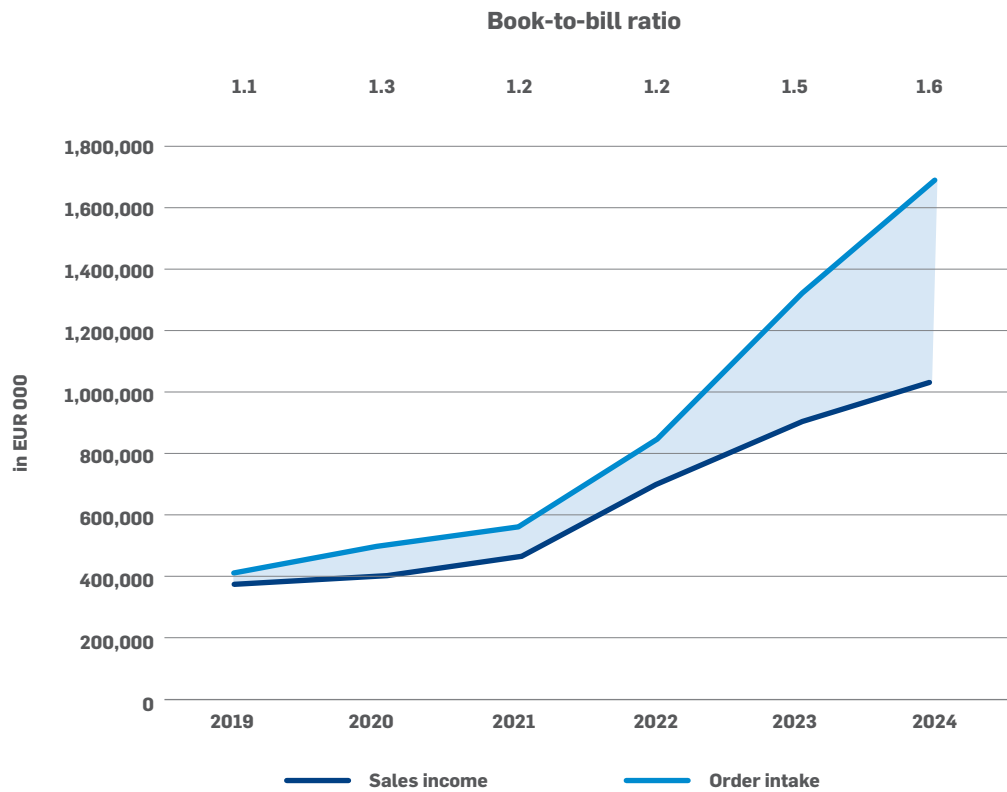
Compared to the same period last year, contract volume increased across all major international regions. In the European Union, new orders rose by 26%, reaching EUR 963.6 million. In non-EU European countries, contracted business grew by 33% to EUR 133.6 million, while neighbouring countries recorded a particularly strong increase of 137%, with newly contracted business totalling EUR 85.2 million.

Individually by country, Germany remained the largest single export market, with newly contracted business totalling EUR 306.6 million. The book-to-bill ratio in Germany remained exceptionally strong at 2.3, confirming the Group's robust positioning and sustained growth trajectory in that market. Contracting activity was also significant in Sweden, where new orders amounted to EUR 177.1 million. Additional notable results include EUR 111.3 million in Romania, EUR 106.2 million in the Netherlands, and EUR 106.1 million in Norway.

As at 31 December 2024, the Group's order backlog stood at EUR 2,035.6 million, representing an increase of 43.1% compared to the beginning of the year, and EUR 613.0 million higher than the backlog reported at 31 December 2023 (EUR 1,422.5 million). This substantial growth reflects the Group's successful commercial strategy, strong demand for its high-value solutions, and a robust pipeline of future revenue.

As at 31 December 2024, within the total order backlog, contracts scheduled for execution in 2025 amount to EUR 1,109.8 million. The planned revenue from the sale of products and services for 2025 exceeds EUR 1.1 billion, reflecting a strong alignment between secured orders and operational delivery capacity. Contracts scheduled for execution in subsequent years total EUR 925.8 million, representing 45.5% of the total order backlog at year-end.





# Risk management

KONČAR recognises the critical importance of continuously strengthening its integrated Enterprise Risk Management (ERM) system, designed to identify, assess, and manage the full spectrum of risks to which the Group is exposed. Risk management is embedded as a core component of the Group's overall governance framework and plays a key role in supporting effective corporate management and the achievement of strategic objectives and stakeholder expectations.

The Group's Risk Management Policy is rooted in a long-term commitment to sustainable growth and the creation of economic value, while consciously avoiding undue exposure to risks that are not aligned with its strategic objectives.

The Risk Management Rulebook and Risk Management Policy, which are fully aligned with the ISO 31000:2018 standard (Risk Management – Guidelines) and the principles of Enterprise Risk Management (ERM), are subject to ongoing review and refinement. This ensures that the potential impact of each identified risk on the Group's operations is regularly reassessed and appropriately addressed. In line with the Policy, risk management across the KONČAR Group is defined as:

- Integrated: Embedded across all business processes and decision-making activities, risk management is structured and comprehensive, reflecting both the internal and external context of the Group, and based on the best available data and insights.
- Inclusive: The process engages a wide range of stakeholders – from the Management Board and Supervisory Board to sector and division directors, department and workshop managers, employees across all levels, and external stakeholders—ensuring broad ownership and a culture of risk awareness.
- Dynamic: Recognising that the risk landscape evolves, the system is designed to respond to emerging risks, changes in existing exposures, or the resolution of previous uncertainties, in line with shifts in the Group's internal and external environment.
- Improvement-oriented: The framework is underpinned by a commitment to continuous improvement, driven by organisational learning, feedback loops, and accumulated experience across the Group.

In line with its business strategy and long-term objectives, KONČAR adopts a moderate (average) risk tolerance, carefully balancing value creation with the need to maintain operational resilience and stakeholder trust.

The lowest tolerance for risk applies in areas related to safety, compliance, and regulatory obligations, particularly concerning employee health and safety. A slightly higher, yet still controlled, risk appetite is accepted in the pursuit of strategic and operational objectives. This prioritisation reflects the Group's commitment that any risks arising from its systems, assets, products, or working environment must be reduced to reasonably practicable levels, and that compliance with legal and regulatory requirements takes precedence over other business priorities.

In accordance with KONČAR's established risk management methodology, the Risk Register is continuously updated and maintained. Key strategic, operational, and financial risks are regularly identified, assessed, and evaluated. For each risk, mitigation measures are defined, and risk owners are assigned to ensure active and accountable risk governance. This process is applied across all organisational units within the Group.

To ensure consistent and effective risk management, all KONČAR Group companies operate in line with the following core principles:

- Risk management is an integral part of corporate management processes and embedded in strategic and operational planning.
- It is an essential component of decision-making at all levels of the organisation.
- Risk management addresses all areas where uncertainty exists and may impact objectives.
- It is structured, systematic, and timely, ensuring early detection and mitigation.
- The system is based on reliable, accurate, and accessible information and data.
- Risk management is tailored to the specific operational and strategic context.
- It accounts for human and cultural factors that influence risk dynamics and response.
- The process is transparent and inclusive, engaging all relevant stakeholders.
- It is dynamic and responsive, adapting to emerging risks and contextual shifts.
- It supports continuous improvement, reinforcing learning, development, and resilience.

Across all KONČAR Group companies, active monitoring and management of the balance sheet structure, liquidity position, and capital adequacy are integral to maintaining financial resilience. Measures are continuously assessed and implemented to prevent or mitigate the root causes of potential illiquidity, while ensuring that each company maintains sufficient long-term funding sources, aligned with the scale and nature of its operations. Capital adequacy is monitored on a regular basis to support sustainable financial health and business continuity.

At the Group level, the structure of financing remains sound: long-term sources of funds – including equity, long-term provisions, and non-current liabilities – exceed the value of non-current assets and the average inventory balance. This reflects a well-aligned maturity structure of sources of financing and a prudent approach to capital management. The composition of the consolidated balance sheet demonstrates the Group's solid financial stability and ability to support strategic investments and operational needs over the long term.

KONČAR Group entities manage financial risks through systematic monitoring of business processes and the use of internal risk reporting mechanisms, which identify and analyse exposure based on the likelihood and materiality of potential risks. This structured approach ensures proactive mitigation and reinforces the Group's ability to manage financial volatility and external uncertainties.

## Market Risk

Market risk arises from the potential for financial loss due to adverse economic conditions and a decline in demand across domestic or international markets.

KONČAR Group companies operate in both the Croatian and global markets, with core business activities focused on the production of equipment and solutions for the energy and transport sectors. The scale of production is strongly correlated with investment cycles in these sectors. Periods of strong investment activity are generally associated with favourable contracting conditions, while economic recessions and global crises typically lead to contracting challenges, often accompanied by pressure on profit margins.

The Group is also exposed to the risk of market contraction or closure in certain regions due to geopolitical instability, which may lead to a reorientation of procurement policies that favour domestic suppliers, limiting access to previously open markets.

In 2024, the market for power equipment remained highly competitive, with persistent downward pressure on prices and margins, further exacerbated by volatile input costs, particularly for key raw materials. Competitive dynamics are also influenced by changing operating conditions – not only within the KONČAR Group but also among its clients, whose procurement behaviour can shift in response to evolving regulatory, financial, or environmental conditions.

Despite these challenges, 2024 was marked by elevated demand for transformers and power equipment, driven primarily by significant investments in renewable energy and e-mobility infrastructure across the EU. Compared to the previous year, prices of critical raw materials stabilised to some extent, although supply chain risks remained pronounced. The risk of delays or disruptions in the supply chain continues to be a material concern, stemming from unforeseen events such as natural disasters, pandemics, geopolitical conflicts, sabotage, cyber incidents, operational failures, or bottlenecks along global trade routes.

## Procurement Market Risk

Risks related to the procurement market remained pronounced throughout the 2024 financial year.

The primary issue stemmed from supply chain instability, which manifested in extended lead times for the procurement of certain key components.

Additionally, the prices of essential raw materials and inputs – particularly copper, aluminium, transformer core steel, transformer oil, insulation materials, and steel—were marked by high volatility. These commodities experienced significant price increases and, at times, sharp declines within relatively short periods, driven by global market speculation, geopolitical developments, and demand fluctuations. To mitigate the exposure to sudden price shifts, the Group has adopted several risk management mechanisms tailored to its procurement and sales structures. The main challenges were related to unstable supply chains, which is reflected in longer procurement times for individual components.

The prices of the main raw materials and materials from which the majority of the main products are produced (copper, aluminum, transformer sheet, transformer oil, insulation, steel, etc.) are volatile, with significant growth, and sometimes sudden decline, in relatively short periods. Given the options available to it, the Group protects itself from the risk of sudden changes in the prices of strategic raw materials in several ways. The most important way is to introduce sliding formulas for materials in purchase and sale contracts with customers. In the case of copper, the risk mitigation policy for those contracts where there is no sliding formula is such that, given that it is a raw material listed on the London Metal Exchange, contracting with suppliers through forward contracts for quantities and prices for future periods according to the status and estimates of the contract. In the case of sheet metal and some other important procurement parts, semi-annual contracts with suppliers are used to reduce this risk and ensure the necessary quantities. Changes in material prices are included in calculations when creating new product offers.

## Technological and Development Risks

KONČAR Group recognises the importance of maintaining a competitive edge in technology and innovation and is therefore committed to actively mitigating the risk of technological and development obsolescence. Looking ahead, the Group will continue to allocate significant funds toward the development of new products and the enhancement of existing solutions, in full alignment with the Group's long-term Strategy and its associated business segment initiatives.

## Human Capital Risk

KONČAR Group recognises human capital as a strategic asset, and is therefore highly attuned to risks associated with workforce dynamics.

Sudden or significant turnover of employees with specialised expertise could adversely impact business continuity, particularly in technical areas critical to the Group's operations. The ongoing shortage of qualified professionals, especially in engineering and other technical fields, remains a structural challenge across the industry in which KONČAR operates. The Group's long-term success is, in part, dependent on its ability to attract, develop, and retain top talent – including engineers, technical experts, and other highly skilled professionals.

To mitigate this risk, KONČAR continuously invests in education and professional development, while also implementing targeted compensation and incentive strategies to retain key personnel and preserve organisational knowledge.

## Capital Management Risk

KONČAR Group manages its capital with the objective of ensuring long-term business continuity while maximising shareholder returns through the optimisation of its capital structure. Capital management includes continuous assessment and adjustment in response to changing macroeconomic conditions and the risk profile of the Group's assets.

## Foreign Currency Risk

Foreign currency (FX) risk was more pronounced prior to Croatia's adoption of the euro, due to the Group's high share of exports and imports denominated in foreign currencies.

To mitigate FX risk, the Group employs a combination of forward contracts with banking partners and internal hedging techniques, including the matching of foreign currency inflows and outflows, as well as balancing monetary items in foreign currencies within the consolidated balance sheet.

## Interest Rate Risk

Certain KONČAR Group companies are exposed to interest rate risk, as a portion of existing loans is contracted at variable interest rates, while a significant part of the Group's assets is non-interest-bearing.

To mitigate this exposure, the Group favours fixed-rate financing arrangements where feasible, thereby reducing sensitivity to market rate fluctuations. Given the Group's low overall indebtedness, its exposure to interest rate volatility is limited, and the estimated financial impact of reasonably probable changes in interest rates is not considered material.

## Credit Risk

Credit risk represents the risk that one party to a contractual relationship will fail to meet its financial obligations, potentially causing a financial loss to the other party. To mitigate this risk, the KONČAR Group follows a prudent commercial policy by primarily engaging with creditworthy counterparties, thereby significantly reducing the likelihood of losses arising from payment defaults. The Group utilises credit ratings and assessments obtained from specialised rating agencies, chambers of commerce, and publicly available financial data. Additionally, it leverages its internal customer database to regularly assess and rank key customer based on payment history and financial reliability. The impact of credit risk on the Group is continuously monitored, including any changes in the credit profile of counterparties. As a standard practice, transactions are executed with financially sound partners, and appropriate payment security instruments – such as letters of credit (L/Cs), bank guarantees, or other forms of collateral – are obtained where necessary. Exposure to credit risk is primarily influenced by the individual characteristics of each customer. The Group companies regularly assess expected credit losses on receivables and investments, and apply impairment allowances in accordance with internal risk



evaluation models.

### **Liquidity Risk**

Liquidity risk is the risk that Group companies may be unable to meet their financial obligations as they fall due. Responsibility for liquidity risk management lies with the Management Boards of individual Group companies. To mitigate this risk, the Group maintains a disciplined approach by continuously monitoring projected cash flows and aligning them with actual cash inflows and outflows, thereby ensuring that short-term and long-term liquidity needs are adequately covered. KONČAR Group as a whole is not currently exposed to material liquidity risk.

## **2025 business plan and outlook**

At its session held on 17 December 2024, the Supervisory Board of KONČAR Inc., acting on the proposal of the Management Board, approved the consolidated business plan of the KONČAR Group for 2025.

The 2025 plan builds on the Group's exceptionally strong backlog, which is expected to exceed EUR 2.1 billion by year-end 2024. Total consolidated revenue for 2025 is projected to exceed EUR 1.1 billion, with export sales expected to remain the dominant source of income. The share of exports in total revenue from the sale of products and services is forecast to exceed 70%. The European Union will continue to be the Group's most important export market, with Germany, Sweden, Norway, and the Netherlands identified as the key individual countries. Growth is also anticipated across all other international markets.

Continued implementation of the European Green Deal and rising investments in decarbonisation, renewable energy, e-mobility, and digital transformation are driving strong demand for power equipment, rolling stock, railway infrastructure, and smart digital solutions—all of which represent core strengths of the KONČAR Group. Against this backdrop, KONČAR has set ambitious targets for 2025, aiming for further growth in revenue and profitability, increased investment in technology and the development of new products, and a continued focus on strategic transformation that will further strengthen the Group's global presence.

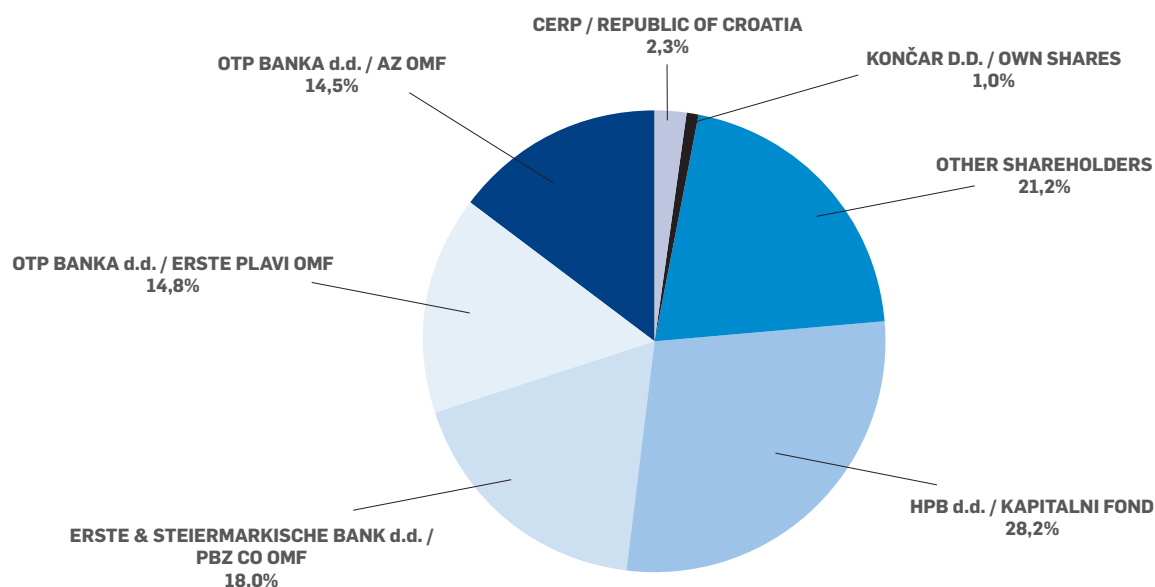
Planned capital expenditures (CAPEX) for the year exceed EUR 80 million.

Looking ahead to the new business year, KONČAR is expected to maintain strong operational performance, guided by the same strategic priorities – continuing the Group's transformation journey, further scaling its technological and production capabilities, fostering innovation, and investing in people, with the clear objective of positioning KONČAR as the most desirable employer in its industry.

# Capital market

## Shareholder Structure

The shares of KONČAR Inc. are listed on the Official Market of the Zagreb Stock Exchange under the ticker KOEI-R-A, ISIN: HRKOEIRA0009. The company maintains a stable and diversified shareholder base, with the Capital Fund and mandatory and voluntary pension funds representing the most significant shareholdings.



In 2024, the KOEI-R-A share recorded the strongest growth among all listed companies on the Zagreb Stock Exchange.

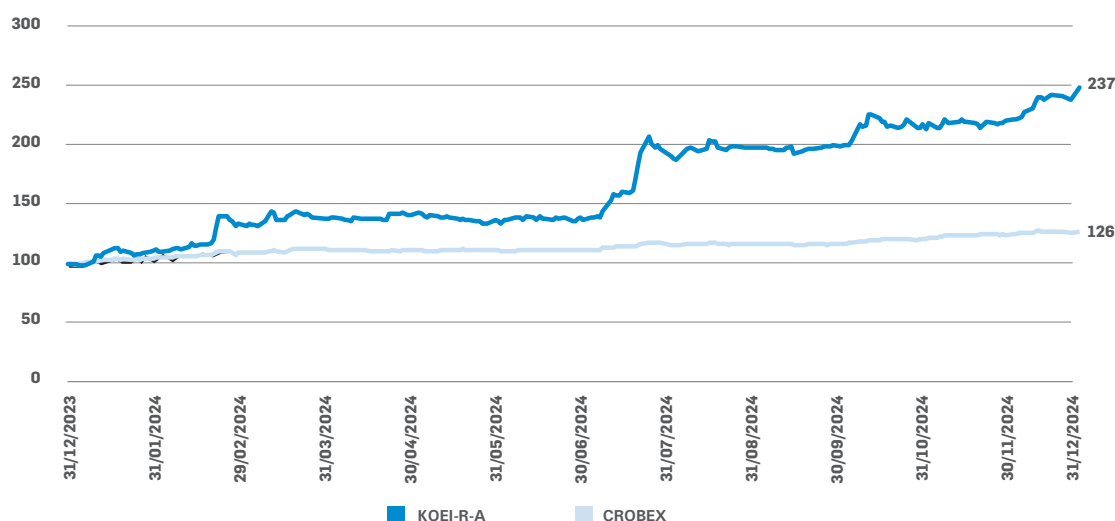
The share reached its record high in late December, closing at EUR 462.00. As at 31 December 2024, the company's market capitalisation stood at EUR 1,130.8 million, reflecting a 137.5% increase compared to its market value on the same date in 2023.

Earnings per share (EPS) attributable to the equity holders of the parent company amounted to EUR 40.29, representing a 121% year-on-year increase. The General Assembly of Shareholders, held on 12 June 2024, adopted the resolution to pay a dividend of EUR 2.50 per share to all shareholders.

As at 31 December 2024, KONČAR Inc. held 25,306 treasury shares, representing 0.99% of the total 2,572,119 issued shares. The nominal value per share is EUR 62.00.

KOEI-R-A	31/12/2023	31/12/2024	Index
Final price(EUR)	187,00	444,00	237.4
Highest price (EUR)	200,00	462,00	231.0
Lowest price (EUR)	115,00	184,00	160.0
Volume	65,201	122,537	187.9
Turnover (EUR)	10,501,587	39,110,412	372.4
Market capitalization (EUR)	476,149,872	1,130,784,972	237.5
EPS (EUR) profit of parent company / weighted average number of shares	18.19	40.29	221.5

### Trajectory of KOEI's share price index and CROBEX's value throughout 2024



### Managerial Transactions

In accordance with Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation – MAR), and Article 120 of the Rules of the Zagreb Stock Exchange, KONČAR Inc. discloses any acquisitions or disposals of KONČAR Inc. shares by persons discharging managerial responsibilities with the Issuer.

Below is an overview of shareholdings in KONČAR Inc. (number of shares) held by members of the Management Board and Supervisory Board.

Name and surname	No. of shares	Share capital %
Gordan Kolak - President of the Management Board	645	0.0252%
Petar Bobek - Member of the Management Board	72	0.0028%
Miki Huljić - Member of the Management Board	299	0.0116%
Josip Lasić - Member of the Management Board	315	0.0122%
Ivan Paić - Member of the Management Board	72	0.0028%
Ivan Bahun - Member of the Management Board until 19.1.2024.	147	0.0057%
Josip Ljulj - Member of the Management Board until 19.1.2024.	617	0.0240%
Božidar Poldrugač - Member of the Management Board until 19.1.2024.	229	0.0089%
<b>Supervisory Board</b>		
Name and surname	No. of shares	Share capital %
Joško Miliša - President of the Supervisory Board	100	0.0039%

No contracts or agreements were concluded in 2024 between members of the Management Board or Supervisory Board and KONČAR Inc., nor with related parties associated with either side.

### Investor Relations

Throughout 2024, regular webcastconferences were held following each earnings release, providing timely updates and insights into the Group's performance. In addition to these scheduled briefings, the Group actively participated in various domestic and international investor conferences, and held a significant number of one-on-one and group meetings with both local and foreign investors.

Ongoing communication with financial analysts and institutional investors has contributed to a stronger understanding of the Group's operations, a higher standard of transparency, and enhanced investment appeal of KONČAR d.d. shares.

All presentations delivered to analysts and investors are publicly available on the company's website at: [www.koncar.hr/investitori/prezentacije](http://www.koncar.hr/investitori/prezentacije).

# Environmental, Social and Governance (ESG) Reporting

In accordance with the Accounting Act (NN 85/24) and the applicable European Union legal framework based on the Corporate Sustainability Reporting Directive (CSRD), KONČAR is subject to the obligation of preparing a Sustainability Report.

As the parent company, KONČAR d.d. is the designated sustainability reporting entity and has prepared a consolidated KONČAR Group Sustainability Report, which forms an integral part of the Annual Report.



# KONČAR Group Sustainability Report

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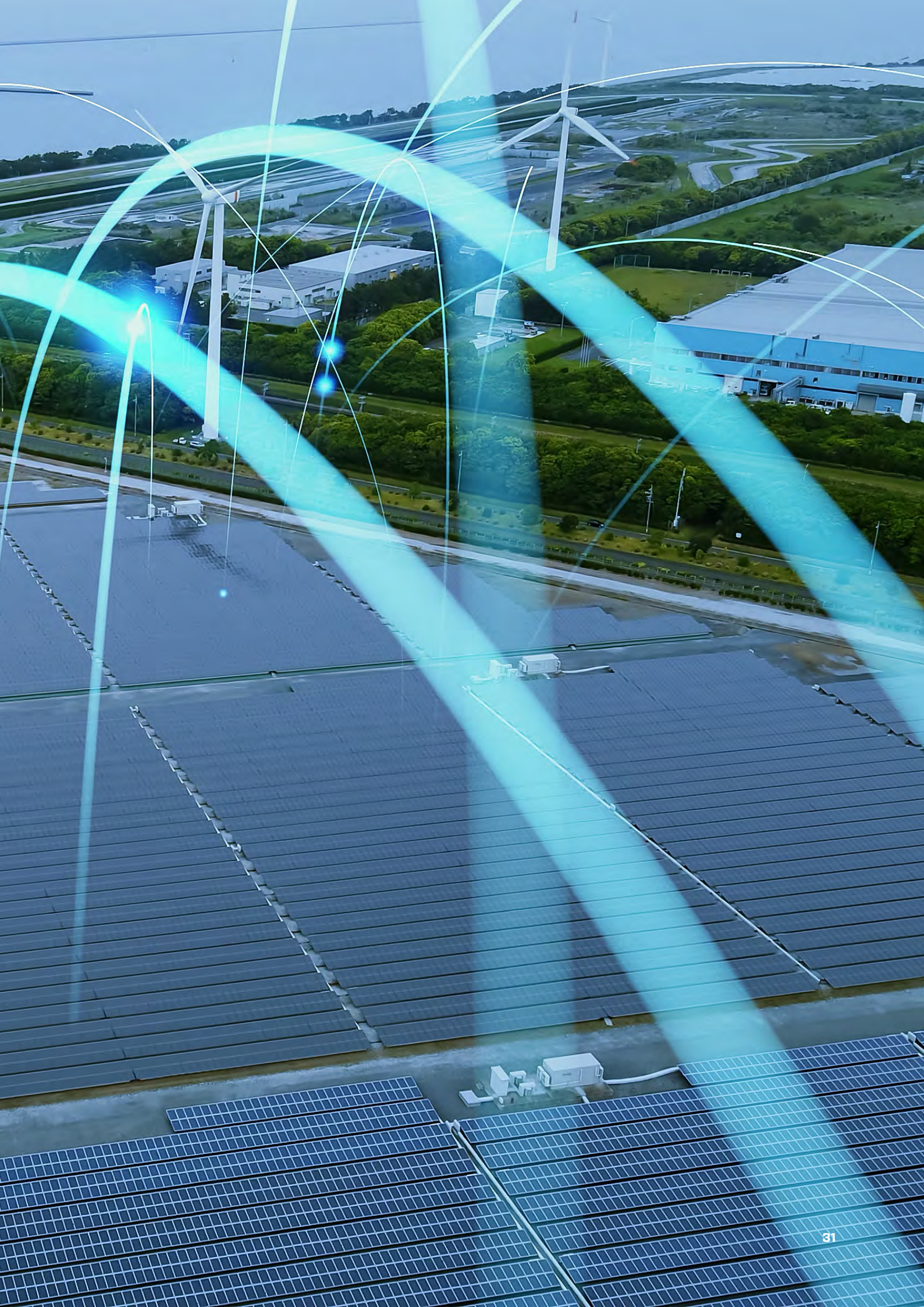
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# General information







# 1 General information

## 1.1 ESRS 2 General disclosures

### BP-1 – General basis for preparation of the sustainability report

This Sustainability Report represents KONČAR Group's inaugural disclosure prepared in accordance with the requirements of the Accounting Act and the European Sustainability Reporting Standards (ESRS), as mandated under the EU Corporate Sustainability Reporting Directive (CSRD). In compliance with the Accounting Act, the report is presented as a clearly demarcated section of the Management Report and encompasses all relevant requirements outlined in Chapter VIII of the Act. Sustainability reporting across the KONČAR Group is prepared on the same consolidated basis as its financial statements, encompassing all Group entities.

Within its Sustainability Statement, the Group considers all materially significant segments of the value chain—both upstream and downstream—where its operations give rise to, or are affected by, environmental, social, or governance-related impacts, risks, and opportunities:

#### 1. Scope of the materiality assessment

- The double materiality assessment covers both KONČAR's own operations and those elements of the value chain (primarily suppliers, subcontractors, and downstream partners during the product-use phase) where significant environmental, social, or governance (ESG) impacts and financial risks or opportunities have been identified.
- Based on priority topics emerging from the double materiality assessment, the Group defines targeted measures and goals to address the most critical areas of risk and opportunity, in alignment with ESRS standards.

#### 2. Extension of policies, measures, and objectives across the value chain

- All pertinent internal policies—including, but not limited to, the Code of Conduct, the Human Rights Policy, and the Environmental Protection Policy—are explicitly extended to the Group's supply chain, encompassing suppliers, subcontractors, and other business partners. This ensures alignment with KONČAR's standards regarding labour conditions, respect for human rights, environmental stewardship, and ethical business practices.
- Strategic targets and action plans adopted by the Group in areas such as decarbonisation, resource conservation, occupational health and safety, and ethical supplier governance are designed to promote active engagement across the value chain. These are operationalised through a combination of contractual provisions, supplier training, and collaborative initiatives, reinforcing a shared commitment to sustainable and responsible business conduct.

#### 3. Inclusion of value chain data and metrics

- In reporting on sustainability metrics (e.g., greenhouse gas emissions, waste management, product safety, human rights protection, customer satisfaction), KONČAR incorporates data from relevant upstream and downstream segments where impacts or risks are deemed material.
- Where direct, verifiable data from supply chain partners are not available, the Group relies on best-available estimates—guided by relevant methodologies—and works to build supplier capacity to enhance data reliability and reporting accuracy.

### BP-2 – Disclosures in relation to specific circumstances

**The reporting time horizons applied in this report** are defined as short-term (one year), medium-term (up to five years from the end of the short-term reporting period), and long-term (more than five years), except in the context of climate resilience and scenario analysis, where an extended time frame is used. For further detail, see section **E1 Climate Change – Approach and Policies**.

These timeframes have been selected to align with the nature of KONČAR Group's activities, its financial reporting processes, existing internal long-term strategic planning, and the expectations of external stakeholders regarding forward-looking climate-related disclosures.

For each material sustainability topic, the report sets out near-term targets that reflect short-term plans, as well as forward-lo-

oking ambitions that capture medium-term strategic direction. For the topic of Climate Impact and Energy Consumption long-term objectives have also been defined.

The preparation of value chain-related metrics follows globally recognised frameworks, such as the GHG Protocol for calculating KONČAR Group's carbon footprint, thereby ensuring consistency and comparability across reporting periods.

**Value chain estimates** are described in the relevant sections of this Sustainability Report, with details on methodology and application disclosed accordingly.

In addition to following the ESRS structure, this Report also includes disclosures required under the Accounting Act and Article 8 of Regulation (EU) 2020/852 of the European Parliament – EU Taxonomy, as an integral component of sustainability reporting, in accordance with Chapter VIII of the Accounting Act.

The **2024 Sustainability Report** also incorporates **phase-in** provisions as outlined in Appendix C of ESRS 1.

### Sources of estimation and uncertainty in outcomes

**Value chain estimates** as well as **the sources underpinning these estimations and the related outcome uncertainties** are disclosed within each relevant section of this Sustainability Report. These disclosures detail the methodologies applied and the assumptions used. Certain data reported under disclosure requirement **E1-6** are based on estimations and may therefore be subject to measurement uncertainty.

Additionally, any forward-looking statements are inherently uncertain by nature.

**Indicators:** The thematic standards under the ESRS require the inclusion of quantitative data from the value chain only for specific metrics. These include:

- Greenhouse gas (GHG) emissions associated with all material Scope 3 categories—further elaborated in section E1-6 on gross GHG emissions across Scopes 1, 2, and 3, as well as overall GHG totals—require data sourced directly from customers, suppliers, business partners, and other relevant contractual entities.
- In instances where direct value chain data is unavailable despite reasonable due diligence, the Group applies estimation methodologies. These include the use of proxy indicators, sectoral averages, and secondary datasets from recognised sources, in accordance with applicable reporting standards.

The rationale for relying on estimated data stems from a combination of structural and operational challenges across the value chain, including:

- The inherent complexity of involving numerous stakeholders and mapping both direct and indirect business relationships, particularly where procured volumes are measured in inconsistent or non-standardised units.
- Insufficient availability of robust digital tools and platforms to facilitate effective data collection, exchange, and verification along the supply chain.
- The heterogeneity of counterparties—ranging from large corporates to SMEs—many of which may lack the necessary technical or administrative capacity to respond within reporting timelines or to deliver data in the required format.
- A general shortfall in technical readiness across segments of the value chain, resulting in limitations in data quality, consistency, and alignment with the qualitative characteristics required by the ESRS.

For each category under Scope 1, 2, and 3, this report offers a comprehensive overview of the data sources and methodologies applied—including **activity data, emission factors, and Global Warming Potential (GWP) coefficients used in emission calculations**. It also includes an **evaluation of the reliability and quality of the reported figures**, in line with best practices in non-financial disclosure. This marks KONČAR Group's inaugural Sustainability Report prepared in accordance with the European Sustainability Reporting Standards (ESRS). Previous reports followed the GRI framework and reflected a different scope of consolidated reporting entities.

As a result, no year-on-year comparative analysis is provided—except in the area of **Climate Change and Energy Use** where recalculated metrics based on ESRS methodologies are benchmarked against 2023 values.

## GOV-1 – Role of administrative, supervisory and management bodies

The companies within the Group are legally independent entities, while the Parent Company provides oversight, strategic direction, and support through the Supervisory Boards and General Assemblies of the respective companies, in accordance with the Companies Act, the Articles of Association of KONČAR – Electrical Industry Inc. for manufacturing and services, and



the Articles of association and Memoranda of incorporation of its member companies. The Parent Company also manages a portion of assets not allocated to subsidiaries but used, both directly and indirectly, to provide financial support for the Group's market offerings, products, and equipment—primarily by serving as a credit-guarantee facility.

Corporate governance structure is a two - tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, and pursuant to the Articles of Associations and the Companies Act, they constitute the three governance bodies of the Company. The composition and functioning of the Management Board, Supervisory Board, and the operation of the General Assembly are governed by the Company's Articles of Association, in alignment with the provisions of the Companies Act.

KONČAR Inc. operates under the Corporate Governance Rules, which reflect the Group's commitment to the principles of sound governance. These rules articulate the Company's intent to consistently uphold best practices in corporate governance through a well-defined business strategy, internal policies, and responsible management practices, fostering transparency, operational efficiency, and meaningful engagement with the broader business environment. The Corporate Governance Rules were established to ensure:

- responsible and accountable corporate oversight,
- alignment of governance procedures with internationally recognised standards, and
- effective monitoring of executive management.

These principles serve as the foundation for promoting high standards of governance and corporate transparency, safeguarding the interests of shareholders, investors, and stakeholders, while also supporting employee well-being, sustainable growth, and environmental responsibility.

KONČAR's Corporate Governance Rules are grounded in national legislation and harmonised with internationally adopted standards, ensuring their integration into day-to-day business practices.

Provisions regarding the appointment and dismissal of Management and Supervisory Board members are set out in the Articles of Association and comply with the Croatian Companies Act. The appointment process is free from any discriminatory restrictions regarding gender, age, education, professional background, or similar criteria. The powers of Management Board members are defined in accordance with applicable legislation and further elaborated in the Company's Articles of Association and the Rules of Procedure of the Management Board.

## **General Assembly**

The General Assembly acts as the conduit for shareholders to assert their rights in matters of the company, voicing the collective ambitions of the shareholders which align with the company's objectives. It is composed of all shareholders of the company. The work of the General Assembly, its authority and competence, Shareholders' rights and the manner in which they are exercised are set out in the Company's Articles of Association. The General Assembly is competent for the election and revocation of the Supervisory Board Members, decides on the distribution of profit, grants discharges to Management and Supervisory Board Members, appoints auditors and decides on amendments to the Articles of Association, increase and reduction of share capital and other matters falling under its competence by law. All resolutions adopted at General Assembly meetings have been duly published in accordance with applicable legal requirements on the official KONČAR website, as well as via the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

## **Supervisory Board**

The Supervisory Board is responsible for supervising the management of operations, represents the Company in dealings with the Management Board and adopts resolutions on matters not falling under the General Assembly's competence. Direct management of the Company is not performed by the Supervisory Board. Rather, the Supervisory Board directs the Management Board when adopting strategic decisions and setting a governance framework. Certain types of transactions may only be carried out with the prior approval of the Supervisory Board, as defined by the Articles of Association of KONČAR Inc.

In accordance with the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA), in effect since 1 January 2020, the Supervisory Board of KONČAR is composed predominantly of independent members. These individuals maintain no business, familial, or other material relationships with the Company, its majority shareholder or shareholder group, or members of the Management or Supervisory Boards, thereby ensuring their independence and objectivity.

The Supervisory Board comprises nine members. Five are appointed and dismissed by the General Assembly, one member is elected by the employees pursuant to the Labour Act. Three members are appointed by Kapitalni fond d.d. in accordance with the Companies Act and the shareholder rights vested in the fund, provided it retains ownership of at least 25 percent plus one

share of the Company's share capital. Should its shareholding fall below this threshold, the number of its representatives on the Supervisory Board shall be adjusted accordingly. As of the reporting year, female representation on the Supervisory Board stands at 11 percent.

The President of the Supervisory Board is elected by the Members, who are elected by the General Assembly. Deputy President is elected by the appointed members of Kapitalni fond d.d., from among their own ranks. Supervisory Board Members are appointed for a four-year term and may be reappointed. Members appointed by Kapitalni fond d.d. may be appointed for two consecutive terms at most.

In accordance with the Resolution of the General Assembly of KONČAR – Electrical Industry Inc. dated 12 July 2016, monthly remuneration for Supervisory Board members is set at 1.5 times the average gross salary paid at KONČAR in the month preceding the remuneration period. All Supervisory Board members are entitled to a fixed monthly remuneration, payable from the date of appointment until the date of cessation of their mandate. To ensure independence and impartiality, remuneration is not performance-based and does not include any variable component.

Composition of the Supervisory Board till 13 July 2024:

- Joško Miliša, President
- Darko Horvatin, Deputy President
- Branko Lampl, Member
- Ivan Milčić, Member
- Maja Martinović, Member
- Ruža Siluković, Member
- Mario Radaković, Member
- Zvonimir Savić, Member
- Danko Škare, Member

Composition of the Supervisory Board as of 13 July 2024:

- Joško Miliša, President,
- Darko Horvatin, Deputy President
- Danko Škare, Member
- Mario Radaković, Member\*
- Zdravko Kačić, Member
- Igor Filipović, Member
- Maja Martinović, Member
- Zvonimir Savić, Member
- Ruža Siluković, Member

On 29 October 2024, the term of office for Ms Ruža Siluković, employee representative on the Supervisory Board of KONČAR Inc., expired. Pursuant to the Decision of the KONČAR Inc. Works Council, dated 17 October 2024, Mr Lovro Jurišić was appointed as the new employee representative to the Supervisory Board, effective as of 30 October 2024, for a four-year term.

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Nomination Committee and Remuneration Committee. The Audit Committee conducts detailed analyses of financial statements, assists the Company's accounting department, and establishes suitable and effective internal control systems within the Company. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used at the Company and KONČAR Group, including the criteria for consolidated financial reporting of Group subsidiaries. Moreover, the Committee is tasked with monitoring the internal controls and risk management system with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed.

Darko Horvatin serves as the Chair of the Audit Committee, with Mario Radaković and Joško Miliša as its Members. In 2024, the Audit Committee held three meetings. All Committee Members participated in the decision-making process at every meeting. During the meetings, the Committee discussed, adopted resolutions, and made recommendations to the Supervisory Board regarding reports on the implementation of the Annual Internal Audit Plan, enforcement of the Policy on the Provision of Non-Audit Services for 2023, oversight of the statutory audit process, and the consolidated and unconsolidated annual financial statements for 2023. The Committee also issued recommendations for the approval of those reports and participated in the appointment of the auditor for 2024. The Audit Committee operates independently and is composed predominantly of members with proven expertise in the fields of accounting and auditing.

#### **Strategic and Business Development Committee**

The Committee is tasked with providing support to the Supervisory Board in strategic planning by: tracking and evaluating shifts in the business landscape, assessing the Group's objectives for both the short and long term, aiding in strategic decisions related to acquisitions, joint ventures, restructuring, and the development of strategic human resources. It consists of five members. As of 13 July 2024, the Strategic Development and Business Advancement Committee has been composed as follows: Joško Miliša (Chair), and Igor Filipović, Mario Radaković, Zvonimir Savić, and Maja Martinović (Members). During 2024, the Committee held two meetings. Prior to 13 July 2024, the Committee operated in the following composition: Ivan Miličić (Chair), and Branko Lampl, Joško Miliša, Zvonimir Savić, and Maja Martinović (Members).

### **Remuneration Committee**

The Remuneration Committee is responsible for proposing the terms of contracts for Management Board members and for defining the structure of their remuneration packages. It is also tasked with preparing and drafting the Remuneration Policy applicable to both the Management Board and the Supervisory Board. As of 13 July 2024, the Committee has been composed as follows: Zdravko Kačić (Chair), with Maja Martinović and Igor Filipović serving as Members. In 2024, the Committee held five meetings, with all members in attendance. Until 13 July 2024, the Committee operated in the following composition: Branko Lampl (Chair), and Maja Martinović and Ruža Siluković (Members). Ruža Siluković ceased her mandate upon the expiry of her term on the Supervisory Board.

### **Nomination Committee**

The The Nomination Committee is responsible for discussing and proposing appointments of Management Board members to the Supervisory Board. As of 13 July 2024, the Committee is chaired by Danko Škare, with Darko Horvatin and Ruža Siluković serving as Members. (Ruža Siluković ceased to be a member upon the expiry of her mandate on the Supervisory Board.) In 2024, the Committee held one meeting, attended by all members. Until 13 July 2024, the Committee was composed as follows: Danko Škare (Chair), and Darko Horvatin and Ivan Miličić (Members).

### **Management Board**

The role of the Management Board in managing the Company's operations is governed by the Companies Act, the Articles of Association, and KONČAR – Electrical Industry Inc.'s internal regulations. In performing their duties, the Members of the Management Board are required to act with the care and diligence of a prudent and conscientious businessperson, while always upholding the best interests of the Company and its shareholders.

As the executive body responsible for the overall management of operations, the Management Board is appointed and dismissed by the Supervisory Board. Its responsibilities are delineated across business areas, processes, and markets. The Management Board is accountable for effective risk management and regularly monitors the Company's economic, environmental, and social performance during its meetings.

At its regular sessions, the Supervisory Board evaluates the performance of the Management Board and the management boards of Group companies, based on key performance indicators and efforts to uphold and enhance the Company's corporate reputation.

Through participation in supervisory boards, assemblies, and adherence to other established guidelines, Management Board members of KONČAR ensure coordination, direction, supervision, and performance monitoring within Group subsidiaries. It is noted that KONČAR – Electrical Industry's Management Board members do not receive remuneration for their roles on the supervisory boards of these subsidiaries.

Pursuant to the Company's Articles of Association, the Management Board may consist of three to seven members. As at year-end 2024, the Management Board comprised five members. Members are appointed for a term of up to five years, with the possibility of reappointment without limitation on the number of terms. Each member independently manages the operations within their designated remit, acting with the care and diligence of a prudent businessperson, and makes decisions solely in the best interest of the Company. When matters pertain to key business policy or affect the remit of other Members, such issues are submitted for collective decision-making by the entire Management Board.

The rights and responsibilities of Management Board Members are defined by their respective Management Board Service Contracts. The Remuneration Report for the Members of the Management and Supervisory Boards, prepared in accordance with Article 272. of the Companies Act and the Company's adopted Remuneration Policy, includes information on the total remuneration of the Management Board and will be submitted to the General Assembly for approval.

Members of the Management Board during 2024 were as follows:



### **Gordan Kolak, President of the Management Board**

Gordan Kolak joined the Management Board of KONČAR in 2019 as Deputy President and has served as President of the Management Board since 2020. Under his leadership, KONČAR has achieved significant growth and made a strong strategic breakthrough in the fields of renewable energy, digital solutions, and platform development.

#### **Professional background and additional roles**

He has built and applied his professional experience as Director and President of the Management Boards at several leading companies, including DOK-ING (specialised in robotic systems for special applications), King ICT (ICT systems integration), Megatrend and Megatrend poslovna rješenja (ICT distribution and enterprise solutions), and Dalekovod Proizvodnja (energy infrastructure manufacturing).

Earlier in his career, he served in the Armed Forces of the Republic of Croatia and actively contributed to the development of Croatia's national security and defence system. He has been awarded the Homeland War Memorial Medal, the United Nations Medal for his participation in the peacekeeping mission in Sierra Leone, and received recognition from the Society of American Military Engineers.

In 2024, he was named Businessperson of the Year, based on both the expert jury's selection and the public vote conducted by Večernji list and Poslovni dnevnik.

#### **Education**

Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb.

Faculty of Engineering, University of Rijeka



### **Petar Bobek, Member of the Management Board**

Appointed to the Management Board of KONČAR in January 2024, Petar Bobek brings with him extensive experience gained during his previous role as a Member of the Management Board of KONČAR – Distribution and Special Transformers Inc.

#### **Professional background and additional roles**

Member of the Management Board, KONČAR – Distribution and Special Transformers Inc. (2018–2024).

Director of Distribution Transformer Production (2015–2018).

Area Sales Manager (2013–2015).

#### **Education**

Bled School of Management (Senior Leadership Program).

Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb.



### **Miki Huljić, Member of the Management Board**

Miki Huljić joined KONČAR in 2012 as Chief Financial Officer, and was appointed Deputy Member of the Management Board in 2014. Since August 2016, he has served as a full Member of the Management Board.

#### **Professional background and additional roles**

Member of the Management Board, KONČAR (since 2016).

Deputy Member of the Management Board, KONČAR (2014–2021), Chief Financial Officer, KONČAR (2012–2014)

Assistant Minister of Economy, Republic of Croatia (January – September 2012).

Executive Director of the Support Division, Hrvatska pošta, responsible for Controlling, Treasury, Accounting, Asset Management, Maintenance, and IT.

Director at Lantea Grupa and Sportina, overseeing Croatian operations and commercial activities across multiple regional markets.

Auditor and business advisor in the fields of audit, accounting, and taxation at Progres. Director of the Analytical Division at Kaptol Investment Company, involved in Croatia's early investment fund development and coupon privatization through the closed-end investment fund SNF. Director of Finance and Controlling at Badel 1862, Tekstil-promet, and Excelsa Holding.

#### **Education**

Faculty of Economics, University of Zagreb



### **Josip Lasić\*, Member of the Management Board**

From 2020 to 2024, Josip Lasić served on the Management Board of KONČAR, where he was responsible for the area of finance. He played a key role in the successful financial restructuring of Dalekovod d.d., a process that culminated in its recapitalisation and full integration into the KONČAR Group.

#### **Professional background and additional roles**

Deputy President of the Supervisory Board, KONČAR – Electrical Industry Inc. (2016–2020).

Member of the Audit Committee, KONČAR – Electrical Industry Inc. (2016–2020).

#### **Education**

Faculty of Economics, University of Zagreb (CFA (Chartered Financial Analyst).

Holder of licenses issued by HANFA (Croatian Financial Services Supervisory Agency) for capital markets, investment funds, and pension fund management.



### **Ivan Paić, Member of the Management Board**

Ivan Paić joined the Management Board of KONČAR at the beginning of 2024, following his role as Vice President at Schneider Electric, where he was responsible for global project sales.

#### **Professional background and contributions**

Vice President, Schneider Electric, Dubai, UAE (2020–2024).

Country General Manager for Croatia, Slovenia, and Bosnia and Herzegovina, Schneider Electric (2017–2020).

Operational Marketing Director for User Software, Schneider Electric, France (2011–2015).

Product Manager, Schneider Electric (2008–2011).

In addition to his corporate experience, he serves as a Visiting Professor of Digital Transformation at the Swiss School of Business and Management Geneva, at its Zagreb campus.

#### **Education**

Faculty of Electrical Engineering and Computing, University of Zagreb.

Bled School of Management (Senior Leadership Program)

\*On 18 October 2024, a meeting of the Supervisory Board of KONČAR – Electrical Industry Inc. was held, during which Mr. Josip Lasić, Management Board Member responsible for finance, submitted his resignation effective 31 December 2024, due to his appointment to a new position outside the KONČAR Group. At the same meeting, Mr. Mario Radaković submitted his resignation as a member of the Supervisory Board, also effective 31 December 2024, and was appointed as Management Board Member for Finance for the term commencing on 1 January 2025 and expiring on 31 January 2028. Mr. Radaković had served as a member of the Supervisory Board of KONČAR Inc. since 2020. \*

## GOV-2 – Information provided to, and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

KONČAR Group's governance structure is designed to ensure that both the Management Board and the Supervisory Board provide oversight and strategic direction with respect to the organisation's overarching sustainability goals, while operational-level management is tasked with the execution of thematic targets and performance indicators.

This governance architecture facilitates a clearly delineated allocation of responsibilities:

- The Supervisory Board provides strategic oversight by assessing progress toward overarching sustainability objectives and reviewing initiatives aligned with the Group's long-term sustainability agenda.
- The Management Board is responsible for formulating targeted measures and allocating the necessary financial and organisational resources to ensure effective execution of the sustainability strategy.
- Operational management teams across the Group's business units are tasked with implementing these measures and continuously monitoring key performance indicators (KPIs) across environmental, social, and governance (ESG) dimensions to track impact and progress.

Given that 2024 represents the inaugural year of implementing the double materiality assessment framework, the KONČAR Group will, during the course of 2025, establish a formalised performance monitoring mechanism to reinforce the integrity and effectiveness of its sustainability governance model. This framework will encompass:

- Clearly delineated lines of accountability, ensuring that all governance bodies—at both strategic and operational levels—are assigned explicit responsibilities for decision-making, oversight, and performance evaluation
- Structured and periodic reporting processes, through which operational management delivers regular updates to the Management and Supervisory Boards, outlining progress against sustainability objectives, emerging challenges, and achieved outcomes
- A defined set of qualitative and quantitative performance indicators, including key KPIs, providing an objective basis for evaluating progress toward overarching and specific sustainability goals
- Mechanisms for corrective action, whereby any material deviation from established targets prompts timely intervention by the relevant governance body, including the reallocation of resources, revision of action plans, or recalibration of strategic priorities

In line with established internal procedures, the Management Board played an active role throughout all stages of identifying sustainability-related impacts, risks, and opportunities. This included the mapping of relevant stakeholders and validation of material topics, culminating in the formal approval of the assessment outcomes in October 2024.

By reviewing and endorsing the final outputs of the double materiality assessment, the Management Board formally assumed oversight for the governance of significant impacts, risks, and opportunities across the Group.

Building upon these outcomes and aligned with the KONČAR Group's overarching Sustainable Business Strategy, the Management Board adopted the Group's Sustainable Development Policy on 10 December 2024. This Policy comprehensively addresses all material sustainability matters and reflects the Board's long-term commitment to responsible value creation. The full scope of the double materiality process—including the identification of significant impacts, risks and opportunities, as well as the adoption of the Policy—was transparently communicated to both the Workers' Council and the Supervisory Board of KONČAR.

## GOV-3 – Integration of sustainability-related performance in incentive schemes

The remuneration of the Management Board of KONČAR Inc. is governed by contractual agreements entered into between each Management Board member and the Chair of the Supervisory Board. The remuneration framework is considered commensurate with the Company's strategic positioning and overall performance. It comprises both fixed and variable components.

Information on the total remuneration and allowances of KONČAR's Management Board members is disclosed in the audited annual financial statements and in the Remuneration Report, which is approved by the General Assembly of the Company. The Remuneration Policy and the Remuneration Report for Management and Supervisory Board members are published on the Company's website and form part of the General Assembly convening materials.

At present, no specific sustainability-linked incentive mechanisms are in place for KONČAR Group Management Board members. However, as numerous sustainability topics are structurally embedded within the Group's strategic priorities and opera-



tional goals—and these goals are reflected in existing incentive schemes—there is evidence of indirect integration of sustainability considerations within current remuneration structures.

In line with the Group's evolving ESG strategy, KONČAR intends to define ESG-specific strategic objectives for Management Board members during 2025, with the aim of formally integrating these targets into the Remuneration Policy by 2026.

Within the Group's affiliated companies, executive compensation is governed by contractual arrangements comprising fixed and variable components. The variable element is contingent on the achievement of pre-established key performance indicators (KPIs), structured into three categories: consolidated financial objectives at the Group level, company-specific financial targets, and non-financial performance indicators—ensuring a balanced and performance-driven remuneration framework

## GOV-4 – Statement on due diligence

KONČAR Group implements its due diligence process through the following key activities:

- **Identification of sustainability risks**– assessing the impact of business activities
- **Stakeholder engagement**– ongoing dialogue with customers, investors, and regulators
- **Monitoring the effectiveness of sustainability measures**– continuous progress measurement

KONČAR Group implements a comprehensive due diligence system for identifying, assessing, and managing environmental, social, and governance (ESG) risks across its entire value chain. This system is embedded within the Group's double materiality assessment and aligned with ESRS 2 requirements, the Corporate Sustainability Reporting Directive (CSRD), and recognised international best practices

Key Elements of the Sustainability Due Diligence Framework	Corresponding Section in the Sustainability Report
<b>a) Integration of sustainability due diligence into governance, strategy, and the business model</b>	<ul style="list-style-type: none"> <li>• <b>GOV 1</b> Governance roles and responsibilities</li> <li>• <b>GOV 2</b> Oversight of key ESG risks and opportunities (IROs)</li> <li>• <b>SBM 1</b> Business model and sustainability strategy</li> <li>• <b>SBM 3</b> Double materiality methodology</li> </ul>
<b>b) Stakeholder engagement in all key steps of the due diligence process</b>	<ul style="list-style-type: none"> <li>• <b>GOV 2</b> Engagement of the management and supervisory boards in stakeholder communication and stakeholder mapping</li> <li>• <b>SBM 3</b> Stakeholder-informed materiality results</li> <li>• <b>IRO 1</b> Detailed assessment of impacts and risks</li> </ul>
<b>c) Identification and assessment of adverse impacts</b>	<ul style="list-style-type: none"> <li>• <b>SBM 3</b> Methodology and findings from the double materiality process</li> <li>• <b>IRO 1</b> Detailed assessment of impacts and risks</li> </ul>
<b>d) Implementation of measures to address identified negative impacts</b>	<ul style="list-style-type: none"> <li>• <b>E1 3</b> Climate adaptation and mitigation action plans</li> <li>• <b>E2 3</b> Water management</li> <li>• <b>E5 2</b> Resource efficiency and circular economy</li> <li>• <b>S1 4</b> Employee and human rights protections</li> <li>• <b>S4 4</b> Impacts on consumers and end users</li> </ul>
<b>e) Monitoring of outcomes and stakeholder communication</b>	<ul style="list-style-type: none"> <li>• <b>GOV 2</b> Oversight and communication framework for key stakeholder engagement</li> </ul>

## Environmental due diligence considerations

The Group regularly conducts climate-related risk assessments using ESRS E1 scenario analysis methodologies. Scenarios based on Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) are applied to evaluate both physical and transitional risks and the business model's resilience to regulatory and market shifts. These assessments are systematically incorporated into the broader risk management strategy.

KONČAR also mandates ESG compliance across the supply chain, with particular emphasis on adherence to ISO 14001 Environmental Management Standards. In the event of non-compliance, corrective action plans are promptly initiated.

## Social due diligence considerations

KONČAR conducts comprehensive human rights due diligence across its supply chain, with a particular focus on sectoral and geopolitical risks such as forced labour, child labour, and discriminatory practices. The supplier assessment process includes the identification of high-risk jurisdictions and requires formal declarations of compliance with international human rights standards.

To reinforce these safeguards, each entity within the KONČAR Group carries out regular internal audits of working conditions, with a view to ensuring continuous adherence to the core labour standards of the International Labour Organization (ILO). Furthermore, a secure and confidential whistleblowing mechanism is in place to facilitate the timely detection and mitigation of potential adverse social impacts.

## Management of due diligence processes

KONČAR Group has established a sustainability risk management system that is integrated into the Group's central risk register and aligned with the double materiality assessment process, in accordance with the requirements of the European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Reporting Directive (CSRD).

Due diligence on third-party relationships is systematically conducted in accordance with the Group's Code of Business Conduct—particularly in contexts involving high-risk jurisdictions or counterparties subject to international sanctions. The process includes an initial risk screening, ongoing performance monitoring, and clearly defined remediation and escalation procedures in cases where material risks or non-compliance are detected.

## GOV-5 – Risk management and internal controls over sustainability reporting

KONČAR Group places strategic emphasis on the continual advancement of its integrated Enterprise Risk Management (ERM) framework, which serves as a cornerstone of its corporate governance architecture. This system is designed to proactively identify, evaluate, and manage the full spectrum of risks—strategic, operational, financial, and sustainability-related—to which the Group is exposed. Its ultimate purpose is to safeguard long-term value creation while reinforcing stakeholder trust.

At the level of the parent company, KONČAR d.d., risk governance is guided by the Group's Risk Management Policy (2023), which is aligned with the ISO 31000:2018 standard and ERM best practices. The methodology ensures that risk oversight is structurally embedded into business processes, enabling a holistic and forward-looking approach.

The policy articulates a risk management model grounded in the following internationally recognised principles (HRN ISO 31000):

- Embedded across all levels of decision-making and operational activity
- Systematic and consistent, facilitating reliable and comparable outcomes
- Contextualised, taking into account both internal capabilities and the external environment
- Participatory, ensuring the timely engagement of relevant stakeholders
- Adaptable, responding dynamically to an evolving risk landscape
- Informed, drawing upon the best available data—historic, real-time, and anticipatory
- Human-centric, recognising the role of cultural and behavioural factors
- Continuously refined, based on institutional learning and adaptive feedback

Risk identification, analysis, prioritisation, and mitigation procedures are applied comprehensively, with full participation from all organisational units. Based on this methodology, the Group's Risk Catalogue 2024 was compiled, outlining critical expo-

asures and associated mitigation strategies, along with designated risk owners. This catalogue undergoes an annual review cycle that includes an assessment of control effectiveness.

The Management Board holds ultimate accountability for the integrity and performance of the ERM system and provides an annual report on its effectiveness to the Audit Committee.

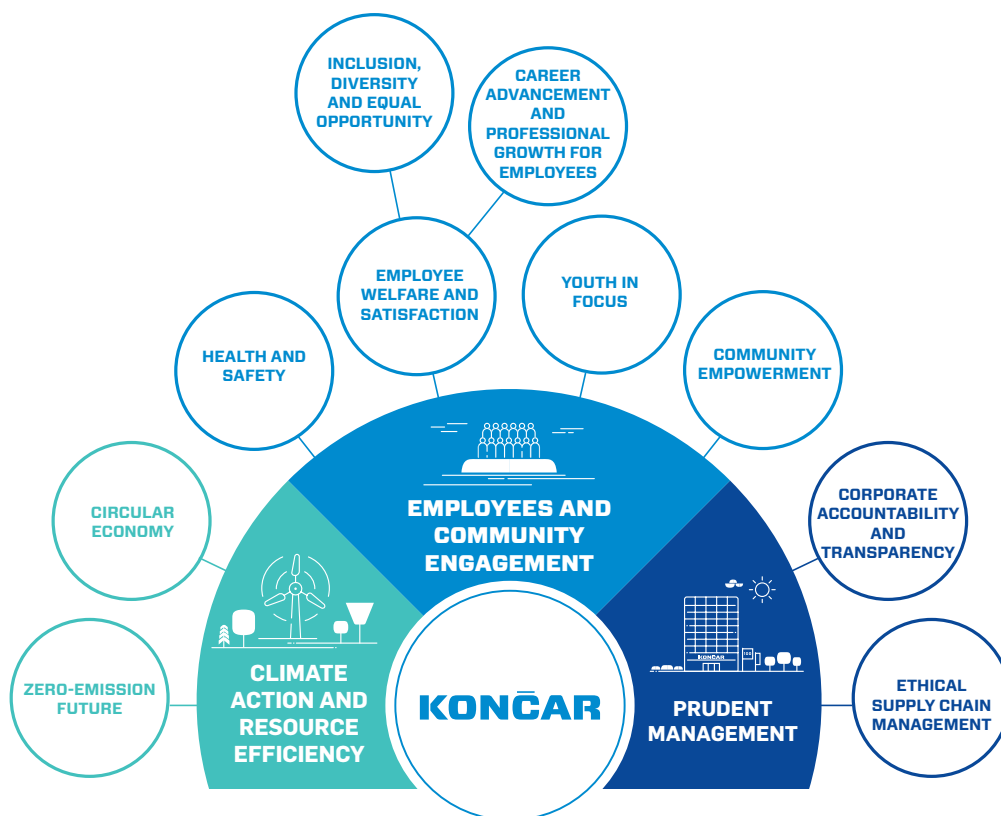
The Internal Audit function, informed by identified risk clusters and strategic priorities, develops both annual and multi-year audit plans. These are reviewed and adopted by the Supervisory Board upon the recommendation of the Audit Committee. The 2025–2028 audit cycle includes focused reviews of sustainability governance, corporate oversight, and human capital processes. Audit findings and implementation progress are reported biannually to the Management Board, the Audit Committee, and the Supervisory Board.

The **Audit Committee** plays a critical oversight role in verifying that key risk exposures are transparently disclosed and managed in accordance with best practice. It ensures that the internal control environment remains robust and aligned with the Group's evolving risk profile. Audit findings are regularly reported to the Supervisory Board.

## SBM-1 – Strategija, poslovni model i lanac vrijednosti

### Key elements of the sustainability strategy and its impact on business operations

Through the KONČAR Group Sustainability Strategy 2024–2026, the Group embeds sustainability across its operations by articulating strategic priorities that align environmental, social, and governance objectives with long-term value creation:



These priorities are reflected in the following strategic goals, as defined in the 2024 –2026 Sustainability Strategy:

- Strategic objective 1: Reduction of Scope 1 and 2 emissions, initiating net-zero transition
- Strategic objective 2: Reducing waste and promoting resource efficiency
- Strategic objective 3: Implementing a safe and healthy working environment for all employees and associates
- Strategic objective 4: Promoting inclusion, diversity and equal opportunity
- Strategic objective 5: Fostering career advancement and professional growth for employees
- Strategic objective 6: Fostering youth engagement and cultivating KONČAR's image as a desirable employer
- Strategic objective 7: Consistently investing in the development and life quality of local communities
- Strategic objective 8: Committing to responsible and ethical management and integrate sustainability into business operations
- Strategic objective 9: Safeguarding ethical integrity and conformity to KONČAR's values in the supply chain

## Description of key product groups and markets

In 2024, the KONČAR Group recorded robust growth across all principal business lines, underpinned by increased investment flows into decarbonisation, renewable energy infrastructure, e-mobility solutions, and digital transformation. This reporting period was characterised by the deliberate evolution of the Group's offering—marked by the accelerated development of digital and green technologies—coupled with a gradual phase-out of traditional products with a higher environmental footprint. KONČAR's core solutions, products, and services span the following strategic business areas:

### Electricity generation

KONČAR Group successfully delivers comprehensive, integrated solutions for electricity generation—covering the construction of new facilities, as well as the upgrade, modernisation, and expansion of existing hydropower and solar plants. These efforts are focused on improving reliability and efficiency in power production while supporting the decarbonisation goals of clients and partners. KONČAR independently develops, designs, and manufactures high-performance power equipment and auxiliary systems. Strategically positioned at the forefront of the energy transition, the Group remains committed to advancing clean and sustainable electricity generation, with a focus on renewable energy sources. Key areas of focus include the construction and revitalisation of hydropower plants, as well as the design and implementation of solar and wind energy projects. The scope of services covers the entire project lifecycle—from equipment production and systems integration to maintenance and technical support from equipment production and systems integration to maintenance and technical support.

Notable achievements KONČAR Group continued to expand its renewable energy portfolio in 2024, particularly in the solar and wind sectors, by actively engaging in the design and equipment delivery for new generation facilities. Noteworthy progress was achieved through several high-impact projects. A major milestone was the successful completion of the revitalisation of a cascade of three hydropower plants on the Inn River in Central Europe, resulting in the installation of 13 new generators. The Group also entered a new market segment by securing a landmark contract for the refurbishment of the Vidraru Hydropower Plant (4×67 MVA) in Romania. Located on the Argeş River, Vidraru is one of the country's key hydro facilities, and the revitalisation—valued at approximately EUR 80 million for KONČAR's share—is expected to enhance performance, extend the plant's operational life, and strengthen Romania's energy system. The Group further reinforced its presence in Northern Europe, securing contracts for the supply of a new generator and the refurbishment of the Svarthålsforsen hydropower plant in Sweden, as well as the Nuojua hydropower plant in Finland. Additional accomplishments included the partial refurbishment of the Mtera Hydropower Plant (45 MW) in Tanzania, the construction of the Črnekovci solar power plant in Croatia, and the completion of the BETO Hungrana solar project in Hungary—marking KONČAR's first export initiative in the renewables segment. In Bulgaria, the EBRD-funded revitalisation of a hydropower cascade—including RHE Belmeken, HPP Sestrimo, and HPP Momina Klisura—was successfully concluded. In Austria, the newly constructed run-of-river power plant in Gratkorn was commissioned, featuring two KONČAR-manufactured generators, each with a rated power of 7 MVA. Further strengthening its role in the energy transition, KONČAR commenced the design and construction of the SE Lipik solar power plant in Croatia. This non-integrated facility, developed in collaboration with the City of Lipik, is part of a broader initiative to build sustainable energy infrastructure and reduce the carbon footprint of power generation. One of the Group's most significant undertakings to date began with the launch of refurbishment works at the Haditha Hydropower Plant in Iraq (6×128 MVA). Valued at EUR 65 million, this strategically important project is being implemented in consortium with the Iraqi company Al Rashak and involves multiple KONČAR subsidiaries. The year also saw the commencement of full equipment delivery for the replacement of the first generator unit at HPP Senj, initiating the broader revitalisation of the plant. In addition, KONČAR signed a turnkey contract with the Croatian Transmission System Operator (HOPS d.d.) for the reconstruction of the Velebit Pumped-Storage Hydropower Plant, with several Group companies contributing to its realisation.

### Transmission and distribution of electricity

KONČAR Group delivers end-to-end, turnkey solutions across the entire electricity transmission value chain—from the engineering and construction of high-voltage transformer substations to the production of key equipment including power transformers, circuit breakers, disconnectors, and measuring equipment. The Group continues to construct next-generation, digital, and environmentally sustainable substations, while simultaneously undertaking the reconstruction, expansion, and modernisation of existing facilities at voltage levels ranging from 110 kV to 420 kV. In the distribution segment, KONČAR develops compact digital substations for diverse applications, operating at voltage levels from 6.3 kV to 40.5 kV. These facilities are equipped with in-house manufactured components and proprietary digital solutions. In 2024, the Group successfully completed a turnkey engineering project for the reconstruction of the 130 kV PT60 Flarken substation in Sweden. Another key milestone was the completion of a transformer substation for Rimac Campus, which now supplies power to the facility's production and battery testing operations. Additionally, KONČAR delivered the first batch of specialised offshore transformers to the German company 50Hertz for the Ostwind 3 project in the Baltic Sea.

In 2024, KONČAR was designated as an approved partner by Swedish grid operator Ellevio, with a major contract secured for the construction of a 420/145 kV substation in Tando (project value: approx. EUR 11.6 million). KONČAR's proprietary technologies are also enabling deeper integration of renewables into national grids—for example, 120 MVA transformers for grid-stabilising battery systems in Germany. High-capacity autotransformers (up to 800 MVA) produced by KONČAR have been deployed in Denmark's Thor offshore wind project (1 GW) and throughout Sweden's transmission system. The Group's companies also participate in the development of high-voltage transmission lines in Norway, Sweden, and Germany. Through its subsidiary Dalekovod, the Group has won four major design contracts from Svenska kraftnät, Sweden's national transmission system operator. These projects form part of a broader upgrade to Sweden's 400 kV overhead line infrastructure. For Ellevio, KONČAR delivered ten distribution transformers (100 and 800 kVA) with low-carbon footprint cores. In collaboration with Norwegian TSO Statnett, Dalekovod is building the eastern section of the Blåfalli–Gismarvik line, a 60 km stretch featuring 160 lattice steel towers, including technically demanding fjord crossings. The EUR 60 million contract includes the Åkraffjorden and Stordalsvatnet spans, each nearly two kilometres in length. Meanwhile, in Germany, Dalekovod has been awarded a key portion of section D of the Landesbergen–Borken transmission project for TenneT, covering a 30-kilometre stretch between substations Berghausen and Borken. The scope of this phase, valued at EUR 30 million, includes full reconstruction of the overhead line infrastructure. In Norway, Dalekovod was also selected as the most competitive bidder for the construction of a new 420 kV overhead transmission line along the Vik–Sogndal corridor. The project entails dismantling the existing 300 kV line and constructing a new 420 kV transmission line spanning 12.5 kilometres.

Domestically, multiple 110 kV substations were reconstructed using new GIS systems and transformers. The Group continues to pioneer eco-innovation through biodegradable insulating fluids in transformers and expanded use of digital controls—strengthening both system reliability and environmental performance. To support rising demand, a strategic partnership with Siemens Energy was formalised in July 2024 with the establishment of KONČAR – Transformer Tanks, a joint venture (60% KONČAR ownership) focused on meeting global demand for transformer tanks. A state-of-the-art production facility is being built in Sesvetski Kraljevec to manufacture approximately 160 large transformer tanks annually.

In recognition of its commitment to innovation, KONČAR – Electrical Engineering Institute was awarded the “Slavko Krajcar” Award for its LAVESP project, a high-tech lab, one of only a few such high-tech laboratories globally. It is pivotal for high-voltage equipment testing, particularly for HVDC components essential to the green transition, such as long-distance and subsea energy transmission and offshore wind integration. Within the electricity distribution segment KONČAR is recognised as a leading supplier of distribution and special transformers, medium-voltage equipment, and smart grid solutions. Its product portfolio includes standard and special-purpose transformers, compact substations, switchgear, and advanced low-voltage monitoring and control systems.

Over the past decade, KONČAR has delivered more than 10,000 distribution transformers to key European markets, including Italy. In 2024, the Group marked several strategic milestones. In Greece, a contract was secured for the delivery of 102 distribution transformers (630–1000 kVA) for the country's largest urban regeneration initiative, the Ellinikon project. In parallel, the Group developed high-specification grounding transformers tailored to meet the demanding environmental conditions of the Saudi Arabian market. Beyond the production of new equipment, KONČAR provides a comprehensive portfolio of services, including the refurbishment and revitalisation of existing transmission and distribution infrastructure, as well as 24/7 on-site support. By deploying high-quality KONČAR systems, transmission and distribution operators worldwide are ensuring secure grid integration of an ever-growing share of renewable energy sources, while optimising network efficiency and reducing system losses.

A flagship project in 2024 included the completion and installation of 42 kilometres of 110 kV submarine cables, connecting the Croatian islands of Krk, Cres, Lošinj, Brač, Hvar, and Korčula. Delivered for the Croatian Transmission System Operator (HOPS), the project has been designated a strategic national investment by the Ministry of Economy and Sustainable Development and included on the official List of Strategic Projects by the Government of the Republic of Croatia. The cables feature cross-linked polyethylene (XLPE) insulation, representing a significant environmental advancement for the Adriatic Sea and coastline—critical to preserving the ecological value and economic sustainability of the region.

In 2024, all KONČAR Group business segments reported year-on-year growth, with electricity transmission and distribution maintaining its position as the Group's principal growth driver.

### **Urban mobility and infrastructure**

In the field of urban mobility KONČAR Group offers a diversified portfolio encompassing electric locomotives, battery-electric multiple units (BEMU), battery-powered railcars (BMR), electric multiple units (EMU), diesel-electric multiple units (DMU), low-floor trams, and specialised service vehicles. Beyond rail vehicle production, KONČAR's expertise extends to the design, development, and manufacturing of essential subsystems and components, including power and measurement transformers, control and communication systems, static converters for main and auxiliary drives, advanced control and signalling devices,



traction motors, and critical structural elements such as car bodies and bogies.

In 2024, the Group achieved important milestones in this segment. HŽ Cargo commissioned the major overhaul and thyristor modernisation of a third Class 1141 locomotive—originally produced by KONČAR in the 1970s. A new regional train entered regular service, marking the completion of an EU co-financed procurement project involving 21 trains—11 for suburban and 10 for regional services—worth EUR 112 million (excluding VAT). With this, HŽ Passenger Transport (HŽPP) now operates a fleet of over 60 trains manufactured by KONČAR. The strategic partnership with HŽPP was further strengthened through the signing of a new contract for the delivery of six diesel-electric multiple units intended to connect Split and Zagreb. This EUR 57.3 million project is financed by the European Investment Bank. Additionally, KONČAR signed a follow-up contract with Zagreb Electric Tram (ZET) for the supply of 20 shorter low-floor trams, building on the delivery of more than 140 such trams already in operation, which are regularly maintained in cooperation with ZET. At the InnoTrans 2024 fair, KONČAR unveiled two new high-tech vehicles: a battery-powered multiple unit accompanied by a dedicated charging station, and a specialised measuring train. These innovations clearly demonstrated KONČAR's capacity to develop advanced, sustainable public transport solutions—on par with Europe's most recognised manufacturers. These vehicles represent some of the most complex and advanced technological products developed within Croatia's industrial sector. KONČAR's strong international presence was underscored by the delivery of 14 low-floor trams to Liepāja, Latvia, reinforcing its position on the global urban mobility map.

In the broader sphere of urban infrastructure, KONČAR delivers advanced systems for railway and tramway networks, EV charging infrastructure, and smart city grids. The Group supports public transport transformation through the construction and upgrade of tram tracks, overhead contact lines, and traction substations, and integrates intelligent energy management solutions tailored to the evolving needs of urban centres. In 2024, KONČAR contributed to the EUR 45 million modernisation of Osijek's tram infrastructure, enabling the network to accommodate new energy-efficient rolling stock. The Group is also expanding its role in reducing maritime emissions through the development of shore-to-ship power systems, enabling docked vessels to draw electricity from the grid rather than using diesel generators. Furthermore, in the field of smart cities and microgrids, KONČAR is actively deploying proprietary solutions for local energy production, storage, and consumption optimisation. Through this multidisciplinary approach—linking rolling stock with critical enabling infrastructure—KONČAR continues to empower cities to evolve their public transport systems into sustainable, resilient, and future-ready networks, while maximising the use of in-house technologies and innovation.

### **Digital solutions and platforms**

For over four decades, the KONČAR Group has been at the forefront of developing digital solutions and software platforms for the management of power systems, critical infrastructure, and urban networks. The Group's digital strategy places a strong emphasis on projects in green energy and digital transformation, offering comprehensive support across the entire project lifecycle—from research and planning to the implementation and maintenance of sophisticated digital systems. KONČAR leverages advanced platforms for automated supervision, control, and maintenance of energy, transport, and utility infrastructures. Core service offerings include the development of SCADA/DMS systems, smart city applications, IoT platforms for equipment condition monitoring (e.g., transformers), cybersecurity solutions, and data integration frameworks. The revitalised SCADA system for Albania's transmission system operator has been successfully completed and integrated into their existing infrastructure.

In 2024, KONČAR achieved a number of notable international milestones – The KONČAR TMS transformer monitoring system) was successfully deployed in a pilot project in New Zealand, designed to monitor conductor conditions in aging transformers still in operation. The project was widely recognised for its precision and reliability, opening opportunities for further international deployments. In Spain, two contracts were completed for prominent transformer manufacturers, delivering three monitoring systems. New market entries were also secured in the Philippines and Taiwan, with deliveries scheduled for 2025. A landmark agreement was signed with ELIA Transmission Belgium, a member of ENTSO-E, to provide configuration and testing services for CGMES 3.0 network model export as part of their SCADA/EMS upgrade. Domestically, the MCM generator monitoring system was deployed as part of the comprehensive revitalisation of the Senj hydropower plant. The Group also acquired a majority stake in Adnet d.o.o., thereby broadening its strategic capabilities across the supply of equipment, network infrastructure engineering, and mission-critical applications for monitoring and control of essential infrastructure. This acquisition notably enhances KONČAR's service portfolio, including Service Level Agreements (SLAs), further strengthening long-term customer partnerships in the domain of critical and urban infrastructure. Recognition for KONČAR's innovation in the digital sector included the Game Changer Award 2024 for Cybersecurity Project of the Year (KONČAR PROZA Station) and the MIPRO ICT Award for Business Excellence for a series of advanced digital products.

Additionally, through the EU's Digital Europe Programme, the Group secured co-financing for future initiatives focused on artificial intelligence and cyber resilience. By aligning digital transformation with sustainability goals and leveraging proprietary algorithms, cloud-based architectures, and data centres, KONČAR enables energy companies, cities, and industrial clients

to enhance operational efficiency, reduce costs, and advance climate objectives. This integrated, forward-looking approach ensures KONČAR's continued competitiveness and sustainable growth in the global digital solutions arena.

## Key markets and customers

**KONČAR boasts a proven track record in more than 130 countries worldwide, with core export destinations concentrated in the European Union, Southeast Europe, the Middle East, and Asia.**

- Primary customer segments include national electric utilities, transmission and distribution system operators, industrial complexes, railway operators, and infrastructure investors.
- The European Union remains the Group's most significant market, with Germany, Sweden, Austria, Norway, and the Netherlands accounting for the largest share of contracted export value. As of 2024, EU member states collectively represent 74.2% of total export revenue.

## Workforce by region

As of 31 December 2024, KONČAR Group employed a total of 5,503 individuals, with the vast majority of its workforce based in the Republic of Croatia. The distribution of employees by geographic region is as follows:

- **Croatia:** Over 95% of KONČAR's workforce is based in Croatia, across Group entities engaged in manufacturing, research and development, and administrative operations.
- **Europe:** A smaller segment of employees is positioned within EU-based branch and project offices, primarily serving sales and engineering roles.
- **Other regions:** KONČAR also maintains a project-based presence in the Middle East, Africa, and the Asia-Pacific (APAC) region, with employees primarily engaged through specific international project deployments.

## Revenue breakdown by business segment and corresponding ESRS sectors

Business Segment	Revenue Share (%)*	Core Products and Services
<b>Electricity generation</b>	<b>8,52%</b>	Manufacturing and refurbishment of generators; construction and modernisation of hydropower plants; solar power plant development; production of inverters and wind turbines; system operation, maintenance, and technical services.
<b>Transmission and distribution of electricity</b>	<b>76,20%</b>	Comprehensive solutions for high- and medium-voltage electricity infrastructure, including the production and sale of power, distribution, special-purpose and instrument transformers; overhead lines; turnkey substations; transformer tanks; primary and secondary equipment for grid applications; low-voltage switchgear; condition monitoring systems; diagnostics; testing; and technical supervision.
Transmission	27.40%	
Distribution	48.80%	
<b>Urban mobility and infrastructure</b>	<b>10,00%</b>	Design, manufacture, and maintenance of rail vehicles (e.g., trains, trams); development of railway infrastructure and urban infrastructure solutions including roads, lighting, and other public assets.
Mobility	6.42%	
Infrastructure	3.58%	
<b>Digital solutions and platforms</b>	<b>2,43%</b>	Digitalna rješenja, digitalne usluge, digitalizacija proizvoda i proizvodnje, sustavi poslovne podrške, ICT infrastruktura i usluge.
<b>Other</b>	<b>2,85%</b>	Solutions that can't be included in business segment categories

\* Related to note 3 Sales revenues in the consolidated financial report of the KONČAR Group

## Business model and value chain

### Key inputs and strategic resource management

#### People and knowledge

- **Specialised workforce:** KONČAR Group consistently invests in attracting, developing, and retaining specialised engineers, technicians, and experts across its core segments—power systems, rail solutions, and digital infrastructure.
- **Competence development:** Through strategic partnerships with technical faculties and research institutions, the Group delivers mentoring programmes, internships, and lifelong learning initiatives aimed at continuous upskilling and fostering innovation.

#### Materials and components

- **Procurement of key parts:** In high-tech segments such as power transformers, generators, motors, digital systems, and rail equipment, KONČAR collaborates with certified and vetted suppliers who meet rigorous standards of quality, reliability, and sustainability.
- **Supplier engagement:** Long-term partnerships are cultivated with providers of metal components, copper, steel, and electronic assemblies, with a focus on upholding human rights, adhering to safety standards, and reducing carbon footprint across the supply chain.

#### Technology and innovation

- **Research and Development (R&D):** A substantial share of investment is directed toward proprietary laboratories, R&D centres, and innovation-driven projects. Key areas include clean energy, green transformers, smart grids, remote monitoring of power infrastructure, and next-generation hybrid and battery-powered trains.
- **Digital platforms:** KONČAR develops advanced SCADA and IoT solutions for real-time monitoring, remote control, and cybersecurity in critical infrastructure settings.

#### Capital and financial resources

- **Internal funding and reinvestment:** Earnings are reinvested in capacity expansion and technological advancement, while maintaining a prudent dividend policy that supports long-term growth.
- **External financing:** The Group maintains robust collaboration with financial institutions for project financing, underpinned by transparent sustainability disclosures that foster investor confidence and alignment with sustainable finance expectations.

#### Energy and infrastructure

- **Sustainable energy strategy:** Investments are directed towards renewable sources, including rooftop photovoltaic systems at manufacturing sites, thereby reducing dependency on external suppliers and lowering the Group's overall carbon footprint. In alignment with its environmental, social, and sustainability commitments, KONČAR is a certified user of ZelEn—a unique product that ensures all electricity consumed within the Republic of Croatia is sourced exclusively from renewable energy.
- **Resource management:** Continuous process optimisation is undertaken to reduce consumption of water, energy, and raw materials, and to implement efficient waste management practices such as recycling of metals and electronic components.

### Stakeholder value creation and performance outcomes

#### Products and services

- **Power system solutions:** The Group delivers end-to-end engineering, manufacturing, and modernisation of substations, power and instrument transformers, and full-scale hydropower, solar, and wind installations. These solutions ensure reliable, secure, and sustainable energy supply for end-users while providing long-term financial viability and reduced risk exposure for investors.
- **Rail vehicles:** KONČAR's portfolio of low-floor trams, electric, battery-electric, and hybrid multiple units—entirely developed in-house—offers advanced public transport solutions. These contribute to improved service quality, lower lifecycle costs, and significant reductions in environmental impact.
- **Digital platforms:** SCADA systems, IoT-enabled infrastructure monitoring platforms, and cybersecurity solutions enhance resilience, efficiency, and operational safety across critical infrastructure networks.

## Socioeconomic impact

- **For customers:** Competitive and forward-looking solutions that reduce operational expenditure, improve energy performance, and facilitate the transition to a low-carbon economy.
- **For investors:** Strong business growth, robust financial performance, and transparent corporate governance aligned with ESG principles.
- **For employees and communities:** Provision of high-quality employment, investment in lifelong learning and emerging talent, strategic collaboration with academic institutions, and promotion of inclusive economic development through local supplier partnerships and community engagement—all underpinned by a strong commitment to environmental stewardship and climate resilience.

## Anticipated benefits and continuous enhancement

- **Customers and strategic partners:** Enhanced supply security, reduced environmental footprint, and dependable after-sales service.
- **Stakeholders at large:** Tangible contributions to the green industrial transition, strengthened export performance, and KONČAR's positioning as a regional technology leader in the sustainable infrastructure domain.

## Key characteristics of the upstream and downstream value chain and KONČAR Group's strategic position

### Upstream segment (suppliers and partners)

- **Strategic suppliers:** The Group relies on a network of established suppliers—primarily based in the European market—for the provision of critical components such as sheet metal, electromechanical and electronic parts, and other industrial materials essential to high-tech manufacturing.
- **Supply chain risk management:** Sustainability due diligence is fully embedded in supplier selection and management. This includes systematic monitoring of compliance with human rights and labour standards, as well as anti-corruption protocols.
- **Innovation partnerships:** Beyond contractual collaborations, KONČAR fosters long-standing relationships with academic and research institutions to support the co-creation of next-generation technologies.

### Downstream segment (customers, distributors, end users)

- **Energy sector value chain:** From engineering and design to manufacturing of key assets (e.g., transformers, generators, switchgear), and turnkey delivery of solar, wind, and hydro power plants.
- **Rail industry value chain:** Spanning materials procurement for traction systems and vehicle bodies, through to delivery of electric and hybrid trains and trams—alongside maintenance and service agreements with municipal and national operators.
- **Digital solutions value chain:** Covering the development of proprietary software and hardware, systems integration for smart infrastructure, and real-time monitoring services tailored for industrial and power sector customers.

## Integrated value chains across the Group

- **Energy sector value chain:** From engineering and design to manufacturing of key assets (e.g., transformers, generators, switchgear), and turnkey delivery of solar, wind, and hydro power plants.
- **Rail industry value chain:** Spanning materials procurement for traction systems and vehicle bodies, through to delivery of electric and hybrid trains and trams—alongside maintenance and service agreements with municipal and national operators.
- **Digital solutions value chain:** Covering the development of proprietary software and hardware, systems integration for smart infrastructure, and real-time monitoring services tailored for industrial and power sector customers.

## Key sustainability challenges and strategic responses (ESRS 2.40.g)

Challenge	Strategic response
Limited capacity for green production	Targeted investment in digitalisation and energy-efficient manufacturing infrastructure, aimed at supporting low-carbon and circular economy objectives
Increasing regulatory requirements	Certification of product sustainability and commitment to transparent ESG reporting, aligned with recognised international standards
Volatility in raw material prices	Development of long-term contractual partnerships with certified and ESG-compliant suppliers to ensure cost stability and supply chain resilience
Growing demand for smart energy solutions	Acceleration of R&D investment in digital technologies, with a particular focus on intelligent energy infrastructure and grid optimisation solutions



## **SBM-2 – Interests and views of stakeholders**

KONČAR Group actively engages with its key stakeholders to ensure that its strategy and business model reflect their expectations and interests. This engagement is embedded in the Group's double materiality assessment process and informs the ongoing refinement of its sustainability strategy.

### **Stakeholder engagement approach**

Recognising the central role of stakeholders in sustainable value creation, KONČAR has systematically identified and segmented individuals, communities, and organisations that influence or are affected by its operations. In response to evolving market dynamics, the Group has also diversified its communication channels to ensure timely, inclusive, and transparent dialogue.





**Key stakeholders, their expectations, and engagement mechanisms**

Stakeholder group	Key needs & expectations	Engagement channels & frequency
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Delivery reliability</li> <li>• Customer relationship management and complaints handling</li> <li>• Responsible resource management</li> <li>• Ethical business conduct</li> <li>• Data privacy and protection</li> <li>• Continuous product and service improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings, workshops, and advisory sessions to foster transparent dialogue and long-term relationships</li> <li>• Professional training and development activities, provided as needed</li> <li>• Systematic handling and analysis of complaints, feedback, and suggestions</li> <li>• Annual customer satisfaction survey</li> <li>• Participation in trade fairs, conferences, and professional gatherings (on an ongoing basis)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Email correspondence and digital communication channels (continuous availability)</li> <li>• On-site customer visits as part of proactive relationship management</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Quarterly and annual business performance reports</li> <li>• Promotional brochures and product information leaflets</li> <li>• Active presence on LinkedIn (frequent updates)</li> <li>• Končarevac corporate magazine (published monthly)</li> <li>• English-language newsletters distributed monthly to international stakeholders</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Fair remuneration and incentives</li> <li>• Supportive work environment</li> <li>• Professional development and recognition</li> <li>• Business stability and growth</li> <li>• Occupational health and safety</li> <li>• Training and capacity building</li> <li>• Equal opportunity and non-discrimination</li> <li>• Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing learning and upskilling</li> <li>• Intranet and internal services (regular updates)</li> <li>• Email correspondence and digital communication channels (continuous availability)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Meetings (as required)</li> <li>• Business performance reports</li> <li>• Active presence on LinkedIn (frequent updates)</li> <li>• Jenz platform (continuously maintained)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Končarevac corporate magazine (published monthly)</li> <li>• Monthly newsletter</li> </ul>
<b>Shareholders / Investors</b>	<ul style="list-style-type: none"> <li>• Corporate business strategy and long-term vision</li> <li>• Profitability</li> <li>• Value creation</li> <li>• Sustainable growth and responsible governance</li> </ul>	<ul style="list-style-type: none"> <li>• General Assembly</li> <li>• Direct communication (letters, email) as needed</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Business performance reports</li> <li>• Active presence on LinkedIn (frequent updates)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Email correspondence and digital communication channels (continuous availability)</li> <li>• Public disclosures via ZSE and HANFA</li> <li>• Public disclosures via HINA</li> <li>• Končarevac corporate magazine (published monthly)</li> <li>• Monthly newsletter</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Mutually beneficial and long-term partnerships</li> <li>• Robust and transparent management systems</li> <li>• Ethical conduct and compliance with integrity standards</li> <li>• Clearly defined business volume and scope of cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in trade fairs and industry conferences</li> <li>• Supplier audits, site visits, and bilateral meetings (as required)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Email correspondence and digital communication channels (continuous availability)</li> <li>• Business performance reports</li> <li>• Active presence on LinkedIn (frequent updates)</li> <li>• Monthly newsletter</li> </ul>
<b>Business partners and trade representatives**</b>	<ul style="list-style-type: none"> <li>• Mutually beneficial and long-term partnerships</li> <li>• Robust and transparent management systems</li> <li>• Ethical conduct and compliance with integrity standards</li> <li>• Clearly defined business volume and scope of cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Regular strategic and operational meetings</li> <li>• Participation in trade fairs and industry conferences</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Email correspondence and digital communication channels (continuous availability)</li> <li>• Active presence on LinkedIn (frequent updates)</li> <li>• Končarevac corporate magazine (published monthly)</li> <li>• Monthly newsletter</li> </ul>

<b>Workers' council / Trade unions</b>	<ul style="list-style-type: none"> <li>• Participation in governance and decision-making processes</li> <li>• Compliance with national labour legislation</li> <li>• Freedom of association and collective bargaining rights</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings, as required</li> <li>• Noticeboards (regularly updated)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Business performance reports</li> <li>• Dedicated corporate website with up-to-date information, regular updates</li> <li>• <i>Končarevac</i> corporate magazine (published monthly)</li> </ul>
<b>Professional and industry associations</b>	<ul style="list-style-type: none"> <li>• Ongoing financial contributions</li> <li>• Fostering knowledge exchange and professional development</li> </ul>	<ul style="list-style-type: none"> <li>• Regular membership in relevant national and international associations</li> <li>• Participation in working groups and expert bodies (ongoing)</li> <li>• Attendance and contributions to conferences and expert forums</li> <li>• Publishing and peer collaboration in technical publications</li> <li>• Thematic meetings and roundtables (as needed)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Business performance reports</li> </ul>
<b>Scientific and academic community</b>	<ul style="list-style-type: none"> <li>• Applied research and joint development initiatives</li> <li>• Knowledge transfer and collaboration on innovation</li> <li>• Participation in cross-sectoral research consortia</li> </ul>	<ul style="list-style-type: none"> <li>• Regular publication of scientific and technical papers</li> <li>• Seminars and workshops (as needed)</li> <li>• Active participation in academic and industry conferences</li> <li>• Institutional memberships and academic partnerships</li> <li>• Joint research activities</li> <li>• Thematic roundtables</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Annual financial report</li> <li>• <i>Končarevac</i> corporate magazine (published monthly)</li> </ul>
<b>State authorities</b>	<ul style="list-style-type: none"> <li>• Timely payment of taxes, levies, and contributions</li> <li>• Full compliance with applicable legal and regulatory frameworks</li> <li>• Transparent and timely reporting obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in working groups (ongoing)</li> <li>• Formal correspondence and email communication (ongoing)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Regular strategic and operational meetings</li> <li>• Involvement in conferences and thematic sessions (as needed)</li> <li>• <i>Končarevac</i> corporate magazine (published monthly)</li> <li>• Active membership in relevant institutional platforms and associations (ongoing)</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Strategic community support: Ongoing financial and in-kind contributions through donations and sponsorships</li> <li>• Responsible resource use: Ensuring sustainable and equitable use of economic, environmental, and social resources</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborative engagement: Regular site visits, structured dialogue, and joint initiatives</li> <li>• Volunteerism: Employee-led volunteer actions take place several times a year</li> <li>• Donations and sponsorships (weekly)</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Annual Sustainability Report (published regularly)</li> <li>• Regular publication of the Sustainability Report and Business Performance Reports (quarterly and annually)</li> <li>• Active presence on LinkedIn</li> <li>• <i>Končarevac</i> magazine (monthly)</li> <li>• Ongoing updates and resources shared via the official website and through direct email or correspondence</li> </ul>
<b>Financial community</b>	<ul style="list-style-type: none"> <li>• Reporting on corporate performance and financial results</li> </ul>	<ul style="list-style-type: none"> <li>• Zagreb Stock Exchange (ZSE): Regular updates</li> <li>• Croatian Financial Services Supervisory Agency (HANFA): Regular disclosures</li> <li>• Croatian News Agency (HINA): Timely announcements</li> <li>• Official website: Continuously updated with relevant reports and publications</li> <li>• <i>Končarevac</i> corporate magazine (published monthly)</li> <li>• Business performance reports: Quarterly publications</li> <li>• Sustainability reports (CSR/ESG): Annually published</li> <li>• Investor relations: Regular meetings with existing and potential investors, as well as financial analysts</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Transparent and timely communication with media about key developments, financial results, and strategic initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews, features, and press coverage, conducted as needed</li> <li>• Regular and ad-hoc press conferences, particularly around major corporate announcements</li> <li>• KONČAR Magazine ("<i>Končarevac</i>"), issued regularly to share updates and insights</li> <li>• Press releases, issued on an as-needed basis to provide updates on significant projects and milestones</li> <li>• Dedicated corporate website with up-to-date information (regular updates)</li> <li>• Active presence on LinkedIn (frequent updates)</li> </ul>

## Understanding stakeholder interests and perspectives

As part of the double materiality assessment conducted in 2024, the KONČAR Group systematically identified key sustainability topics by integrating stakeholder expectations and engaging in targeted stakeholder dialogue.

### Key stakeholder insights

- Customers: Increased demand for energy-efficient and low-emission products and solutions
- Investors: Strong emphasis on technologies that support the green transition and decarbonisation efforts, coupled with increased expectations for transparent sustainability disclosures and strict adherence to regulatory frameworks
- Suppliers: Anticipation of stricter environmental sustainability requirements throughout the supply chain
- Regulators: Enhanced requirements for CSRD-aligned disclosures and EU Taxonomy compliance
- Employees: Emphasis on workplace safety and continuous professional development
- Local communities: Investments in infrastructure, promotion of excellence among youth, support for vulnerable social groups, and the advancement of inclusion have emerged as key expectations. In response, KONČAR Group revised its sustainability strategy, reinforced its portfolio of green technologies, and increased the transparency of its sustainability-related data

### Strategic and business model adjustments informed by stakeholder feedback

Based on the 2023 materiality assessment – which incorporated direct stakeholder input – KONČAR Group established the following key pillars of its sustainability strategy:

Priority topic	Description	Implementation period
<b>Accelerated decarbonisation</b>	Enhanced investment in low-carbon technologies and CO <sub>2</sub> emissions reduction	2024 - 2026
<b>Integration of sustainability in supply chains</b>	Implementation of sustainability-based supplier assessments and reduction of supply chain emissions	2025
<b>Enhancing sustainability reporting transparency</b>	Adoption of CSRD and EU Taxonomy requirements for sustainability disclosures	2024
<b>Investment in local communities</b>	Funding for education and infrastructure projects, support for vulnerable groups and inclusive initiatives	2024 - 2026

Throughout 2024, the double materiality process enabled the Group to:

- Ensure full alignment of stakeholder perspectives with its strategy and business model via a structured engagement framework
- Identify impacted stakeholder groups within the value chain, including employees, customers, suppliers, investors, and communities
- Establish engagement mechanisms such as regular communication, surveys, and materiality assessments to systematically capture stakeholder priorities
- Integrate stakeholder feedback into decision-making processes, serving as the foundation for iterative updates to the sustainability strategy

In 2025, KONČAR Group will amend its Strategic Action Plan based on the validated outcomes of the **double materiality process**.

### SBM-3 – Material Impacts, risks, and opportunities and their integration with strategy and the business model

KONČAR Group applies the double materiality assessment methodology to strategically manage its most significant sustainability impacts, risks, and opportunities. Through scenario analysis and continuous adaptation to evolving sustainability requirements, the Group ensures the resilience of its business model, long-term competitiveness, and compliance with regulatory standards.

#### Material impacts, risks, and opportunities and their expected outcomes

KONČAR has identified the most salient impacts, risks, and opportunities across its operational model, including upstream and downstream value chain components:

Category	Material impact / Risk / Opportunity	Most affected business segment
Environmental	CO <sub>2</sub> emissions and climate risk	Manufacturing, transport, energy efficiency
Environmental	Sustainable supply chains and resource optimisation	Raw material procurement, recycling, waste management
Social	Employee safety and ethical labour practices	Production facilities, field operations
Social	Customer expectations around sustainability and increasing market competitiveness	Tenders, electrification of transport and grid markets
Governance	Regulatory compliance (CSRD, EU Taxonomy)	Sustainability disclosures, financial alignment
Technological	Digitalisation and smart grid innovation	R&D, development of advanced digital solutions

#### Current and anticipated outcomes

- Rising demand for ESG certification and sustainable technologies is intensifying market competition.
- Increasing regulatory requirements are driving operational costs and expanding the scope of sustainability disclosures.
- Raw material price volatility is influencing procurement strategies and overall profitability.

#### Human and environmental impact

- Positive: Enhanced energy efficiency leads to reduced CO<sub>2</sub> emissions; improved safety protocols contribute to safer working conditions.
- Negative: Increased operational expenditure linked to the shift toward low-carbon technologies.

#### Time horizon of impact

- Short-term: Heightened regulatory pressure requiring rapid business model adaptation
- Medium-term: Broader implementation of low-carbon technologies and efficiency improvements
- Long-term: Achievement of net-zero emissions through technological innovation and systemic transformation

#### Current financial impacts

Type of risk	Impact
Regulatory compliance	Increased operating costs due to alignment with sustainability-related standards and reporting frameworks
Sustainable supply chains	Higher procurement costs for responsibly sourced and certified raw materials
Green investments	Reduced expenses through access to incentives, grants, and fiscal benefits

#### Anticipated financial impacts

Time horizon	Impact
Short-term	Elevated CAPEX due to sustainability-aligned investments, offset by improved market positioning
Medium-term	Revenue growth from low-carbon solutions and increased demand for greentechnologies
Long-term	Full transition to sustainable operating models resulting in lower OPEX and enhanced resilience

## Resilience of the strategy and business model

To assess and enhance its long-term resilience to transition risks, KONČAR applies structured scenario analysis in alignment with the ESRS E1-IRO 1 framework. The scenarios explored include:

- **SSP1 – Rapid decarbonisation:** Envisions accelerated regulatory tightening and market shifts towards low-carbon technologies. Under this scenario, KONČAR anticipates intensified investments in innovation, green product development, and compliance adaptation to maintain competitiveness
- **SSP2 – Gradual transition:** Reflects a more moderate trajectory of regulatory and market transformation. KONČAR expects continued but incremental sustainability-related investments and capacity-building, particularly in renewable energy solutions

The outputs from these analyses guide strategic decisions and are detailed in Section E1-IRO 1 of this Report.

## Evolving material factors

Category	Recent developments compared to prior periods
<b>Regulatory risks</b>	Increased alignment with the CSRD and EU Taxonomy, requiring enhanced ESG disclosure and operational adaptation
<b>Market risks</b>	Rising customer expectations for sustainable solutions, especially in energy and mobility sectors
<b>Technological risks</b>	Heightened need for digitalisation across product lines and operations, requiring increased R&D investment

## IRO-1 –Description of the process for identifying and assessing material impacts, risks, and opportunities

In 2024, KONČAR Group updated its materiality assessment initially developed for the 2022 Sustainability Strategy. The update was conducted using the double materiality assessment (DMA) methodology at the Group level, ensuring alignment with the latest EU sustainability reporting requirements.

This reassessment was formally approved by the Management Board of KONČAR Inc. and will be further enhanced over time, incorporating evolving best practices and new ESG guidelines.

The impacts, risks, and opportunities (IROs) deemed material for KONČAR Group's operations and value chain were mapped to the disclosure requirements outlined in the thematic European Sustainability Reporting Standards (ESRS), forming the basis for the 2024 Sustainability Report.

The double materiality approach employed by the Group evaluates both:

- **Impact materiality:** Assessing how the Group's activities and those of its subsidiaries affect sustainability-related factors, including human rights; and
- **Financial materiality:** Evaluating how sustainability-related risks and opportunities may materially influence business outcomes, enterprise value, and the Group's ability to meet its obligations

The process drew upon: the 2023 list of sustainability topics previously identified as relevant to the Group, KONČAR's Sustainability Strategy, benchmark analysis of peer companies, indicative sectoral topics based on SASB Standards, insights gathered through internal stakeholder workshops, expert review across specific domains stipulated in AR 16 of ESRS. Additional topics of strategic relevance to KONČAR—such as Digitalisation and Technological Transformation, Product Quality, Economic and Financial Value Creation, and Research and Innovation—were incorporated into the assessment, although they were not evaluated as standalone themes, as their core aspects are addressed within the standard ESRS sustainability factors (AR 16).

## Methodology for double materiality assessment at KONČAR Group

### Value chain mapping

As an integral component of the double materiality assessment, KONČAR Group conducted a comprehensive evaluation of significant actual and potential impacts across its full spectrum of operations and throughout the entire value chain. The Group's business model spans the manufacturing of high-performance power equipment, the transmission and distribution of electricity, the deployment of advanced digital platforms and solutions, and the development of renewable energy systems.



The upstream segment of the value chain encompasses critical suppliers of raw materials and energy resources, manufacturers of specialized components, and strategic industrial partners. Moreover, investors and collaborators in research and development are pivotal in accelerating innovation and advancing environmental performance.

The downstream value chain includes a diverse array of stakeholders who utilize KONČAR Group's products and services—ranging from utility companies and transmission and distribution system operators to transportation entities, industrial sectors, and end-users dependent on KONČAR's technological infrastructure. This segment also accounts for the role of regulatory authorities and customers of digital technologies and infrastructure solutions.

Furthermore, the assessment considered broader societal implications, including impacts on local communities, workers embedded throughout the value chain, and the employees of suppliers who are not directly engaged by KONČAR Group.

Where data limitations were identified, the Group leveraged sectoral analyses, regulatory publications, and external research to discern high-risk areas and vulnerable populations, thereby ensuring a robust and informed assessment framework.

### Key sustainability-related topics identified as material

Based on the double materiality assessment, the following key ESG topics were identified as material for KONČAR Group's operations. These topics are aligned with the European Sustainability Reporting Standards (ESRS) and include:

- **Environmental topics:**
  - Climate change and energy consumption – adaptation and mitigation efforts through the deployment of low-carbon technologies and energy efficiency (identified as a key material topic)
  - Resource use and circular economy – increasing the share of recycled materials and optimizing processes to reduce waste, with the topic of resource inflows, including resource exploitation, identified as key
  - Air and water pollution – minimizing adverse business impacts on water resources and air emissions
- **Social topics:**
  - Working conditions and employee safety – ensuring high standards of occupational health and safety, with continuous investment in the wellbeing of employees and suppliers
  - Diversity, equity, and inclusion – fostering gender balance, employee rights, and ethical business practices throughout the value chain
  - Community impact – promoting socially responsible practices and contributing to infrastructure development through sustainable projects
- **Governance and Business Ethics:**
  - Sustainable procurement and responsible business conduct – integrating sustainability-related criteria into procurement processes and supplier relations
  - Digital security and data ethics – ensuring cybersecurity and ethical data usage in digital solutions
  - Regulatory compliance – proactive monitoring and implementation of new sustainability regulations and standards

### Time horizons

When assessing impacts, risks, and opportunities (IROs), KONČAR Group applies time horizons as defined by the ESRS 1 standards:

- **Short-term:** Current reporting year (2024)
- **Medium-term:** period from 1 to 5 years (2025-2029)
- **Long-term:** beyond 5 years (2030+)

### Identification and assessment of material risks and opportunities

KONČAR Group continuously evaluates potential sustainability-related risks that could result in financial or reputational consequences. The assessment includes:

- **Regulatory and market risks** – compliance with new regulations and market pressures related to sustainability
- **Climate-related risks** – physical risks linked to extreme weather events and transition risks associated with the shift to low-carbon operations
- **Resource dependency** – availability and cost of key materials and energy sources

To quantify sustainability-related risks, scenario modeling is used to assess the financial risk profile under various conditions and timeframes.

## Stakeholder engagement

The double materiality assessment was underpinned by a structured and inclusive engagement process involving both internal and external stakeholders, whose insights played a critical role in identifying material sustainability topics across KONČAR Group's operations and value chain.

### • External stakeholders:

- **Regulatory authorities** – Engagement ensured alignment with the evolving EU regulatory landscape and adherence to relevant sustainability disclosure standards
- **Investors and Financial Institutions** – Expectations are increasingly focused on transparent sustainability reporting and directing capital flows into sustainable projects
- **Customers and strategic partners** – Captured input from end-users and industry partners regarding decarbonization targets, supply chain responsibility, and the performance of KONČAR's products and services. Stakeholder feedback continues to shape product innovation and sustainable development strategies
- **Local communities** – Considered the societal impacts of KONČAR Group's operations, particularly in relation to the enhancement of infrastructure, social development, and access to sustainable energy solutions

### • Internal stakeholders:

- **Employees** – Recognized as the foundation of the Group's success, spanning all operational levels. Engagement focused on topics such as occupational safety, employee wellbeing, development opportunities, and long-term career advancement
- **ESG specialists and sustainability task force members** – Involved core personnel tasked with the formulation, execution, and continuous refinement of sustainability strategies and reporting practices within the Group

## Results of the double materiality assessment of KONČAR Group

The results of the double materiality assessment are presented below, illustrating the relevance of each sustainability topic for KONČAR Group across environmental, social, and governance (ESG) dimensions.

### Overview of material topics Identified by KONČAR Group

ENVIRONMENT		SOCIAL		GOVERNANCE	
Climate change		Own workforce		Business conduct	
Climate change adaptation	▲▲▲	Working conditions	▲▲▲	Corporate culture	▲▲
Climate change mitigation	▲▲▲	Equal treatment and opportunities	▲▲▲	Whistleblower protection	▲
Energy	▲▲▲	Other labour rights	▲	Supplier relationship management	▲▲
Pollution		Workers in the value chain		Anti-corruption and bribery	▲▲
Air pollution	▲▲	Working conditions	▲▲		
Water pollution	▲▲	Other labour rights	▲		
Resources and the circular economy		Affected communities			
Resource inflows	▲▲▲	Economic, social and cultural rights of communities	▲		
Resource outflows	▲▲▲	Consumers and end users			
Waste	▲▲	Personal safety	▲▲		
		Information-related impacts	▲		

Legend: ▲-Positive impacts, ▼-Negative impacts, ▲-Risks, ●-Opportunities

## IRO-2 – Disclosure requirements under the ESRS addressed in the company's Sustainability report

Based on the double materiality assessment, KONČAR Group reports on the following disclosure requirements in accordance with the ESRS framework:

Section	Priority topic	Disclosure requirement	Page
General Disclosures		BP-1 – General basis for preparation of the sustainability statement	
		BP-2 – Disclosures in relation to specific circumstances	
		GOV-1 Role of administrative, supervisory and management bodies	4
		GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	14
		GOV-3 – Integration of sustainability-related performance in incentive schemes	15
		GOV-4 Statement on due diligence	15
		GOV-5 Risk management and internal controls over sustainability reporting	17
		SBM-1 – Strategy, business model, and value chain	18
		SBM-2 Interests and views of stakeholders	27
		SBM-3 – Material Impacts, risks, and opportunities and their integration with strategy and the business model	31
		IRO-1 Description of the process for identifying and assessing material impacts, risks, and opportunities	33
		IRO-2 – Disclosure requirements under the ESRS addressed in the company's Sustainability report	36
Environment	ESRS E1 Climate change	E1-1 – Transition Plan for Climate Change Mitigation	50
		E1.SBM-3 Material impacts, risks, and opportunities and their integration with strategy and the business model	50
		E1.IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities	55
		E1-2 Policies related to climate change mitigation and adaptation	61
		E1-3 Measures and resources related to climate policies	62
		E1-4 Targets related to climate change mitigation and adaptation	64
		E1-5 Total energy consumption and energy mix	65
		E1-6 Gross GHG emissions (Scope 1, 2, 3) and total emissions	68
	ESRS E2 Pollution	E2.IRO-1 Description of the processes for identifying and assessing material impacts, risks and opportunities related to pollution	75
		E2-1 Policies related to pollution	76
		E2-2 Measures and resources related to pollution	76
		E2-3 Pollution-related targets	76
		E2-4 Pollution of air, water and soil	76
	ESRS E5 Resource use and circular economy	E5.IRO-1 Description of procedures for identifying and assessing material impacts, risks, and opportunities related to resource use and circular economy	83
		E5-1 Policies related to resource use and the circular economy	84
		E5-2 Measures and resources related to resource use and the circular economy	84
		E5-3 Targets related to resource use and the circular economy	84
		E5-4 Resource inflow	85
		E5-5 Resource outflow	87

Section	Priority topic	Disclosure requirement	Page
Social dimension	ESRS S1 Own workforce	S1.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	93
		S1-1 Policies related to own workforce	94
		S1-2 Procedures for engaging with own workers and their representatives on workforce-related impacts	96
		S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns	97
		S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	98
		S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	100
		S1-6 Characteristics of the undertaking's employees	103
		S1-8 Collective bargaining coverage and social dialogue	105
		S1-9 Diversity indicators	105
		S1-10 Adequate wages	106
		S1-14 Health and safety metrics	106
		S1-16 Remuneration metrics (pay gap and total remuneration)	106
		S1-17 Incidents, complaints and severe human rights impacts	108
	ESRS S2 Workers in the value chain	S2.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	109
		S2-1 Policies related to workers in the value chain	111
		S2-2 Processes for engaging with value chain workers about impacts	112
		S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns	113
		S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	113
		S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	113
	ESRS S3 Affected communities	S3.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	114
		S3-1 Policies related to affected communities	115
		S3-2 Processes for engaging with affected communities about impacts	116
		S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns	118
		S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	119
		S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	120
	ESRS S4 Consumers and end-users	S4.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	122
		S4-1 Policies related to consumers and end-users	124
		S4-2 Processes for engaging with consumers and end-users about impacts	125
		S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	125
		S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	125
		S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	126
Governance	ESRS G1 Business conduct	G1.GOV-1 Role of administrative, supervisory and management bodies in relation to business conduct	128
		G1-1 Corporate culture and business conduct policies	130
		G1-2 Supplier relationship management	133
		G1-3 Prevention and detection of corruption and bribery	134
		G1-4 Incidents of corruption or bribery	135
		G1-6 payment practices	135

A comprehensive overview of disclosed data points in accordance with ESRS requirements is available in the content index at the end of this report.

IRO-2 Disclosure requirement – data points in cross-cutting and topical standards derived from other EU regulations

The table below outlines the data points derived from other EU legislative acts, as referenced in Annex B of ESRS 2. It indicates where these data points are addressed in this report and whether they have been assessed as material for KONČAR Group.

Disclosure requirement	Data point		SFDR (1)	CRR (2)	Benchmark regulation (3)	EU Climate Law (4)	Page / materiality
General Information							
GOV-1	21(d)	Gender diversity on the governance body	o		o		12
GOV-1	21(e)	Proportion of independent board members			o		12
GOV-4	30	Due diligence statement	o				15
SBM-1	40(d)(i)	Participation in fossil fuel-related activities	o	o	o		Not relevant
SBM-1	40(d)(ii)-(iv)	Activities in chemical industry, controversial weapons, or tobacco	o	o	o		Not relevant
Environment							
E1-1	14	Transition plan for achieving climate neutrality				o	50
E1-1	16(g)	Exclusion from Paris Agreement-aligned benchmarks		o	o		Not relevant
E1-4	34	Greenhouse gas emission reduction targets	o	o	o		64



E1-5	38	Energy consumption from fossil sources, broken down by source (for sectors with significant climate impact)	o				66
E1-5	37	Total energy consumption and energy mix	o				66
E1-5	40-43	Energy intensity in climate-relevant sectors	o	o	o		67
E1-6	44	Gross GHG emissions (Scope 1, 2, 3) and total emissions	o	o	o		68
E1-6	53-55	GHG emission intensity				o	74
E1-7	56	GHG removals and carbon credits			o		Not relevant
E1-9	66	Exposure of reference portfolio to physical climate risks				o	Subject to gradual introduction
E1-9	66(a)	Breakdown of monetary values by acute and chronic physical risks		o			Subject to gradual introduction
E1-9	66(c)	Location of significant assets exposed to material physical risks		o			Subject to gradual introduction
E1-9	67(c)	Breakdown of book value of real estate by energy performance class		o			Subject to gradual introduction
E1-9	69	Degree of portfolio exposure to climate-related opportunities			o		Subject to gradual introduction
E2-4	28	Quantity of pollutants per Annex II Regulation on the E-PRTR (European Pollutant Release and Transfer Register) regarding pollutants released into air, water, and soil	o				77
E3-1	9	Water and marine resources	o				Not material
E3-1	13	Specific policies related to water resources	o				Not material
E3-1	14	Sustainable oceans and marine ecosystems	o				Not material
E3-4	28(c)	Total volume of recycled and reused water	o				Not material
E3-4	29	Total water consumption (m <sup>3</sup> ) per net revenue from own operations	o				Not material
SBM-3-E4	16(a)	Areas sensitive to biodiversity	o				Not material
SBM-3-E4	16(b)	Land and soil-related impacts	o				Not material
SBM-3-E4	16(c)	Endangered species	o				Not material
E4-2	24(b)	Sustainable land/agricultural practices or policies	o				Not material
E4-2	24(c)	Sustainable practices or policies for oceans/seas	o				Not material
E4-2	24(d)	Policies addressing deforestation	o				Not material

E5-5	37(d)	Non-recycled waste	o				88
E5-5	39	Hazardous and radioactive waste	o				88
<b>Social dimension</b>							
SBM-3-S1	14(f)	Risk of forced labour	o				Not material
SBM-3-S1	14(g)	Risk of child labour	o				Not material
S1-1	20(a)	Commitments in human rights policy	o				94
S1-1	21	Due diligence policies (ILO Conventions 1–8)			o		95
S1-1	22	Procedures and measures to prevent human trafficking	o				Not material
S1-1	23	Occupational health and safety (OHS) management system	o				95
S1-3	32(c)	Grievance mechanism	o				97
S1-14	88(b)(c)	Number of fatalities and accident/injury rates	o				106
S1-14	88(e)	Number of lost days due to injuries, fatalities, or illnesses	o		o		106
S1-16	97(a)	Unadjusted gender pay gap	o				107
S1-16	97(b)	Excessive pay ratio (executives vs employees)	o		o		107
S1-17	103(a)	Incidents of discrimination	o				108
S1-17	104(a)	Non-compliance with UN Guiding Principles/OECD Guidelines	o		o		108
<b>Workers in the value chain</b>							
SBM-3-S2	11(b)	High risk of child or forced labour in the value chain	o				110
S2-1	17	Commitments in human rights policy	o				111
S2-1	18	Policies relating to workers in the value chain	o				111
S2-1	19	Non-compliance with UN Guiding Principles/OECD Guidelines	o		o		112
S2-1	19	Due diligence policies (ILO Conventions 1–8)			o		112
S2-4	36	Human rights issues and incidents across upstream/downstream activities	o				112

Affected communities							
S3-1	16	Commitments regarding community-level human rights protection	o				115
S3-1	17	Non-compliance with UNGPs, ILO Principles, or OECD Guidelines	o		o		115
S3-4	36	Community-related human rights issues and incidents	o				119
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G1-1	10(b)	United Nations Convention Against Corruption	o		o		130
G1-1	10(d)	Whistleblower protection	o				132
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<p>(1) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR)</p> <p>(2) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Capital Requirements Regulation – CRR)</p> <p>(3) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (Benchmark Regulation)</p> <p>(4) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality, and amending Regulations (EC) No. 401/2009 and (EU) 2018/1999 (European Climate Law)</p>							

## Non-material topics and rationale

For all non-material topics, KONČAR Group will conduct regular reassessments on an annual basis to ensure that any changes in the business environment or regulatory landscape are adequately reflected in future sustainability reports.

Based on the outcomes of the double materiality assessment, the following topics have been determined as not material for KONČAR Group and are therefore not included in the scope of this Sustainability Report:

- **Environmental topics:**

- **Soil pollution, impacts on living organisms, and food resources:** Due to the nature of KONČAR Group's business activities and the materials used, operations are not associated with significant emissions into the soil or any form of contamination affecting living organisms or food resources
- **Substances of concern and substances of very high concern (SVHCs):** The Group does not utilize chemicals classified as SVHCs in its manufacturing processes
- **Microplastics:** The Group's operations do not involve the production or significant use of microplastics. Furthermore, no risk has been identified regarding the release of microplastics from plastic materials in use
- **Water and marine resources:** KONČAR Group's operations do not depend on high volumes of water, nor do they exploit marine resources in any part of its production processes
- **Biodiversity and ecosystems:** KONČAR Group does not operate in a way that directly endangers biodiversity or ecosystems. All activities involving environmental interventions are carried out in accordance with investor-approved documentation, environmental impact assessments, and national regulatory requirements. Projects are implemented with the necessary environmental safeguards, ensuring no additional impact on biodiversity or ecosystem services.

- **Social topics:**

- **Equal treatment and opportunities in relation to value chain workers:** No material risks have been identified within KONČAR's immediate supplier network, which predominantly operates within the European Union and surrounding regions. Given this context, issues related to equal treatment and opportunities for workers in the value chain have not been deemed material
- **Civil and political rights of communities:** KONČAR does not operate in geographies characterized by elevated risks to civil and political rights
- **Rights of Indigenous Peoples:** To the best of the Group's current knowledge, its operations do not impact Indigenous Peoples
- **Social inclusion of consumers and end-users:** KONČAR's primary customers are institutional investors and industrial entities. Social inclusion dynamics among end-users have not been deemed materially relevant in shaping the Group's products or services.

- **Governance topics**

- **Political engagement and lobbying:** KONČAR Group maintains a clearly defined position of neutrality regarding political engagement. No material impacts, risks, or opportunities have been identified in relation to this topic.

## Overview of KONČAR Group policies

### Sustainable Development Policy of KONČAR Group

#### Environmental stewardship

- Climate change mitigation: KONČAR Group is firmly committed to decarbonisation by systematically reducing greenhouse gas (GHG) emissions. This is achieved through the design and delivery of energy-efficient technologies and the progressive integration of renewable energy sources throughout its operations and value chains.
- Climate change adaptation: The Group proactively strengthens the resilience of its infrastructure, operations, and product portfolio in response to climate-related risks. In parallel, it develops and delivers adaptive solutions that enable clients and partners to better anticipate and respond to the impacts of climate change.
- Resource efficiency: KONČAR applies a responsible and forward-looking approach to resource stewardship. The Group advances energy and material efficiency while minimising waste, guided by the principles of the circular economy and life-cycle thinking.
- Environmental protection: Through the adoption of best available techniques (BAT) and industry-leading practices, KONČAR ensures that its environmental footprint—across air, water, and soil—is minimised. Full compliance with applicable environmental legislation and standards underpins all environmental management efforts.

#### Commitment to employees and communities

- Health and Safety: KONČAR is dedicated to providing a safe, healthy, and supportive work environment for all employees and partners. The Group continuously enhances occupational safety protocols and fosters a culture of prevention, awareness, and shared responsibility.
- Upholding labour rights: The Group ensures respect for fundamental labour rights by promoting fair and equitable working conditions. This includes just compensation, regulated working hours, and measures to support a sustainable work-life balance.
- Employment stability and security: KONČAR fosters long-term employment through strategic workforce planning, transparent internal communication, and continuous professional development. These efforts contribute to employee engagement, organizational resilience, and market competitiveness.
- Professional development: The Group invests in lifelong learning and tailored capacity-building programs to cultivate individual potential and support career progression across all organizational levels.
- Diversity, equity, and inclusion: KONČAR actively advances diversity and inclusion by fostering an equitable and respectful workplace. Equal opportunities are promoted irrespective of gender, age, ability, ethnic background, or any other form of individual identity.
- Community engagement and social impact: Through strategic partnerships and active involvement, KONČAR contributes to the social and economic vitality of the communities in which it operates. Key areas include investments in education, support for vulnerable populations, promotion of cultural and sporting activities, and encouragement of employee volunteerism.
- Consumer health, safety, and satisfaction: The Group is committed to delivering reliable, high-quality products and services that meet customer needs while ensuring their safety and wellbeing. Stringent quality assurance and compliance measures underpin all stages of the product lifecycle.
- Social dialogue and freedom of association: KONČAR upholds the rights to freedom of association and collective bargaining. The Group facilitates open, inclusive, and constructive social dialogue, ensuring that employee voices are reflected in decision-making processes in line with international labour standards and national regulations.

#### Ethical conduct and responsible governance:

- Ethics and integrity: KONČAR is committed to conducting business with the highest standards of ethics and integrity. The Group fosters a culture of transparency, responsibility, and fairness, embedding these values across all levels of decision-making and operations.
- Anti-corruption and business integrity: The Group applies a zero-tolerance approach to all forms of corruption and bribery. A comprehensive compliance framework, supported by clear policies and internal controls, is in place to prevent, detect, and respond to any misconduct or unethical behaviour.
- Sustainable and ethical supply chain management: KONČAR expects its suppliers and partners to uphold robust standards of environmental, social, and governance (ESG) performance. The Group actively engages with value chain partners to promote responsible business practices, ethical sourcing, and long-term sustainability.
- Whistleblower protection: Secure and confidential channels are available to report concerns related to unethical, unlawful, or non-compliant conduct. The Group ensures the protection of individuals who report in good faith, in line with international best practices and applicable legal provisions.
- Values-driven corporate culture: The Group cultivates a corporate environment that encourages innovation, mutual respect, and shared responsibility. By empowering employees to act with integrity and accountability, KONČAR supports a cohesive, purpose-driven culture that underpins long-term business success.
- Data privacy and information security: KONČAR fully respects the right to privacy and is committed to protecting the personal data of its stakeholders.

The Group implements state-of-the-art technical and organizational safeguards in accordance with data protection laws and ethical standards.



## Specific sustainability goals aligned with KONČAR Group's Sustainability Policy

### Climate and resource stewardship

#### Goal 1: A Zero-emission future

- Reduction of Scope 1 and 2 emissions, initiating net-zero transition
- Develop and implement a climate transition plan grounded in scientific methodologies

#### Goal 2: Advancing the circular economy

- Reducing waste and enhancing resource efficiency
- Expanding the implementation of circular business models in manufacturing

### Employees and community engagement

#### Goal 3: Health and Safety

- Enhancing occupational safety measures with the goal of achieving zero workplace injuries.

#### Goal 4: Inclusion, diversity, and equal opportunity

- Advancing equal opportunities and inclusive employment.

#### Goal 5: Professional growth and career advancement

- Empowering employees through lifelong learning and leadership development.

#### Goal 6: Youth in focus

- Enhancing employer attractiveness among youth through targeted development programs

#### Goal 7: Empowered communities

- Empowering communities through education, culture, and sport

### Responsible governance

#### Goal 8: Transparency and ethical business conduct

- Implementing robust ESG governance and risk management

#### Goal 9: Ethical and sustainable value chain

- Promoting ESG alignment and responsible practices among suppliers and partners

### Monitoring the implementation of sustainability goals

Sub-targets linked to the overarching sustainability goals, as defined in KONČAR Group's strategy and policy framework (MDR-T), will be further elaborated throughout the respective sections of this report (MDR-A), accompanied by relevant metrics and implementation statuses (MDR-M).

Certain indicators associated with the Sustainability Strategy 2024 –2026 may be redefined during 2025 to ensure full alignment with the evolving disclosure and monitoring requirements set out by the European Sustainability Reporting Standards (ESRS). As a result, some metrics have not been included in this report but will be incorporated in future reporting cycles following their recalibration.

In the course of 2025, KONČAR Group will also develop a comprehensive climate transition plan, based on data collected throughout 2024. This plan will outline strategic pathways and concrete actions addressing the following priority areas:

- Decarbonization and greenhouse gas emissions reduction targets
- Physical climate-related risks, including those linked to extreme weather and operational disruption
- Transition risks, arising from regulatory changes, market shifts, and evolving stakeholder expectations related to climate change.

### Overview of KONČAR Group policies

Policies addressing each identified material sustainability factor are designed to prevent, mitigate, and remediate both actual and potential impacts, while also addressing associated risks and leveraging opportunities. The Management Board of KONČAR Inc. holds overarching responsibility for the implementation of Group-wide policies, ensuring the allocation of adequate resources and support for the achievement of defined objectives. The respective Management Boards of individual KONČAR Group companies are accountable for the implementation of policies within their own entities. Below is an overview of the key policies through which the KONČAR Group manages material sustainability factors. This includes a summary of each policy's content, scope of application, responsibilities for implementation, alignment with external standards, and accessibility to relevant stakeholders.

Policy	Key content	Scope of application	Responsible entity	External standards referenced	Availability
Sustainability Policy	<ul style="list-style-type: none"> <li>• Defines the Group's overarching sustainability objectives and guiding principles, including responsible management of environmental, social, quality, and economic impacts.</li> <li>• Focuses on identifying and mitigating risks, leveraging opportunities for sustainable growth, and promoting continuous improvement in sustainable business practices.</li> <li>• Includes procedures for regular monitoring and reporting on progress.</li> </ul>	KONČAR Group, suppliers, customers, and local communities	<ul style="list-style-type: none"> <li>• KONČAR Inc. Management Board (adoption, oversight, implementation); Subsidiary management teams, employees, and collaborators (policy adherence).</li> </ul>	UN Global Compact, ISO 9001, ISO 14001, ISO 45001, ISO 50001	Public website, internal intranet
Diversity and Inclusion Policy	<ul style="list-style-type: none"> <li>• Establishes the Group's principles and objectives for fostering diversity, equity, and inclusion. Promotes equal opportunities for all individuals, regardless of gender, culture, age, or disability. Includes measures to prevent discrimination, unequal treatment, and any form of workplace harassment or violence.</li> </ul>	KONČAR Group, suppliers, and local communities	<ul style="list-style-type: none"> <li>• Management Board of KONČAR Inc. (adoption, oversight, and enforcement); Implementation coordinated by management and the appointed Diversity Officer; All employees are required to comply with and uphold the policy.</li> </ul>		Public website, internal intranet
Integrated Management System Policy (Quality, Environmental Protection, Occupational Health & Safety, and Energy)	<ul style="list-style-type: none"> <li>• Establishes the framework for continuous improvement in business performance, customer satisfaction, and stakeholder engagement.</li> <li>• Promotes the adoption of clean production practices, energy efficiency, and responsible resource and waste management.</li> <li>• Supports ongoing employee training and preservation of institutional knowledge.</li> <li>• Ensures healthy and safe working conditions and emphasizes proactive risk management across all operations.</li> <li>• Encourages transparent communication on operational, environmental, and social matters.</li> </ul>	KONČAR Group, collaborators, and service providers	<ul style="list-style-type: none"> <li>• Management Board of KONČAR Inc. (adoption, implementation, and continuous improvement)</li> <li>• All employees, collaborators, and service providers are obligated to adhere to the policy.</li> </ul>	ISO 9001, ISO 14001, ISO 45001, ISO 50001	Public website, internal intranet

Policy	Key content	Scope of application	Responsible entity	External standards referenced	Availability
Anti-Corruption Policy	<ul style="list-style-type: none"> <li>Establishes a zero-tolerance approach to corruption and promotes professional, ethical conduct and business transparency.</li> <li>Identifies high-risk areas and defines control mechanisms for risk mitigation. Outlines procedures for reporting and investigating suspected corruption, safeguarding whistleblowers, providing ongoing employee training, and regularly informing management.</li> </ul>	KONČAR Group, col-laborators, and suppliers	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (adoption, implementation, and continuous improvement)</li> <li>All employees, collaborators, and service providers are obligated to adhere to the policy.</li> </ul>	National and international anti-corruption, anti-money laundering, and fair competition legislation and regulatory frameworks	Public web-site, internal intranet
Code of Conduct (KONČAR Inc.)	<ul style="list-style-type: none"> <li>Aligned with the Corporate Governance Code issued by HANFA and the Zagreb Stock Exchange.</li> <li>Establishes core principles of business ethics, including legality, professionalism, integrity, equality, respect for human rights and dignity, social responsibility, and transparency.</li> <li>Defines standards of conduct related to professional accountability, conflict of interest, environmental protection, occupational health and safety, anti-corruption, asset protection, and confidentiality.</li> <li>Sets out the responsibilities of the Management Board, supervisors, and employees, as well as monitoring and disciplinary measures in case of breaches.</li> </ul>	KONČAR Inc.	<ul style="list-style-type: none"> <li>Management Board (adoption and oversight)</li> <li>Supervisory Board (approval and monitoring compliance)</li> <li>Line managers (implementation within teams)</li> <li>All employees (mandatory compliance)</li> </ul>	ISO 14001, Corporate Governance Code (HANFA & Zagreb Stock Exchange)	Public web-site, internal intranet
Risk Management Policy	<ul style="list-style-type: none"> <li>Defines the principles and processes for effective risk management, including the identification, assessment, monitoring, and reporting of risks.</li> <li>Aims to proactively recognize and mitigate events that could hinder the achievement of strategic and operational objectives.</li> <li>Aligned with ISO 31000 principles: integration, structure, adaptability, inclusiveness, transparency, responsiveness, and continuous improvement.</li> <li>Establishes control mechanisms and procedures for the implementation of risk mitigation measures.</li> </ul>	KONČAR Inc.	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (policy definition, oversight, and strategic risk supervision)</li> <li>Supervisory Board (policy approval and compliance monitoring)</li> <li>Subsidiary management (implementation within business units)</li> <li>All employees are expected to contribute to timely risk identification and reporting.</li> </ul>	ISO 31000, Corporate Governance Code (HANFA & Zagreb Stock Exchange)	Public web-site, internal intranet

Policy	Key content	Scope of application	Responsible entity	External standards referenced	Availability
Policy on Internal Reporting of Irregularities and Appointment of a Confidential Person	<ul style="list-style-type: none"> <li>Regulates the procedures and mechanisms for internal reporting of irregularities in the workplace.</li> <li>Defines the rights, responsibilities, and protections for all parties involved, particularly whistleblowers and the designated "confidential person."</li> <li>Ensures strict confidentiality, data protection, and the prohibition of retaliation.</li> <li>Establishes procedures for receiving, processing, and escalating reports to competent authorities, as well as provisions on applicable sanctions.</li> </ul>	KONČAR Inc., all employees, and other individuals operating within the workplace who may report or be involved in reporting irregularities.	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (adoption and implementation)</li> <li>Confidential person and deputy (appointed to receive reports and safeguard whistleblower rights)</li> <li>All employees are obliged to follow the prescribed procedures and principles of protection.</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower Protection Act (Croatia), relevant EU directives.</li> <li>Complementary national laws on personal data protection and labour relations.</li> </ul>	Public web-site, internal intranet
Privacy Policy	<ul style="list-style-type: none"> <li>Ensures the protection of personal data in accordance with the General Data Protection Regulation (GDPR) and applicable national legislation. Defines core principles such as lawfulness, transparency, accuracy, integrity, confidentiality, purpose limitation, and data security, including limitations on data processing and retention.</li> <li>Establishes legal bases for data processing, outlines processing purposes, data subject rights, and procedures in case of data breaches or cross-border data transfers.</li> </ul>	Applies to all individuals whose personal data is processed by KONČAR Group, including employees, customers, suppliers, and other stakeholders.	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (adoption and oversight),</li> <li>Data Protection Officer (DPO) (coordination and compliance monitoring),</li> <li>All employees involved in personal data processing are required to comply with the policy.</li> </ul>	<ul style="list-style-type: none"> <li>General Data Protection Regulation (GDPR), Croatian Implementation Act on GDPR, and other applicable data protection regulations</li> </ul>	Public web-site, internal intranet
Code of Business Ethics (Croatian Chamber of Economy – HGK)	<ul style="list-style-type: none"> <li>Establishes fundamental ethical principles for business entities in Croatia, aiming to promote greater transparency, efficiency, and fair competition.</li> <li>Encompasses values such as accountability, accuracy, efficiency, transparency, quality, and adherence to fair business practices.</li> <li>Emphasizes the need for socially and environmentally responsible production, distribution, and consumption of goods and services, explicitly prohibiting unacceptable impacts on society and the natural environment</li> <li>Regulates relationships with business partners, employees, and society at large, including the prohibition of conflicts of interest, discrimination, and unfair market behaviour.</li> <li>Addresses internal conduct within organizations, ensuring respect for labour and human rights, dignity at work, and the prevention of unethical practices.</li> </ul>	Applies to all KONČAR entities that have adopted the Code, including: KONČAR Inc., KONČAR-Switchgear, KONČAR – D&ST, KONČAR – Electrical Engineering Institute, KONČAR – Motors and Electrical Systems, KONČAR – Instrument Transformers, KONČAR – Energy and Services, KONČAR – Digital, KONČAR – Generators and Motors, Dalekovod d.d., Dalekovod proizvodnja (MK i OSO), Dalekovod Projekt	<ul style="list-style-type: none"> <li>The Croatian Chamber of Economy (HGK) adopts the Code.</li> <li>Signatory companies are independently responsible for its application, adherence, and internal dissemination.</li> </ul>	<ul style="list-style-type: none"> <li>Aligned with applicable national legislation and reflective of international standards on ethical business conduct and corporate governance.</li> </ul>	Public website, internal intranet

Policy	Key content	Scope of application	Responsible entity	External standards referenced	Availability
Code of Business Conduct	<ul style="list-style-type: none"> <li>Establishes ethical principles such as legality, professionalism, integrity, business sustainability, social responsibility, and transparency.</li> <li>Defines expected standards of conduct, including respect for human rights, prohibition of child and forced labour, protection of employee dignity and health, non-discrimination, anti-corruption and anti-bribery commitments, and safeguarding of data and privacy.</li> </ul>	KONČAR – D&ST, and extends to collaborators, suppliers, agents, and other business partners.	<ul style="list-style-type: none"> <li>Company Management (oversight and enforcement)</li> <li>Line managers (monitoring implementation and educating teams)</li> <li>All employees (obliged to understand, adhere to, and report any breaches of the Code).</li> </ul>	Code of Business Ethics Croatian Chamber of Economy – HGK	Public website, internal intranet
Supplier Code of Conduct	<ul style="list-style-type: none"> <li>Defines the expectations placed on suppliers regarding socially responsible business conduct, including compliance with applicable laws, respect for human and labour rights, occupational health and safety, environmental protection, data privacy, and anti-bribery and anti-corruption practices.</li> <li>Requires suppliers to establish internal control systems and implement appropriate measures to meet these obligations. Includes regular performance evaluations through self-assessments and periodic audits, with a specific focus on sustainability-related performance indicators.</li> </ul>	KONČAR – Distribution and Special Transformers	<ul style="list-style-type: none"> <li>Company Management (oversight and enforcement); Suppliers (responsible for implementation and internal controls)</li> </ul>	UN Global Compact, Code of Business Ethics (HGK), REACH Regulation	Included as part of supplier contractual documentation
Worker Well-being Policy (Dalekovod d.d.)	<ul style="list-style-type: none"> <li>Establishes a commitment to maintaining a safe, respectful, and ethical working environment for all employees, including subcontractors and temporary workers.</li> <li>Explicitly prohibits discrimination, harassment, retaliation, child labour, forced labour, and human trafficking.</li> <li>Upholds freedom of association and the right to collective bargaining, ensures timely payment of wages, and guarantees access to fair grievance resolution mechanisms.</li> <li>Affirms the principle of non-discrimination on the basis of age, race, religion, gender, disability, national origin, marital status, sexual orientation, or gender identity.</li> </ul>	Dalekovod d.d., including all subsidiaries and operational units; applicable to subcontractors and temporary workers within the company's work environment.	<ul style="list-style-type: none"> <li>Management Board of Dalekovod d.d. (policy adoption, oversight, and enforcement)</li> <li>Managers and team leads (responsible for monitoring and ensuring compliance in day-to-day operations)</li> </ul>	UN Global Compact, Code of Business Ethics (HGK), REACH Regulation	Public website, internal intranet

The Management Board of KONČAR Inc. oversees the implementation of Group policies and provides the enabling framework—resources, guidance, and oversight—required to deliver on the Group's strategic and sustainability goals. Execution at the entity level is delegated to the respective management teams of each Group company.







A photograph of a wind farm on a green, hilly landscape under a clear blue sky. Several large white wind turbines are visible, with one in the foreground and others further back. The hills are covered in lush green vegetation, and a dirt road is visible in the lower right corner. The overall scene is bright and sunny, suggesting a clear day.

2

# **Environmental Disclosures**





## 2 Environmental Disclosures

### 2.1 ESRS E1 Climate change

#### E1-1 – Transition Plan for Climate Change Mitigation

##### E1-1\_16

KONČAR Group's Climate Transition Plan articulates the company's strategic commitment to align its business model and operations with the goals of the Paris Agreement — namely, limiting global temperature rise to 1.5°C and achieving climate neutrality by 2050. The plan represents a forward-looking framework for transitioning toward a low-carbon, sustainable economy, embedding climate resilience and decarbonisation into the Group's long-term strategic vision.

Throughout 2024, KONČAR conducted a comprehensive greenhouse gas (GHG) inventory covering Scope 1, 2, and 3 emissions, applying internationally recognized methodologies. In parallel, the Group undertook an in-depth assessment of both physical and transition climate-related risks, evaluating the potential financial and operational impacts across its value chain.

#### E1.SBM-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model

[E1.SBM-3\\_01](#), [E1.SBM-3\\_02](#), [E1.SBM-3\\_03](#) // [E1.SBM-3\\_04](#), [E1.SBM-3\\_05](#), [E1.SBM-3\\_06](#), [E1.SBM-3\\_07](#)





Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>CLIMATE CHANGE ADAPTATION</b>				
POSITIVE IMPACT ACTUAL	Climate resilience	KONČAR Group develops energy and infrastructure equipment capable of operating under extreme environmental conditions. Where required, products are designed to meet enhanced resilience specifications based on customer needs.	Own operations Downstream	Short to long term
<b>CLIMATE CHANGE MITIGATION</b>				
NEGATIVE IMPACT ACTUAL	Greenhouse gas emissions	Greenhouse gas emissions occur across all stages of the value chain, including emissions from the production of semi-finished goods and components, inbound and outbound logistics, manufacturing activities, and the use phase of products.	Upstream Own operations Downstream	Short to long term
POSITIVE IMPACT – ACTUAL	Reduction of Greenhouse Gas Emissions	By reducing greenhouse gas emissions in its own operations through enhanced energy efficiency and the increased use of renewable energy (both procured and generated), KONČAR Group contributes to climate change mitigation. In product design, the Group adheres to EU Ecodesign Directive requirements, thereby minimizing environmental impact and reducing emissions during the product-use phase. <b>(Linked to ESRS E5 – Resource Use and Circular Economy)</b> In addition, KONČAR's product portfolio supports the integration of renewable energy sources into the grid and improves grid energy efficiency. The Group manufactures energy-efficient transformers using best available materials (e.g. for windings and cores) to reduce energy consumption and transmission losses during operational use. <b>(Linked to ESRS E5 – Resource Use and Circular Economy).</b>	Upstream Own operations Downstream	Short to long term
POSITIVE IMPACT – ACTUAL	Reduction of Greenhouse Gas Emissions	The development of new low-carbon technologies — such as the battery-electric multiple unit (BEMU) with dedicated charging infrastructure and a specialized diagnostic measurement train — demonstrates high potential to reduce lifecycle CO <sub>2</sub> emissions in key industrial and transport sectors. These innovations are aligned with broader climate transition goals and support the electrification and efficiency of downstream systems.	Upstream Own operations Downstream	Short to long term



ENERGY				
POSITIVE IMPACT – ACTUAL	Energy efficiency and renewable energy	KONČAR Group systematically manages energy-related impacts in accordance with ISO 50001 across selected subsidiaries. The Group invests in energy-efficient technologies and continuously optimizes energy use in buildings and production facilities to reduce overall consumption. Electricity for production processes is procured from certified renewable energy sources, while on-site photovoltaic installations currently supply approximately 10% of total electricity demand. Through implemented energy efficiency measures, the Group reports a measurable reduction in energy intensity per unit of revenue.	Upstream Own operations	Short to long term
PHYSICAL AND TRANSITION RISKS RELATED TO CLIMATE CHANGE				
CLIMATE-RELATED PHYSICAL RISK	Disruption of operations due to extreme weather events	Extreme weather conditions such as high winds and intense rainfall pose a risk of damage to production facilities and supporting infrastructure. In addition, prolonged heatwaves may impact employee health and safety, leading to operational disruptions.	Own operations	Short to long term
PHYSICAL RISK	Delays in raw material deliveries	Disruptions in the transportation of raw materials due to climate impacts on logistics infrastructure may cause delays in supply chain continuity. Climate change also contributes to increased volatility and complexity in European supply chains. <b>(Linked to ESRS E5 – Resource Use and Circular Economy)</b>	Upstream	Short to long term
CLIMATE-RELATED TRANSITION RISK	Rising raw material costs	Regulatory changes and market shifts associated with the low-carbon transition are contributing to increased prices of key materials, particularly those with high embedded emissions. This trend may lead to higher operational costs for KONČAR Group and affect long-term procurement strategies. <b>(Linked to ESRS E5 – Resource Use and Circular Economy)</b>	Upstream	Medium- to long-term
CLIMATE-RELATED TRANSITION RISK	Business adaptation costs	The transition toward low-impact, sustainable products and supply chains driven by customer demands may result in additional operational costs. Adapting business practices to comply with evolving environmental standards and procurement requirements necessitates changes in design, sourcing, and verification processes. <b>(Linked to ESRS E5 – Resource Use and Circular Economy)</b>	Own operations Downstream	Medium- to long-term

CLIMATE-RELATED TRANSITION RISK	Decarbonization of production processes	Achieving deep emissions reductions requires investments in advanced technologies, process improvements, and infrastructure upgrades. These capital expenditures associated with decarbonising production lines may place financial pressure on the Group.	Own operations	Medium- to long-term
CLIMATE-RELATED TRANSITION RISK	Misalignment between technical and environmental requirements	In some instances, customer technical specifications are not fully aligned with emerging environmental performance criteria. This creates a risk that products may not be simultaneously optimised for both sets of requirements. <b>(Linked to ESRS E5 – Resource Use and Circular Economy)</b>	Own operations Downstream	Medium- to long-term
<b>CLIMATE-RELATED OPPORTUNITIES</b>				
PRODUCTS AND SERVICES	Increased demand for core offerings	The acceleration of the green transition is driving increased demand for KONČAR Group's key technologies and solutions.	Own operations Downstream	Medium- to long-term
PRODUCTS AND SERVICES	Regulatory incentives and subsidies	National and EU-level climate policies continue to support investments in green infrastructure, renewable energy, and power system modernization. Access to funding through subsidies, and incentive schemes enhances the market potential for KONČAR's solutions.	Own operations Downstream	Srednjoročno do dugoročno
PRODUCTS AND SERVICES	Reputation and Access to Sustainable Finance	Investors with strong ESG mandates are increasingly favoring companies with credible decarbonisation strategies and climate-aligned operations. This creates opportunities for KONČAR Group to access preferential financing conditions through green bonds, ESG-linked credit facilities, and sustainable investment instruments.	Own operations Downstream	Srednjoročno do dugoročno
PRODUCTS AND SERVICES	Climate-resilient product design	Growing customer demand for infrastructure and equipment that can withstand climate extremes (e.g. higher ambient temperatures, prolonged peak loads) is opening new opportunities for the development and deployment of climate-adapted technologies.	Own operations Downstream	Srednjoročno do dugoročno
RESILIENCE	Proactive supplier engagement	Investing in more resilient infrastructure — including facilities, systems, and operations — enhances the Group's ability to withstand the impacts of climate change. While the short-term opportunity lies in implementing adaptation measures internally, long-term market demand is expected to grow for climate-proofed solutions offered to customers.	Upstream Own operations	Short to long term

RESILIENCE	Infrastructure adaptation	Investing in more resilient infrastructure — including facilities, systems, and operations — enhances the Group's ability to withstand the impacts of climate change. While the short-term opportunity lies in implementing adaptation measures internally, long-term market demand is expected to grow for climate-proofed solutions offered to customers.	Own operations	Medium- to long-term
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## E1.IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities

### Climate change mitigation

[E1.IRO-1\\_01](#), [E1.IRO-1\\_09](#), [E1.IRO-1\\_10](#), [E1.IRO-1\\_11](#), [E1.IRO-1\\_12](#), [E1.IRO-1\\_13](#), [E1.IRO-1\\_14](#), [E1.IRO-1\\_15](#), [E1.IRO-1\\_16](#)

In line with the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)** including the TCFD **Technical Supplement on Scenario Analysis (2017)** and TCFD **Guidance on Scenario Analysis for Non-Financial Companies (2020)**., KONČAR Group applied a scenario-based approach using the **RCP 4.5 + SSP2 scenario**, representing a moderate decarbonisation pathway. The scenario analysis incorporated the following dimensions:

- 1. Time horizons** (short-, medium-, and long-term)
- 2. Assessment of potential financial impacts**
- 3. Identification of adaptation strategies and emerging opportunities**
- 4. Evaluation of business model resilience**

The selected scenario (RCP 4.5 + SSP2) assumes a gradual transition—unlike RCP 2.6/SSP1 (aggressive decarbonisation) or RCP 8.5 (high-emissions trajectory)—allowing KONČAR Group to progressively adapt its operations.

While this provides a degree of flexibility, it also underscores the need for sustained investment in innovation, process optimisation, and product transformation to remain aligned with evolving climate objectives.

KONČAR Group has identified several material risks and opportunities:

## Transition risks

### • Regulatory

- The progressive and sustained increase in the cost of carbon emissions (e.g., through the EU Emissions Trading System) is expected to elevate operational costs for KONČAR and its suppliers across the value chain.
- Compliance with a growing number of EU legislative frameworks—such as the Ecodesign Directive, Energy Efficiency Directive, and Green Public Procurement guidelines—requires ongoing monitoring of new obligations and proactive policy alignment.
- According to the Draghi Report 2024, industrial players like KONČAR will face expanding sustainability reporting obligations, including stricter disclosure requirements related to emissions, climate impacts, and environmental footprint under ESRS.

### • Technological

- The Group must maintain continued investment in R&D to develop highly energy-efficient and/or fully electrified products, despite the potential risk of limited market acceptance for certain innovative solutions.
- There is a risk of falling behind global competitors if the pace of innovation, particularly in electrification and system integration, is not sufficiently accelerated.
- The Draghi Report 2024 underscores the imperative of digital transformation in industrial sectors, identifying smart grid solutions and energy digitalization as critical areas in which KONČAR could gain competitive advantage—or conversely, lose ground.

### • Market

- While the transition is gradual, market displacement could occur as early adopters in the EU or global market—especially those offering low-carbon and digitally integrated energy systems—gain competitive traction.
- Growing customer expectations for low-carbon products and climate-conscious value chains introduce commercial pressure: failure to deliver green and digital solutions may compromise KONČAR's competitiveness.
- The Draghi Report 2024 also highlights a marked increase in ESG-focused investment across the EU, with capital increasingly directed toward projects demonstrating measurable sustainability and low emissions.

### • Reputational

- There is a strong upward trend in sustainability standards. Investors, banks, and funds increasingly prefer to finance companies with clearly defined climate strategies and demonstrable results.
- KONČAR Group's ability to maintain credibility and stakeholder trust depends on transparent climate reporting, including disclosures on GHG emissions, decarbonisation progress, and ESG governance practices.
- In line with the Draghi Report 2024, adherence to the new European Sustainability Reporting Standards (ESRS)—mandatory from 2024—will be a decisive reputational factor in maintaining investor confidence and regulatory compliance.

## Transition opportunities

### • Renewable energy and grid modernisation

- A stable upward trend in demand for modern power transformers, intelligent switchgear, and other grid-supporting technologies is emerging as renewable energy penetration increases.
- Leveraging its engineering legacy and technical expertise, KONČAR Group is well positioned to play a leading role in regional and EU-funded infrastructure projects aimed at modernising transmission and distribution networks.
- According to the Draghi Report 2024, the European Union plans substantial investments in grid infrastructure as part of its broader climate and energy transition strategy, unlocking long-term business opportunities.

### • Transport electrification

- Accelerated investment in rail transport electrification, rail infrastructure upgrades, and the procurement of low-emission rolling stock continues to generate sustained demand for KONČAR's transport-related products and systems.
- Expansion of urban electric mobility (e.g., trams, commuter trains) also opens avenues for supplying dedicated equipment and technical services.
- The Draghi Report 2024 emphasizes the importance of interoperable rail systems across the EU, further enhancing the relevance of KONČAR's modular and integrated transport solutions.

### • Energy efficiency and digitalisation

- Rising demand for solutions that reduce energy consumption—such as high-efficiency transformers—is being matched by increasing interest in digital tools for grid management and monitoring.
- KONČAR Group is strategically positioned to develop or co-develop software and smart grid platforms in collaboration with the ICT sector, addressing the convergence of power engineering and Industry 4.0.
- The Draghi Report 2024 projects a significant increase in investment in smart energy systems by 2030, aligning with KONČAR's innovation roadmap.

### • Green finance and incentives

- Access to EU and national funds earmarked for green transition initiatives enables the Group to reduce capital expenditure for facility upgrades, product development, and decarbonisation initiatives.
- KONČAR also has the potential to issue green or sustainability-linked bonds, leveraging its clean technology projects to secure preferential financing conditions.
- The Draghi Report 2024 highlights a sharp increase in financial institutions' appetite for climate-aligned investments and calls for an accelerated shift toward sustainable finance frameworks.

The scenario analysis confirms that, while KONČAR Group is exposed to transition risks, it also holds significant strategic potential to lead in the energy transition. Through continued investment in innovation, digital transformation, and climate-aligned product development, the Group is well positioned to capture emerging market opportunities. Importantly, no KONČAR Group assets have been identified as materially exposed to transition-related devaluation as a result of anticipated regulatory, technological, or market developments.

**Potential financial impacts of transition risks in line with the TCFD framework (as outlined in the Technical Supplement on Scenario Analysis):**

Type of transition risk	Potential financial impact
Regulatory risks	<ul style="list-style-type: none"> <li>Increased operational costs due to carbon pricing mechanisms (e.g., EU ETS) and stricter environmental regulations (including ESRS E1 and related EU directives)</li> <li>Potential penalties, litigation costs, and compliance expenditures linked to non-conformance with emerging regulatory frameworks</li> <li>Rising costs of adaptation to sustainable public procurement standards and product sustainability criteria</li> <li>Reduced profitability stemming from constraints on high-emission technologies and carbon-intensive energy sources.</li> </ul>
Technological risks	<ul style="list-style-type: none"> <li>Loss of competitiveness arising from delayed investment in green innovation and digitalisation (e.g., electrification, smart grid technologies)</li> <li>High R&amp;D expenditures associated with the development of low-carbon energy systems and sustainable transport solutions</li> <li>Asset impairment risk due to technological obsolescence or incompatibility with renewable energy systems.</li> </ul>
Market risks	<ul style="list-style-type: none"> <li>Decline in demand for conventional energy and transport technologies as low-carbon alternatives gain traction</li> <li>Higher procurement costs driven by the transition to sustainable raw materials and ESG-compliant supply chains</li> <li>Revenue erosion in sectors not aligned with the energy transition, potentially impacting key customer segments</li> <li>Commodity price volatility, particularly for critical materials (e.g., rare earths, copper) used in energy technologies.</li> </ul>
Reputational risks	<ul style="list-style-type: none"> <li>Restricted access to capital, as investors and financial institutions increasingly apply sustainability-related investment criteria</li> <li>Negative brand impact and potential devaluation, resulting from perceived environmental inaction or weak sustainability performance</li> <li>Talent attrition, particularly among sustainability-driven professionals, due to an absence of visible climate leadership</li> <li>Loss of contracts and commercial opportunities with customers imposing stringent sustainability and low-carbon procurement requirements.</li> </ul>
Capital access and financing	<ul style="list-style-type: none"> <li>Higher cost of capital, due to unfavourable credit terms for non-aligned (non-green) investments</li> <li>Intensified disclosure expectations, requiring greater transparency in sustainability performance and financial-climate integration</li> <li>Reduced eligibility for subsidies and grants, if operations are not aligned with EU climate objectives (e.g., EU Green Deal, CSRD);</li> <li>Credit rating downgrade risk, associated with transition exposure and insufficient mitigation planning.</li> </ul>

**KONČAR Group demonstrates robust resilience to transition risks under moderate decarbonisation scenarios (RCP 4.5 + SSP2), while more extreme scenarios may pose greater strategic and operational challenges.**

**Based on scenario analysis and forward-looking assessments, the following key recommendations have been identified to strengthen the resilience of the business model:**

- **Sustained investment in innovation and green technologies** to ensure competitiveness across all transition pathways
- **Ongoing diversification of markets and product portfolios** to reduce exposure to regulatory and market volatility
- **Deeper integration of sustainability-related factors into core business strategy** to enhance reputational resilience and improve access to sustainable finance
- **Scenario-based planning and adaptive business model development** to maintain flexibility in the face of evolving economic and regulatory environments.



In conclusion, while **KONČAR Group possesses a solid foundation for transition risk resilience**, safeguarding its long-term competitiveness and market position will depend on continued proactive management of these risks and strategic alignment with the evolving low-carbon economy.

## Climate Change Adaptation

**E1.IRO-1\_02, E1.IRO-1\_03, E1.IRO-1\_04, E1.IRO-1\_05, E1.IRO-1\_06, E1.IRO-1\_07, E1.IRO-1\_08**

The identification of physical impacts, risks, and opportunities related to climate change adaptation was carried out in accordance with the Climate Risk and Vulnerability Assessment (CRVA) framework. The process followed the methodological guidance of ISO 14091:2021 – Adaptation to climate change – Guidelines on vulnerability, impacts and risk assessment (EN ISO 14091: 2021), as required by ESRS E1 and Directive (EU) 2022/2464 on corporate sustainability reporting. The classification of climate-related physical hazards, as required for the implementation of the Climate Risk and Vulnerability Assessment (CRVA) in accordance with Directive (EU) 2022/2464 on corporate sustainability reporting and the provisions of ESRS E1 – Climate Change, is presented in the following table.

In the first phase, KONČAR Group assessed the sensitivity of its operations and assets, assigning impact levels of high, moderate, or negligible based on the potential damage that could result from specific climate hazards, irrespective of geographic location.

Table 2.1 Classification of climate-related hazards in accordance with Annex A of Commission Delegated Regulation (EU) 2021/2139

	Temperature	Wind	Water	Solid mass
Chronic	Long-term temperature shifts	Changes in wind patterns	Shifts in precipitation patterns and types	Coastal erosion
	Temperature stress		Precipitation/hydrological variability	Soil degradation
	Temperature variability		Ocean acidification*	Soil erosion
	Melting of permafrost*		Saltwater intrusion	Solifluction*
			Sea level rise	
			Water scarcity	
Acute	Heatwaves	Cyclones, hurricanes, typhoons*	Drought	Avalanches*
	Cold spells/frost	Storms	Heavy rainfall	Landslides/mudslides
	Wildfires		Flooding	Land subsidence
		Tornadoes*	Glacial lake outburst floods*	

\*Certain hazard types that are considered either absent or extremely rare and of low intensity in the territory of the Republic of Croatia. As such, their current and projected impact has been assessed as negligible. These hazards are not supported by consistent or relevant national data and were therefore excluded from the physical risk assessment.

In the second phase, spatial exposure of asset locations was analysed using advanced Geographic Information System (GIS) software. The assessment was based on verified raster and vector geospatial datasets from Croatian and European institutions, representing climate variables and hazard zones for both acute and chronic risks. Climate projections were conducted using the CORDEX Europe regional climate model, applying two emission scenarios: RCP 4.5 (intermediate stabilisation scenario) and RCP 8.5 (high emissions scenario). The exposure of KONČAR Group's assets and operational processes to climate-related physical hazards—both acute and chronic—was analysed across three distinct timeframes, in line with climate projections and modelling scenarios. For each geospatial unit assessed, the level of exposure to climate change impacts was determined and classified using a three-tier scale: negligible, moderate, or high. In certain locations, no material exposure was identified.

In step three the vulnerability of each location was determined as a function of both sensitivity and exposure results. Locations were categorised as having low, moderate, or high vulnerability, forming the basis for determining whether further quantitative risk assessment was required, based on the severity and likelihood of relevant hazards.

In step four physical risks were quantified by combining likelihood of occurrence with potential business impact. Where vulnerability to specific hazards was identified, qualitative and quantitative assessments were conducted to determine the potential effects on operational continuity, asset damage, and financial performance. The outcomes also informed the definition of targeted risk mitigation measures.

The following climate-related hazards were identified as relevant for KONČAR Group assets and operations in the short-, medium-, and long-term scenarios:

- Chronic and acute temperature-related hazards
- Heatwaves
- Wildfires
- Severe storms
- Flooding.

The short-, medium-, and long-term timeframes used in the physical risk assessment were defined in accordance with climate projections from the CORDEX Europe regional model and the Representative Concentration Pathways (RCP 4.5 and RCP 8.5) scenarios available on the official website of the Intergovernmental Panel on Climate Change hereinafter: (IPCC).

Although climate risk intensity is projected to increase toward the end of the 21st century, KONČAR Group's capital planning and asset lifespan assumptions do not extend beyond the mid-century horizon. Therefore, the strategically most relevant timeframe for risk evaluation is up to the mid of the 21st century. Accordingly, the short-term timeframe reflects simulations of the current climate, based on historical data, while future climate projections have been defined across two distinct periods: 2021–2040 (medium term) and 2041–2060 (long term). Climate change is assessed as the delta in climate variable values between these future periods and the historical baseline of 1981–2010, providing a comparative basis for understanding projected shifts in climate conditions.

### **Quantified assessment of exposure and sensitivity of assets and business activities to identified climate-related hazards**

The sensitivity of KONČAR Group's taxonomy-eligible activities:

- 1.2 Manufacture of electrical and electronic equipment
- 3.1. Manufacture of renewable energy technologies
- 3.3 Manufacture of low-carbon technologies for transport
- 3.20 Manufacture, installation, and servicing of high-voltage, medium-voltage, and low-voltage electrical equipment for the transmission and distribution of electricity, which contributes substantially to climate change mitigation
- 4.1 Electricity generation using solar photovoltaic technology

has been assessed independently of asset location, based on primary climate variables and their secondary impacts. The evaluation considers the degree to which these activities may be adversely affected by physical climate hazards, with respect to the following taxonomy-aligned sectors:

- I. Assets at the location where the activity is performed (e.g., physical infrastructure, facilities)
- II. Inputs to the business process (e.g., water, energy, raw materials, machinery, workforce)
- III. Outputs of the business process (e.g., products, materials, services)
- IV. Operational and production processes, including associated logistics and transport systems

## Assessment of exposure and sensitivity to identified climate hazards based on pessimistic climate scenarios

KONČAR Group has conducted a comprehensive assessment of exposure to physical climate hazards based on the RCP 8.5 high-emissions scenario, focusing on hazards for which sensitivity was previously assessed as moderate or high.

Under this scenario, KONČAR Group's assets and operations are expected to have negligible exposure to the following climate hazards: Changes in wind patterns, shifts in the type and frequency of precipitation, precipitation variability, saltwater intrusion, sea level rise, water scarcity, drought, coastal erosion, soil degradation, soil erosion, cold spells and frost, storm events, heavy rainfall, landslides and mudslides, as well as land subsidence.

Moderate exposure was identified for: Temperature shifts, Temperature variability, Storm events and Flooding. Projections indicate that average maximum daily temperatures at KONČAR asset and activity locations may increase by approximately 2.0–2.5°C compared to historical baselines. The greatest temperature rise is projected for eastern Croatia and Dalmatia. Flood risk is particularly relevant for: Novo Zvečevo: vulnerable to flash flooding from the Brzaja stream (Papuk region) and Zlatar: susceptible to overflow from the Zlatarščica stream. Other sites are located in areas classified as having low flood probability. Chronic temperature-related hazards are expected to affect operational continuity, while the increased frequency of storm events may result in damage to above-ground infrastructure, disruption of energy supply, and potential process interruptions.

High exposure was identified for: Heat stress, Heatwaves and Wildfires. By the middle of the 21st century, the number of extreme heat days is projected to increase by more than 20 days annually under the RCP 8.5 scenario. This heightened exposure is primarily attributable to rising average annual temperatures, the increasing frequency of heatwaves, droughts, and water scarcity, as well as the greater likelihood and intensity of wildfires. These climatic developments present material risks to KONČAR Group's operations—most notably, to the health and safety of employees due to intensified heat stress, and to infrastructure integrity and business continuity as a result of potential fire-induced disruptions or physical damage. Following a review of the adaptation measures currently implemented to address fire and heat-related risks, it was concluded that the residual risk level has been effectively reduced from high or moderate to low across the Group's operational locations.

Importantly, no climate-related hazard assessed under this scenario was determined to pose an extreme level of risk to KONČAR Group's assets or business activities.

## E1-2 Policies related to climate change mitigation and adaptation

### E1.MDR-P\_07-08

KONČAR Group currently does not have a standalone policy dedicated exclusively to climate change mitigation, adaptation, and energy efficiency. Instead, climate-related considerations are integrated across existing strategic documents and management systems. A dedicated climate transition plan is scheduled for development in 2025, which will serve as the foundation for future formal climate policies. The absence of a unified climate policy to date reflects the Group's prioritisation of comprehensive analysis and evidence-based planning: in 2024, KONČAR completed a detailed greenhouse gas (GHG) emissions inventory (Scope 1, 2, and 3) and a full climate risk assessment. Insights from these efforts will directly inform the transition plan currently in preparation.

#### Existing relevant strategies and frameworks include:

- **KONČAR Group Sustainability Strategy** – Integrates climate and energy targets through to 2030, alongside a vision for climate neutrality by 2050. The strategy outlines key action areas, including specific targets for GHG emissions reduction and increasing the share of renewable energy. (Note: These targets and timeframes will be revised in 2025 as part of the transition plan, to ensure alignment with science-based decarbonisation pathways.)
- **Energy Management System (ISO 50001)** – Implemented across selected subsidiaries within the Group, this certified system is embedded in KONČAR's integrated management policy. It enables systematic energy monitoring, control, and the execution of efficiency measures. Through this approach, KONČAR continuously invests in energy-efficient technologies and optimised energy use across buildings and operations, leading to a measurable decrease in energy consumption per unit of revenue.
- **Climate Transition Plan** – Planned for completion in 2025, the transition plan will consolidate objectives for both mitigation and adaptation. It will define structured guidelines for reducing GHG emissions in line with the Paris Agreement and national climate targets and will serve as the formal basis for the adoption of KONČAR Group's comprehensive climate policy. While current strategic guidance exists through the above-mentioned frameworks, a standalone climate policy will be formally adopted upon finalisation of the transition plan.

## E1-3 Measures and resources related to climate policies

E1.MDR-A\_13-14, E1.MDR-A\_01-12)

While KONČAR Group has not yet consolidated its climate-related initiatives into a formalised action plan, a range of measures and resource allocations have been implemented to support climate change mitigation and energy transition goals. The following section presents the key measures, grouped by those already implemented and those currently planned, along with associated resource commitments:

### Implemented measures:

- **Enhancement of energy efficiency in facilities and buildings:** KONČAR Group has modernised and upgraded its infrastructure—replacing obsolete equipment with energy-efficient alternatives, improving thermal insulation, and optimising lighting systems. These actions have reduced energy consumption per unit of output and have been supported by systematic energy audits and monitoring through the ISO 50001 framework. In 2024, investments in energy efficiency improvements are estimated at EUR 9,350,000 under activity 7.3 (Installation, maintenance, and repair of energy efficiency equipment) and EUR 1,227,000 under activity 7.6 (Installation and maintenance of renewable energy technologies). These investments represent 24.2% of the Group's total capital expenditure.
- **Use of renewable electricity:** The Group currently procures 89% of its purchased electricity from renewable sources (via the HEP ZelEn programme), significantly reducing its indirect (Scope 2) CO<sub>2</sub> emissions. Additionally, on-site photovoltaic systems installed on the roofs of selected subsidiaries now supply approximately 7% of the Group's electricity consumption. In 2024, investments in renewable energy generation are projected at EUR 613,000 under activity 4.1 (Solar photovoltaic energy) and EUR 172,000 under activity 4.3 (Wind energy), as defined by the EU Taxonomy. These activities account for 1.8% of the Group's total CAPEX
- **Electromobility infrastructure:** Charging stations for electric vehicles have been installed at multiple KONČAR sites, encouraging the transition toward a lower-emission vehicle fleet. These stations support both employee and visitor vehicle charging, while also facilitating internal use of electric vehicles, thus contributing to reduced transport-related emissions.
- **Process and materials optimisation:** Continuous improvements are pursued within production processes to lower GHG emissions—for instance, through minimised energy losses and more efficient logistics. The Group also prioritises materials and components with a reduced carbon footprint, where feasible. Product designs are guided by ecological design principles to ensure lower climate impact throughout the product life cycle.
- **Investment in Research and Development (R&D):** KONČAR Group allocates ongoing funding for R&D initiatives aimed at accelerating the green transition. This includes the development of energy-efficient technologies, adoption of new solutions for renewable energy utilisation, and substitution of environmentally harmful substances. In 2024, R&D expenditures aligned with climate change mitigation are preliminarily estimated at 2.3% of the Group's total CAPEX, or approximately EUR 1,005,000, under EU Taxonomy-aligned activity CCM 9.1 (Research, Development, and Innovation).

### Planned measures:

- **Development and implementation of a climate transition plan:** In 2025, KONČAR Group will initiate the development of a comprehensive climate transition plan aligned with the net-zero objective. The plan will establish pathways toward the Group's long-term decarbonisation targets—such as gradual GHG emissions reduction by 2030 and climate neutrality by 2050—supported by a detailed action matrix tailored to each subsidiary. As outlined in KONČAR Group's 2024–2026 Sustainability Strategy, the transition plan is expected to be adopted by the end of 2026 and will represent a strategic cornerstone in the Group's climate agenda.
- **Phase-out of SF<sub>6</sub> gas:** In alignment with EU Regulation (Directive EU 2024/573), KONČAR Group is committed to phasing out the use of SF<sub>6</sub> gas in all new devices with nominal voltages up to 24 kV by the end of 2025, and in all remaining products by the end of 2027. Recognising the high global warming potential of SF<sub>6</sub>, the Group has initiated the development of a new generation of eco-friendly medium-voltage switchgear for both primary and secondary distribution. These next-generation products, designed for voltages ranging from 24 kV to 40.5 kV, will utilise synthetic air as the insulating medium and vacuum technology for arc interruption. With this approach, KONČAR aims to deliver compact, reliable, and environmentally sustainable solutions while significantly reducing greenhouse gas emissions.
- **Further expansion of renewable energy usage:** The Group aims to increase the share of renewables in total energy consumption to **35%** by 2026. This target will be achieved through a combination of certified green electricity procurement and the expansion of in-house solar capacity. Plans include the installation of additional photovoltaic panels across KONČAR facilities and a potential exploration of external investment opportunities or long-term power purchase agreements (PPAs) for renewable energy.
- **Improving energy efficiency:** Ongoing efforts to improve energy performance will be scaled up through continued investments in building retrofits, production process optimisation, and advanced energy management. Upcoming initiatives include modernisation of equipment, enhanced automation, and the implementation of real-time consumption monitoring systems to maintain or exceed energy efficiency targets relative to revenue.

- **Monitoring and reporting:** A more robust internal system for monitoring climate-related performance and outcomes will be established. This includes regular internal reporting on energy use and emissions, progress tracking of climate-related KPIs, and annual updates to executive management. The strengthened system will ensure timely identification of performance gaps and enable corrective actions to stay on course toward long-term climate goals.

## E1-4 Targets related to climate change mitigation and adaptation

### Monitoring the effectiveness of climate-related policies and measures through targets [in line with ESRS 2 MDR-T]

#### E1.MDR-T\_01-13

Within the framework of its 2024 –2026 Sustainability Strategy, KONČAR Group has defined both quantitative and qualitative climate targets to steer mitigation efforts and systematically monitor progress. Quantitative targets are time-bound and measurable, while qualitative targets guide strategic initiatives and continuous improvements. The main climate-related targets, their timelines, current implementation status (as of end-2024), and follow-up plans are presented below:

#### Strategic objective 1 Reduction of Scope 1 and 2 emissions, initiating net-zero transition

##### Quantified targets:

- **GHG Emissions Reduction (Scope 1 and 2):** KONČAR Group has set a target to **reduce total Scope 1 and 2 greenhouse gas (GHG) emissions by 45% by 2030**, using 2019 as the baseline year. **As of the end of 2024, GHG emissions have increased by approximately 3% (market-based)**, partly due to the expansion of business operations and the inclusion of improved emissions data. Compared to 2019, the scope and quality of emissions data used in the inventory calculation significantly improved during 2023 and 2024, enhancing both data coverage and accuracy. This indicator will be a cornerstone of KONČAR's transition plan to mitigate climate change. In 2025, revised sub-targets and measures will be adopted to reverse the current upward trend in Scope 1 and 2 emissions. Progress toward the target will be tracked and reported annually.
- **Energy efficiency improvement:** The target is to increase energy efficiency by **35% by 2026**, measured as energy consumption relative to revenue or output, compared to 2019. As of 2024, a 24% improvement has already been achieved, surpassing the set goal due to systematic energy efficiency measures. The Group will continue monitoring and enhancing this trend annually.
- **Share of renewable energy in total consumption:** The Group aims to increase energy efficiency by 35% by 2026, using 2019 as the baseline year. Efficiency is measured as the ratio of energy consumption to revenue or production volume. In 2024, an **improvement of 24% was achieved compared to the baseline**, reflecting the expected progress given the expansion of the number of companies consolidated within this Sustainability Report. KONČAR Group will continue to implement systematic energy efficiency measures to reach the set target by the defined deadline, with ongoing annual performance monitoring.
- **In-house renewable energy production:** The target is to meet **15%** of electricity needs from in-house renewable sources **by 2026**, primarily via solar PV. In 2024, approximately 7% of electricity is self-generated from solar installations. Projects to expand capacity are underway. Progress is measured by the volume of MWh produced annually from internal renewable sources.
- **Use of certified green electricity:** The Group **aims to ensure that 100% of its electricity is sourced from renewable energy by 2026. In 2024, 89% of electricity consumed came from renewable sources.** Most KONČAR Group companies operating in Croatia use electricity certified through the HEP ZelEn program. Going forward, efforts will be made to secure the use of certified "green" electricity across all KONČAR entities, thereby eliminating the majority of Scope 2 greenhouse gas emissions.
- **Phase-out of SF<sub>6</sub> gas:** As part of its climate objectives, KONČAR Group has committed to discontinuing the use of SF<sub>6</sub> gas in its products **by the end of 2025** for all new devices with nominal voltages up to 24 kV, and entirely by **the end of 2027**, in accordance with regulatory requirements. Technology substitution plans have already been defined, and production processes are currently being adapted. Progress will be monitored through the development of SF<sub>6</sub>-free solutions and close coordination with suppliers to ensure timely implementation and full compliance with legal mandates.

##### Qualitative objectives:

- **Development of a climate change mitigation transition plan:** KONČAR Group aims to complete a comprehensive climate transition plan by the end of 2026. This plan will define the strategy for achieving net-zero emissions by 2050, including concrete measures and interim milestones by 2030. The development process will commence in 2025, with the transition plan serving as the central instrument for integrating all climate-related objectives and initiatives. Oversight of its preparation and implementation will be carried out by the Management Board of KONČAR d.d., with progress systematically disclosed in annual sustainability reports.
- **Investment in green transition R&D:** The Group is continuously investing in the research and development of inno-



vative, market-oriented technologies that directly contribute to climate change mitigation. This objective is currently qualitative in nature; however, by the end of 2025, KONČAR Group intends to quantify the target and link it to relevant Key Performance Indicators under the EU Taxonomy framework. This will enable structured tracking of the climate impact of such investments.

**Note:** All outlined objectives and indicators will be subject to regular monitoring, with progress communicated through the Group's annual sustainability reporting. In the event of deviations from planned trajectories, corrective actions will be implemented, and the Group's climate strategy will be revised as necessary to remain aligned with the goals of the Paris Agreement and national energy and climate plans.

## E1-5 Total energy consumption and energy mix

**E1-5\_01, E1-5\_02, E1-5\_05, E1-5\_06, E1-5\_07, E1-5\_08, E1-5\_09, E1-5\_11, E1-5\_12, E1-5\_14, E1-5\_15, E1-5\_16, E1-5\_17, E1-5\_18, E1-5\_19, E1-5\_20, E1-5\_21**

KONČAR Group systematically tracks its energy and fuel consumption, including inputs derived from petroleum products and natural gas, by energy source across the Group's companies. The Group is committed to responsible energy use and resource efficiency, in line with the principles outlined in its Sustainability Policy and Integrated Management System Policy. Key operational commitments include:

- Responsible resource management: Promoting energy, fuel, and materials efficiency across all business units
- Continuous energy performance improvement: Through the implementation of energy targets and action plans
- Provision of necessary resources: Ensuring adequate infrastructure, systems, and information to maintain effective energy management
- Legal compliance: Adhering to applicable energy efficiency regulations and energy consumption standards
- Energy-conscious procurement: Factoring in energy efficiency criteria when sourcing energy, machinery, and equipment, especially during investments and refurbishments
- Awareness raising: Educating employees and third parties under the Group's supervision on energy conservation practices

Potrošnja Energy consumption data is compiled in Table 2.2 – Energy Consumption by Source, which consolidates primary data collected from utility invoices for electricity, thermal energy, and purchased fuels. Renewable energy production figures are gathered through specialized monitoring software used in photovoltaic and wind power plants. The Group also measures the return of renewable electricity to the grid from wind farms (e.g. Pometeno Brdo) using meter readings from the grid operator (HEP). Non-renewable energy inputs include diesel and gasoline-powered generators, gas- and oil-fueled boilers, impregnation systems using diesel, thermal systems running on oil and gas, gas-powered dryers, propane-butane cutters, and kerosene-fueled curing ovens.

Other fossil fuel sources include gasoline, diesel, and LPG for fleet vehicles, and propane-butane and aviation fuel used in forklifts and helicopters.

Table 2.2 Energy consumption by energy source (2024)

Total energy consumption and energy mix	Year 2024
(1) Energy consumption from coal and coal-derived products (MWh)	0
(2) Energy consumption from crude oil and petroleum-based products (MWh)	28.092,84
(3) Energy consumption from natural gas (MWh)	47.760,60
(4) Energy consumption from other fossil sources (MWh)	0
(5) Purchased or acquired electricity, heat, steam, or cooling from fossil sources (MWh)	18.274,33
<b>(6) Total energy consumption from fossil fuels (MWh) (Sum of rows 1–5)</b>	<b>94.127,77</b>
<b>Share of fossil fuels in total energy consumption (%)</b>	<b>73%</b>
(7) Energy consumption from nuclear sources (MWh)	0
<b>Share of nuclear energy in total consumption (%)</b>	<b>0%</b>
(8) Energy consumption from renewable fuels, including biomass (e.g. industrial and municipal biodegradable waste, biogas, renewable hydrogen) (MWh)	0
(9) Purchased or acquired electricity, heat, steam, or cooling from renewable sources (MWh)	31.322,81
(10) Self-generated renewable energy, excluding fuels (MWh)	2.698,64
<b>(11) Total energy consumption from renewable sources (MWh) (Sum of rows 8–10)</b>	<b>34.021,45</b>
<b>Share of renewables in total energy consumption (%)</b>	<b>27%</b>
<b>Total energy consumption (Sum of rows 6, 7, and 11)</b>	<b>128.149,22</b>

In 2024, KONČAR Group generated a total of 50,502.55 MWh of energy from non-renewable sources and 25,668.64 MWh from renewable energy sources.

Table 2.3 Total generated energy

Generated energy	Year 2024
Total energy produced from non-renewable sources (MWh)	50.502,55
Total energy produced from renewable sources (MWh)	25.668,64

In accordance with Delegated Regulation (EU) 2022/1288, sectors significantly impacting the climate are those listed in NACE Sections A to H and Section L.

For KONČAR Group, climate-significant sectors have been identified at the activity level in accordance with the NACE classification, aligned with the Group's core operations. Since all of KONČAR's activities, as defined by the ESRS, fall under climate-relevant sectors—most notably Section C: Manufacturing – energy-related metrics are assessed against the Group's total net revenue. Based on the audited consolidated financial statements, KONČAR's total net revenue for the reporting year amounted to EUR 1,054,377,108 (refer to Note 3: Revenue from sales in the consolidated financial statements of the KONČAR Group).

Table 2.4 Net revenue from activities in sectors with significant climate impact

Energy intensity	Year 2024
Total energy consumption from activities in climate-significant sectors per net revenue from activities in climate-significant sectors (MWh/€)	0,000122

## E1-6 Gross GHG emissions (Scope 1, 2, 3) and total GHG emissions

E1-6\_01, E1-6\_02, E1-6\_03, E1-6\_04, E1-6\_06

KONČAR Group calculated its gross Scope 1 and Scope 2 greenhouse gas (GHG) emissions for 2024 and benchmarked the results against the 2019 baseline year, in line with the targets outlined in the Group's Sustainability Strategy 2024–2026. The table below presents Scope 1, Scope 2, and Scope 3 GHG emissions for the 2024 reporting year. Gross Scope 1 emissions for 2024 amounted to **29,497.30 tCO<sub>2</sub>e**. Gross Scope 2 emissions under the location-based approach totalled **7,058.97 tCO<sub>2</sub>e**, while Scope 2 emissions under the market-based approach stood at **4,608.77 tCO<sub>2</sub>e** (with an estimated uncertainty margin of  $\pm 6.8\%$  for Scope 1 and Scope 2 emissions). Total Scope 3 emissions for 2024 were calculated at **6,297,847.21 tCO<sub>2</sub>e (6.297,9 MtCO<sub>2</sub>e)** under the location-based method, and **6,295,397.01 tCO<sub>2</sub>e (6.295,4 MtCO<sub>2</sub>e)** using the market-based approach.



Table 2.5 Breakdown of greenhouse gas emissions – by country, operating segments, economic activity, subsidiary, ghg category, or source type

	Historical performance				Strategic milestones and target years			
	Baseline year 2019	2023	2024	% Change 2024/2023	Target 2025	Target 2030	(Target 2050)	Annual reduction vs. baseline
<b>Scope 1 GHG emissions (tCO<sub>2</sub>e)</b>								
Gross Scope 1 Greenhouse Gas Emissions (in tonnes of CO <sub>2</sub> equivalent)	11.980,37	52.682,51 (14.413,99)*	29.497,30 (15.677,65) *	56 (108.7) *	n/a	45%	/	/
% of Scope 1 emissions under emissions trading schemes	0	0	0	0	0	0	0	n/a
<b>Scope 2 GHG emissions (tCO<sub>2</sub>e)</b>								
Gross Scope 2 GHG emissions – location-based (tCO <sub>2</sub> e)	6.631,25	6.399.98	7.058,97	101,6	n/a	45%	/	/
Gross Scope 2 GHG emissions – market-based (tCO <sub>2</sub> e)	6.285,25	4.136,77	4.608,77	123,41	n/a	45%	/	/
<b>Significant Scope 3 emissions (tCO<sub>2</sub>e)</b>								
Total gross indirect Greenhouse Gas Emissions – Scope 3 (tonnes of CO <sub>2</sub> equivalent)	n/a	n/a	6.261.290,94	n/a	n/a	n/a	n/a	n/a
1. Purchased goods and services	n/a	n/a	271.833,38	n/a	n/a	n/a	n/a	n/a
2. Capital goods	n/a	n/a	71.881,71	n/a	n/a	n/a	n/a	n/a
3 Fuel- and energy-related activities (not included in Scope 1 or 2)	n/a	n/a	6.248,91	n/a	n/a	n/a	n/a	n/a
4 Upstream transportation and distribution	n/a	n/a	5.772,50	n/a	n/a	n/a	n/a	n/a
5 Waste generated in operations	n/a	n/a	1.886,47	n/a	n/a	n/a	n/a	n/a
6 Business travel	n/a	n/a	1.319,12	n/a	n/a	n/a	n/a	n/a
7 Employee commuting	n/a	n/a	814,14	n/a	n/a	n/a	n/a	n/a
8 Upstream leased assets	n/a	n/a	Included in Scope 1 and/or 2	n/a	n/a	n/a	n/a	n/a
9 Downstream transportation and distribution	n/a	n/a	1,771.40	n/a	n/a	n/a	n/a	n/a
10 Processing of sold products	n/a	n/a	Not included	n/a	n/a	n/a	n/a	n/a
11 Use of sold products	n/a	n/a	5,867.593.40	n/a	n/a	n/a	n/a	n/a
12 End-of-life treatment of sold products	n/a	n/a	29,842.73	n/a	n/a	n/a	n/a	n/a
13 Downstream leased assets	n/a	n/a	853.46	n/a	n/a	n/a	n/a	n/a
14 Franchises	n/a	n/a	Not applicable	n/a	n/a	n/a	n/a	n/a
15 investments	n/a	n/a	1,473.72	n/a	n/a	n/a	n/a	n/a
<b>Total Greenhouse Gas Emissions</b>								
Total Scope 3 emissions (location-based) (tonnes of CO <sub>2</sub> equivalent)	n/a	n/a	6.297.847,21	n/a	n/a	n/a	n/a	n/a
Total gross Greenhouse Gas Emissions – market based (tonnes of CO <sub>2</sub> equivalent)	n/a	n/a	6.295.397,01	n/a	n/a	n/a	n/a	n/a

\*In the reference year 2019, fugitive emissions were not calculated. Therefore, the emissions presented in parentheses for 2023 and 2024 represent Scope 1 emissions that are comparable to the baseline year.

## General Information related to the calculation of Greenhouse Gas Emissions

[E1-6\\_15](#), [E1-6\\_18](#), [E1-6\\_19](#), [E1-6\\_21](#), [E1-6\\_22](#), [E1-6\\_23](#), [E1-6\\_25](#), [E1-6\\_26](#), [E1-6\\_27](#), [E1-6\\_29](#), [E1-6\\_30](#), [E1-6\\_31](#), [E1-6\\_32](#)

The **organisational boundaries** of KONČAR Group's greenhouse gas (GHG) inventory define the operations and facilities included in the reporting scope. As all Group subsidiaries are either wholly or majority-owned, the operational control approach has been applied. The operational boundaries categorise GHG emissions that arise directly or indirectly from the Group's activities and facilities, encompassing Scope 1, Scope 2, and Scope 3 emissions. These boundaries are comprehensively outlined in the KONČAR Group Greenhouse Gas Inventory Report for 2024. For the Dalekovod Group, which consists of seven subsidiaries, GHG emissions for all three Scopes were reported separately. Emissions for KONČAR – Distribution and Special Transformers and its affiliated companies Ferokotao d.o.o. and Power Engineering Transformatory Sp. z o.o. were sourced from the 2024 Carbon Footprint Analysis prepared by EIHP. These data were consolidated and included in the total Scope 1 and Scope 2 figures, and further broken down by Scope 3 categories, before being integrated into the overall GHG emissions reporting for KONČAR Group.

Scope 2 GHG emissions for KONČAR Group have been calculated using both the location-based and market-based approaches. Emissions are reported in tonnes of CO<sub>2</sub> equivalent for both 2023 and 2024, disaggregated by individual KONČAR companies and entities within the Dalekovod Group. This report presents consolidated Scope 2 emissions data for the entire KONČAR Group, under both methodologies.

To ensure consistency in year-over-year tracking, consolidated Scope 1 and Scope 2 data for 2024 were compared with the corresponding GHG emissions figures from 2023. Scope 3 emissions were calculated for the first time in 2024, based on data collected from KONČAR Group companies during the reporting year, and were consolidated at the Group level.

In addition, a comparative analysis was conducted between the 2024 GHG inventory and the Group's 2019 baseline for activities included in the original emissions calculations, ensuring like-for-like comparability. The findings indicate that, as of year-end 2024, total GHG emissions have increased by approximately 3% (market-based approach) relative to 2019. This increase is attributed partly to the expansion of business operations, and partly to the improved quality and scope of emissions data. Since 2019, significant progress has been made in the collection, processing, and validation of GHG-related information—resulting in broader coverage, enhanced data flows, and increased data accuracy across the Group's inventory.

In the KONČAR Group's 2024 Greenhouse Gas Inventory Report, each category under Scope 1, Scope 2, and Scope 3 includes a detailed **description of the emission sources, data types, and data origins – covering activity data, emission factors, and global warming potential (GWP) values used for the calculations. The report also provides an assessment of uncertainty for Scope 1 and Scope 2 emission estimates, as well as a qualitative description of data quality for Scope 3 reporting.**

In addition, for each category under Scope 1, Scope 2, and Scope 3, total emissions of greenhouse gases—including CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, and SF<sub>6</sub> – are expressed in metric tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). Biogenic CO<sub>2</sub> emissions are excluded, and all reported figures are independent of any carbon trading activities such as the purchase, sale, or transfer of offsets or emissions allowances.

### List of Greenhouse Gas Emission activities by scope

#### List of Scope 1 activities:

- Direct GHG emissions from stationary combustion sources
- Direct GHG emissions from mobile combustion sources
- Direct GHG emissions from industrial or manufacturing processes (process-related emissions)
- Direct fugitive GHG emissions
- Emissions from land-use change, land management, or forestry activities are not included in this inventory due to the unavailability of relevant data.

#### List of Scope 2 activities:

- Indirect GHG emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the organization. These emissions originate from off-site generation facilities not under the direct operational control of the reporting entity.



## List of Scope 3 categories and included activities in the GHG Inventory:

### Scope 3 emissions encompass:

- Indirect GHG emissions resulting from value chain activities that fall within the organizational boundaries of the company but are not included in Scopes 1 or 2.
- Indirect emissions from leased assets, investments, and franchises that are not consolidated within the company's organizational boundaries but remain under partial or full ownership or control.

### List of Scope 3 activities:

#### Upstream emissions categories

- Category 1 – Purchased goods and services
- Category 2 – Capital goods
- Category 3 – Fuel- and energy-related activities (not included in Scope 1 or 2)
- Category 4 – Upstream transportation and distribution
- Category 5 – Waste generated in operations
- Category 6 – Business travel
- Category 7 – Employee commuting
- Category 8 – Upstream leased assets

#### Downstream emissions categories

- Category 9 – Downstream transportation and distribution
- Category 11 – Use of sold products
- Category 12 – End-of-life treatment of sold products
- Category 13 – Downstream leased assets
- Category 15 – Investments

### List of Scope 3 categories or activities excluded from the emissions inventory, with justification:

- **Category 10** – Processing of Sold Products – This category has not been included in the emissions inventory due to insufficient data to enable a reliable calculation. Based on a preliminary assessment, greenhouse gas emissions arising from this category are not considered material in the context of KONČAR Group's value chain.
- **Category 14** – Franchises – This category has been excluded from the emissions inventory as it is not applicable to KONČAR Group's business model. The Group does not operate under franchise arrangements, nor does it manage emissions arising from franchised activities.

### Establishment of the base year for Greenhouse Gas Emissions reporting:

- The base year serves as a reference point for consistent monitoring and comparison of greenhouse gas (GHG) emissions over time. For KONČAR Group, the year 2019 has been selected as the base year for Scope 1 and Scope 2 emissions, in alignment with the Group's Sustainability Strategy 2024–2026.
- The selection of 2019 was based on the fact that it marked the formal adoption of emission reduction targets (outlined in Chapters 6–8 of the Sustainability Strategy). However, the emission inventory from that year did not encompass all operational activities. This has since been addressed in subsequent inventories, including the recalculations for 2023 and now 2024. To ensure consistency in emissions tracking, comparable activities from the 2019 baseline have been recalculated and aligned with those from 2023 and 2024. It is important to note that both the coverage and quality of data collected for these later years have significantly improved relative to 2019, offering a more accurate emissions profile.

### Absence of a base year for Scope 3 emissions

- For Scope 3 emissions – those occurring across the value chain – 2024 represents the first reporting year. This marks the first time KONČAR Group has calculated Scope 3 emissions within the GHG inventory. A gap analysis conducted in 2023 identified the need to initiate systematic data collection and reporting for this scope.
- Given the broad range of emission sources included in Scope 3 (e.g., procurement, transport, product use), its assessment requires the establishment of tailored methodological frameworks and reliable data collection from external stakeholders. The 2024 dataset will serve as a foundation for future monitoring and analysis. The base year for Scope 3 emissions will be formally determined during the development of KONČAR Group's next Sustainability Strategy. At that stage, the Group will also adopt a recalculation policy, allowing adjustments to the baseline in line with improved methodologies and updated data availability.

Additionally, the data quality ratings used in the calculation of Scope 3 emissions have been assessed based on the following criteria:

### Categories of data quality assessment for emissions calculation of Scope 3

<b>Temporal representativeness</b>	Reflects the extent to which the dataset corresponds to the actual reporting period or accurately captures the age of the activity data.
<b>Geographical representativeness</b>	Indicates the degree to which the data reflects the geographic location of the activity (e.g., country, region, or specific site).
<b>Completeness</b>	Refers to the statistical representativeness of the dataset for the relevant activity. It includes the percentage of applicable locations for which data was obtained and used, relative to the total number of relevant locations. Seasonal and operational fluctuations are also considered in this criterion.
<b>Reliability</b>	Assesses the credibility of the data sources, the methods of data collection, and the verification procedures applied to ensure data integrity.

### Description of data quality assessment categories for emission calculations of Scope 3

Rating	Technology	Time	Geography	Completeness	Reliability
Very good	Data generated using the same technology	Less than 3 years old	From the same region	Data from all relevant locations, collected over a time span sufficient to normalize seasonal effects	Verified <sup>3</sup> data based on direct measurements <sup>4</sup>
Good	Data from similar but not identical technology	Less than 6 years old	From a comparable region	Data from more than 50% of locations, over a representative time period	Verified data partly based on assumptions or unverified data from direct measurements
Satisfactory	Data from a different technology	Less than 10 years old	From a different region	Data from less than 50% of locations (or >50% for shorter periods), not fully normalizing variability	Unverified data partly based on assumptions or expert judgment
Poor	Technology used for data is unknown	Over 10 years old or age not specified	Geographic origin not known	Data from less than 50% of locations over short periods, or overall representativeness not confirmed	Unqualified estimates

<sup>3</sup> Verified data refers to information validated through standardized quality assurance procedures.

<sup>4</sup> Measurements denote data collected directly via instruments or sensors.

For each Scope 3 category included in the 2024 Greenhouse Gas (GHG) Inventory of KONČAR Group, the share of emissions calculated using supplier- or partner-provided data from the value chain has been identified. The total share of Scope 3 emissions calculated using primary data amounts to 0.38% of the total Scope 3 emissions.

**The greenhouse gas (GHG) emissions intensity based on the location-based approach (total GHG emissions per unit of net revenue) amounts to 0.00597305 tCO<sub>2</sub>e/EUR, while the market-based emissions intensity amounts to 0.005970726 tCO<sub>2</sub>e/EUR.** (This figure corresponds to the net revenue as disclosed in Note 3 of the Consolidated Financial Statements of KONČAR Group.)

Table 2.6 Total Greenhouse Gas Emissions per net revenue

Emissions intensity per net revenue	Comparative	Year N	% 2024/2023
Location-based GHG emissions per unit of net revenue (tCO <sub>2</sub> e/EUR)	n/a	0,00597305	n/a
Market-based GHG emissions per unit of net revenue (tCO <sub>2</sub> e/EUR)	n/a	0,005970726	n/a

## 2.2 ESRS E2 Pollution

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>POLLUTION OF AIR, WATER, AND SOIL</b>				
POSITIVE IMPACT – ACTUAL	Systematic environmental management	KONČAR Group implements systematic environmental management in accordance with ISO 14001, ensuring that emissions to air, soil, and water remain within or below legally prescribed thresholds. This approach helps prevent pollution incidents related to business operations, particularly those involving transformer oil, industrial chemicals, and gases used in manufacturing processes.	Own operations	Short to long term
NEGATIVE IMPACT – ACTUAL	Air and water pollution	The most material negative impacts have been identified upstream in the value chain, where mineral extraction and the processing of components and raw materials sourced by KONČAR are associated with emissions to air and water. Within its own operations, KONČAR Group records emissions to air and water that remain compliant with applicable legal limits.	Upstream Own operations	Short to long term

### E2.IRO-1 Description of the processes for identifying and assessing material impacts, risks and opportunities related to pollution

#### E2.IRO-1\_01, E2.IRO-1\_02, E2.IRO-1\_03

KONČAR Group implements a systematic and structured approach to identifying and assessing both actual and potential environmental impacts, as well as related risks and opportunities across its operations and entire value chain. Environmental management practices across most entities – particularly at manufacturing sites – are aligned with the ISO 14001 standard, which mandates continuous assessment of environmental aspects and control of pollutant emissions to air, water, and soil. The primary objective is to ensure that all pollutant discharges remain within or below the legally permitted thresholds, thereby preventing incidents such as spills of transformer oil, chemicals, or gases. This approach contributes directly to environmental protection and compliance. In 2024, a comprehensive **double materiality assessment** was conducted, during which KONČAR Group reviewed its operations and consulted key stakeholders to determine which sustainability-related topics are of greatest significance. Pollution – especially **air and water pollution** – emerged as a material topic, with upstream value chain impacts (e.g., emissions linked to raw material extraction and processing) identified as notable concerns. Within its own operations, KONČAR's emissions are primarily linked to technological and energy processes, all of which are currently compliant with legal thresholds. Issues such as soil pollution were assessed as less material and are effectively controlled. This forward-looking approach allows KONČAR Group to proactively identify pollution-related risks and explore opportunities, including product innovation. One such example is the integration of “green tech” solutions like biodegradable insulating oils in transformers, which reduce environmental risks and contribute to broader sustainability goals.

**Engagement with affected communities:** When applicable, KONČAR Group includes local communities in the process of identifying and managing pollution impacts. Although no significant adverse effects on local populations have been recorded to date, proactive mitigation measures are in place. Prior to launching new projects – such as facility construction – comprehensive **environmental impact** assessments are conducted, either directly or in cooperation with project investors. These assessments consider local ecological and social implications and involve legally mandated public consultations, ensuring that concerns related to air, water, soil pollution, noise, or waste are addressed transparently. During project execution, strict environmental protection protocols (e.g., dust suppression, noise control, safety measures) are enforced to minimize any negative externalities. KONČAR Group also maintains continuous **dialogue with local governments, civil society, and community representatives**, integrating their perspectives into corporate decision-making. This inclusive approach – from formal consultations to ongoing communication and community investments—ensures that the interests and well-being of affected communities are respected while maintaining responsible environmental stewardship.

### E2-1 Policies related to pollution

KONČAR Group manages environmental pollution through robust governance mechanisms, structured policies, and certified

environmental management systems, operating in full compliance with the applicable regulatory framework of the Republic of Croatia and relevant European Union directives.

The Group has implemented an Integrated Management System Policy encompassing quality, environmental protection, occupational health and safety, and energy efficiency. Grounded in the principles of prevention, minimisation, and stringent control of pollutants affecting air, water, and soil, this policy is operationalised through ISO 14001-compliant Environmental Management Systems across all relevant subsidiaries. This enables a systematic approach to the identification, monitoring, and mitigation of environmental risks and impacts. This policy is operationalised through ISO 14001-compliant Environmental Management Systems across all relevant subsidiaries. This enables a systematic approach to the identification, monitoring, and mitigation of environmental risks and impacts.

Notably, no environmental incidents were reported across the Group in 2024, demonstrating the effectiveness of established controls and the consistent implementation of preventive and corrective measures.

## E2-2 Measures and resources related to pollution

Measures and resources for pollution prevention and control are integrated into the ISO 14001-certified Environmental Management Systems (EMS) operating across KONČAR Group entities. These systems ensure systematic oversight of environmental risks and promote continuous improvement in environmental performance.

Compliance with regulatory thresholds for emissions is rigorously upheld, particularly in accordance with applicable water management permits. Air and water emissions are subject to regular monitoring and verification by accredited laboratories, with comprehensive documentation maintained in line with legal requirements. To mitigate potential environmental impacts, the Group has deployed a range of best-available technologies, including advanced filtration systems for air purification, wastewater treatment facilities, and process optimisation strategies. Environmentally responsible sourcing practices are also promoted through the use of less harmful raw materials. Dedicated environmental professionals are appointed within each company to oversee the EMS, supported by allocated financial resources to sustain and enhance environmental protection infrastructure. Moreover, employees receive continuous training in environmental risk response, ensuring operational preparedness and timely action in the event of potential incidents.

## E2-3 Pollution-related targets

The pollution-related targets established by KONČAR Group are directly aligned with statutory emission thresholds for air and water pollutants, as mandated by national and European environmental legislation. These thresholds are monitored through robust environmental management protocols implemented across the Group, in accordance with ISO 14001 standards. Regular sampling and analysis – conducted by certified laboratories – ensure that pollutant levels remain within legally permitted limits. In instances where monitoring results indicate a potential exceedance, immediate corrective actions are initiated to restore compliance. This proactive and systematic approach not only ensures ongoing regulatory alignment but also reinforces the Group's broader commitment to minimizing environmental impact and driving continuous improvement in environmental performance.

## E2-4 Pollution of air, water and soil

**E2-4\_01, E2-4\_02, E2-4\_03, E2-4\_08, E2-4\_09, E2-4\_10**

At the KONČAR Group level, all pollutant emissions to air and water are consolidated. Any emissions that exceed release/transfer thresholds – at individual KONČAR companies with permitted air and/or water discharge points – are reported to the Environmental Pollution Register. This is done in accordance with the List of Pollutants in Annex 2 of the Ordinance on the Environmental Pollution Register (Official Gazette 3/2022), which ensures implementation of Regulation (EC) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of the European Pollutant Release and Transfer Register (E-PRTR). Water discharge permits issued for sites including Fallerovo šetalšte, Jankomir, Borongaj, Susedgrad, Samobor, and Sesvetski Kraljevec prescribe allowable discharge quantities and relevant monitoring parameters. Authorized laboratories conduct composite sampling two to four times annually, as stipulated by regulatory testing frequency. Results are entered into the Environmental Pollution Register, and the table below reflects consolidated pollutant emissions from sources under KONČAR Group's financial and operational control. Air emission monitoring reports for Borongaj, Sesvetski Kraljevec, and Susedgrad are produced biennially, alternating between direct measurement and calculated estimates. In 2024, measured values for Borongaj were obtained through accredited laboratory testing, while calculated data were used for Jankomir. At Sesvetski Kraljevec, estimated values fell below the threshold for mandatory reporting in the Environmental Pollution Register.



Pollutant	Quantities of pollutants released			
	Air (2024)	Air (2023)	Water/Ma- rine (2024)	Water/Ma- rine (2023)
	(kg/year)	(kg/year)	(kg/year)	(kg/year)
	General indicators			
Total Suspended Solids (TSS)	0	0	13751,87	9151,45
Chemical Oxygen Demand – Dichromate (CODCr)	0	0	47731,40	30844,44
Biochemical Oxygen Demand (BOD <sub>5</sub> )	0	0	18616,43	11403,41
	Inorganic Substances			
Nitrogen Oxides (as NO <sub>2</sub> )	2400,92	2939,52	0,00	0,00
Carbon Monoxide (CO)	3419,07	3863,97	0,00	0,00
Cyanides (total CN)	0,00	0,00	1,07	2,36
Fluorides (F <sup>-</sup> )	0,00	0,00	3,70	5,10
Total Nitrogen	0,00	0,00	6559,94	3824,50
Sulphides	0,00	0,00	189,46	4,51
Sulphites (SO <sub>3</sub> <sup>2-</sup> )	0,00	0,00	90,81	932,52
Sulphates (SO <sub>4</sub> <sup>2-</sup> )	0,00	0,00	2009,37	1957,24
Chlorides (Cl <sup>-</sup> )	0,00	0,00	1076,34	384,39
Free Chlorine (Cl <sub>2</sub> )	0,00	0,00	0,31	0,00
Total Phosphorus	0,00	0,00	477,25	321,84
	Organic Substances			
Halogenated Organic Compounds (as AOX)	0	0	12,27	9,15
Trichloromethane (Chloroform)	0	0	0,10	0,05
Total Aromatic Hydrocarbons	0	0	0,19	0,25
Anionic Detergents	0	0	168,53	79,21
Non-Ionic Detergents	0	0	156,74	62,59
Cationic Detergents	0	0	0,17	0,19
Volatile Lipophilic Substances (Total Oils/Fats)	0	0	2052,26	1238,38
Total Hydrocarbons	0	0	73,57	32,68
	Metals			
Arsenic and its compounds (as As)(19)	0	0	0,17	0,18
Cadmium and its compounds (as Cd)(19)	0	0	0,40	0,18
Chromium and its compounds (as Cr)(19)	0	0	1,41	2,55
Chromium VI (Cr <sup>6+</sup> )	0	0	1,41	2,23
Copper and its compounds (as Cu)(19)	0	0	3,51	15,46
Nickel and its compounds (as Ni)(19)	0	0	1,41	2,70
Lead and its compounds (as Pb)(19)	0	0	0,43	0,46
Zinc and its compounds (as Zn)(19)	0	0	16,06	39,84
Vanadium (V)	0	0	0,10	0,09
Barium (Ba)	0	0	3,56	3,97
Boron (B)	0	0	23,49	95,32
Tin (Sn)	0	0	5,72	8,11
Manganese (Mn)	0	0	0,77	2,92
Selenium (Se)	0	0	0,06	0,04
Silver (Ag)	0	0	0,49	0,49
Iron (Fe)	0,00	0,00	81,76	48,85
	Particulate Matter			
Suspended particulate matter (PM <sub>10</sub> )	328,8	291,56	0	0

**The results of pollutant testing for air and water emissions indicate the following conclusions:**

- **The observed reduction in air pollutant emissions** reflects the positive impact of enhanced energy efficiency measures, optimisation of production processes, and a gradual shift towards cleaner energy sources.
- **The increase in aggregate pollution indicators – particularly for inorganic substances, detergents, and oils in wastewater** is partially attributable to the expanded scale of production, more intensive equipment and manufacturing plant cleaning procedures, and changes in the materials used in manufacturing. Notably, the recorded rise in sulphide concentrations is linked to the issuance of a new water permit to Dalekovod – Metalne konstrukcije in 2024, which introduced monitoring of this parameter that had previously not been tracked.
- **A significant decline in the concentrations of most metals in wastewater**, coupled with increases in cadmium and iron, is associated with modifications in material processing and the specific types of raw materials or semi-finished products employed. This trend highlights the need for a more detailed assessment of pollution sources and further optimisation of technological processes.
- **The rise in PM<sub>10</sub> particle concentrations** is primarily related to intensified construction and production activities within KONČAR Group, along with an increase in transport operations and the handling of materials across production facilities.

## 2.3 ESRS E5 Resource use and circular economy

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>RESOURCE INFLOW</b>				
<b>NEGATIVE IMPACT- ACTUAL</b>	<b>Consumption of carbon- and environmentally-intensive resources in product manufacturing</b>	The use of energy and materials with high environmental and carbon intensity—excluding electricity, which is sourced from renewable energy within KONČAR Group—remains a material impact. Excessive extraction of metals and minerals contributes to the depletion of natural resources, potentially undermining their long-term availability. Although KONČAR does not exert direct control over mining operations, its manufacturing activities are dependent on access to these raw materials.	Upstream Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Introduction of recycled materials in strategic products; reduction of environmental footprint</b>  <b>Preference is given to suppliers that demonstrate a commitment to sustainability by offering materials that are recyclable</b>	<p>KONČAR Group develops products with a long operational lifespan and significant potential for refurbishment and revitalization. The Group is actively incorporating recycled and lower-carbon-intensity materials – such as reclaimed transformer oils, copper, and grain-oriented electrical steel – into core product lines like transformers. These efforts reduce dependence on primary raw material extraction and lower the overall environmental impact of the final product.</p> <p>Supplier due diligence includes the assessment of circular design principles and the use of recycled content, while packaging materials are selected from renewable sources.</p> <p><b>(Linked to E2 – Pollution)</b></p>	Upstream Own operations	Short to long term

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>RESOURCE OUTFLOW</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Development and implementation of low-impact products with enhanced end-of-life recyclability</b>	<p>In collaboration with suppliers, a pilot project has been initiated to develop environmentally improved packaging.</p> <p>Additionally, KONČAR Group has developed high-voltage circuit breakers free from SF<sub>6</sub> gas—a greenhouse gas with extremely high GWP—demonstrating leadership in product innovation aimed at minimizing environmental impact during use and at end-of-life stages.</p> <p>The Group prioritizes suppliers whose materials and components are environmentally benign and recyclable after product end-of-life, or that can be safely disposed of. It is anticipated that the future will bring broader integration of materials and components with lower carbon footprints, greater recycled content, and further embedding of circular economy principles.</p>	Upstream Own operations Downstream	Short to long term
<b>NEGATIVE IMPACT – ACTUAL</b>	<b>Use of environmentally hazardous substances in equipment</b>	<p>Depending on project scope and customer requirements, certain materials with potential environmental risk continue to be used in KONČAR's manufacturing processes and final products. Examples include: (i) SF<sub>6</sub> gas in high-voltage switchgear and gas-insulated substations— an effective insulating medium, but a potent GHG if leaked.</p> <p>(ii) Heavy metals used in solar panels and some electronics, which may cause soil and water contamination if mishandled.</p> <p>(iii) Insulating and cooling fluids (e.g., mineral oils) in transformers, which pose risks to aquatic systems in case of leakage.</p> <p>(iv) Specialized alloys and compounds requiring precise end-of-life removal and recycling to prevent environmental harm.</p>	Own operations Downstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Customer engagement on recycling and safe disposal</b>	By informing customers about recyclability and appropriate end-of-life handling of product components, KONČAR Group reduces residual waste and supports responsible resource management. <b>(Linked to E2 – Pollution)</b>	Own operations Downstream	Short to long term

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>WASTE</b>				
<b>NEGATIVE IMPACT- ACTUAL</b>	<b>Waste generation during production</b>	A significant portion of the waste generated during production consists of high-value materials suitable for recycling. Nevertheless, waste management presents challenges across various segments of the production process, particularly in ensuring consistent separation, reuse, or recycling of all generated waste streams.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Effective management of input materials and waste</b>	<p>KONČAR Group manages both hazardous and non-hazardous waste in line with ISO 14001-certified environmental management systems. Approximately 86% of the total generated waste is either reused or recycled, significantly reducing the amount sent to landfill. Waste is disposed of exclusively through authorised and certified waste management entities.</p> <p>On-site waste management is guided by circular economy principles, aiming to optimise resource use and reduce waste at the source. Through the implementation of tailored waste management plans during production, KONČAR Group contributes to a measurable reduction in environmental impact, ensuring responsible handling of materials and supporting improved sustainability performance.</p>	Own operations Downstream	Short to long term
<b>RISKS AND OPPORTUNITIES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY</b>				
<b>CLIMATE-RELATED TRANSITION RISK</b>	<b>Unstable availability and rising prices of raw materials and components</b>	Increasing demand for green technologies and renewable energy sources continues to place pressure on supply chains, potentially causing delivery delays, reduced availability of key semi-finished products and components, and upward pressure on their pricing. These dynamics contribute to higher production costs and increased financial risk exposure, while also intensifying the need for supply chain diversification and the development of resilience strategies. <b>(Linked to E1 – Climate Change)</b>	Upstream Own operations	Medium- to long-term

## **E5.IRO-1 Description of procedures for identifying and assessing material impacts, risks, and opportunities related to resource use and circular economy**

### **E5.IRO-1\_01, E5.IRO-1\_02**

In alignment with its commitment to responsible resource management and circularity, KONČAR Group applies a structured, multi-level approach to identifying and assessing material impacts, risks, and opportunities associated with the use of resources and transition toward a circular economy. This process encompasses the Group's own operations as well as upstream and downstream value chain stages. The assessment is embedded within KONČAR's double materiality framework and informed by internationally recognised methodologies, including the GHG Protocol, with particular emphasis on Scope 3 emissions accounting. Internal experts from procurement, environmental management, production, and related functions are actively involved to ensure cross-functional expertise. Additionally, external stakeholders such as key suppliers and customers are consulted to reflect broader value chain perspectives and market expectations.

The process relies on verified internal data systems, notably the waste management database, which records all waste streams and corresponding disposal methods. These records enable precise identification of waste types and quantities linked to operational activities. Upstream and downstream resource flows have been mapped, identifying key materials used and assessing the proportion of renewable and recycled content, as well as the nature of waste generated (e.g., scrap metals, waste oils, composite materials). In evaluating outflows, the Group leverages internal life-cycle expertise to assess environmental impacts during product use phases and at end-of-life, including recyclability and disposal pathways. In alignment with best practices and informed by the insights gained through internal assessments, KONČAR Group has undertaken a series of targeted actions aimed at increasing the share of secondary (recycled) raw materials used across its operations, while simultaneously reducing the volume of waste directed to landfills. To operationalise this objective, collaborative initiatives have already been launched with key suppliers. These initiatives focus on the systematic collection of data regarding the recycled content embedded in materials and components procured by the Group.

Key suppliers have been formally informed of the need to disclose such data in the future, contributing to transparency and enabling the Group to monitor circularity performance across its supply chain. This proactive approach enhances transparency across the supply chain and lays the foundation for long-term circularity improvements.

The assessment has also highlighted specific data limitations. In cases where primary data was not fully available – such as for certain upstream materials from deeper tiers of the supply chain or for end-of-life product disposal – KONČAR Group relied on well-informed assumptions and estimates based on the best available information. These proxies were essential to complete the assessment of impacts, risks, and opportunities despite data limitations. The Group is committed to maintaining transparency regarding the use of estimations and continues to enhance its data collection systems. This includes strengthened engagement with suppliers and partners to ensure that future assessments are based on increasingly reliable and comprehensive primary data sources.

## **E5-1 Policies related to resource use and the circular economy**

### **E5.MDR-P\_07-08**

KONČAR Group embeds its commitment to resource stewardship and the circular economy within the overarching framework of the Group's Sustainability Policy. This is articulated through the following principle of sustainable development:

Resource efficiency: KONČAR applies a responsible and forward-looking approach to resource stewardship.

The Group advances energy and material efficiency while minimising waste, guided by the principles of the circular economy and life-cycle thinking.

The Group recognises the strategic importance of this area and is actively engaged in a range of initiatives and standalone projects aimed at reducing the consumption of natural resources, increasing the share of renewable and recycled inputs, and minimising waste generation. In line with its broader sustainability agenda, KONČAR Group plans to formalise these efforts by adopting dedicated policies in the forthcoming reporting period. This will further institutionalise its strategic orientation toward resource circularity and enhance its contribution to long-term environmental and operational resilience.



## E5-2 Measures and resources related to resource use and the circular economy

### E5.MDR-A\_13-14

Although KONČAR Group has not yet fully established specific measures nor allocated formalized resources dedicated to the management of resource use and the implementation of circular economy principles, significant groundwork was laid during 2024. A comprehensive analysis of resource flows and Scope 3 greenhouse gas emissions was carried out, providing a robust foundation for the structured development and implementation of targeted actions throughout 2025. The Group has pledged to provide a detailed disclosure in the forthcoming reporting period, outlining the specific measures to be enacted in support of resource efficiency and circularity. This will include the allocation of both financial and human capital required for the effective execution of these initiatives, thereby reinforcing the Group's commitment to sustainable resource stewardship and the transition toward a circular economy.

## E5-3 Targets related to resource use and the circular economy

As part of its overarching sustainability and resource management strategy, KONČAR Group has established directional targets aimed at addressing the material impacts, risks, and opportunities associated with resource consumption and the application of circular economy principles.

### Strategic objective 2: Reducing waste and promoting resource efficiency

**Set sub-target:** Divert at least 80% of production-related waste from landfill disposal by 2026

This target encompasses a set of activities aimed at reducing the volume of waste generated, increasing reuse and recycling rates, and enhancing other forms of recovery across the production processes within KONČAR Group companies.

**Target status as of 31 December 2024:** 86% of waste generated by the KONČAR Group was reused or recycled.

Currently, KONČAR Group does not possess sufficiently granular data across all production sites to definitively quantify the exact proportion of waste redirected toward recycling or alternative recovery methods. However, on the basis of comprehensive analyses undertaken in 2024 – specifically regarding the circular economy and Scope 3 greenhouse gas emissions—the Group has already identified key areas for improvement.

In 2025, KONČAR Group plans to implement an integrated waste tracking system, enabling the collection of detailed and disaggregated data essential for accurate performance monitoring against this target. Given the progress made and preliminary findings to date, the Group is well-positioned to achieve the outlined waste reduction milestone by 2026.

Other strategic sub-targets related to the circular economy include:

- Increasing the share of recycled content in key materials and packaging
- Expanding the use of wood and cardboard sourced from renewable origins
- Ensuring that 100% of strategic customers receive guidance on the proper disposal and recycling of products
- Collaborating with suppliers to develop a pilot project for environmentally optimised packaging solutions

Given that the attainment of these goals is closely tied to the evolving awareness and practices of suppliers operating in a dynamic market, KONČAR Group has already initiated stakeholder engagement and planning processes. In 2025, measurable action steps will be established to support full implementation by the 2026 target date.

## E5-4 Resource inflow

### E5-4\_01, E5-4\_04, E5-4\_05, E5-4\_06

KONČAR Group acknowledges its significant responsibility for the quality and sustainability of the products it places on the market. As such, the Group exercises comprehensive oversight over the entire value chain, ensuring quality assurance across all production processes within its subsidiaries. In the procurement process, priority is given to suppliers whose materials and components are demonstrably non-hazardous to human health and the environment, and which are either recyclable at the end of the product lifecycle or capable of safe disposal. Supplier selection for specific material and service categories is contingent on meeting defined criteria, including quality standards, delivery terms, payment conditions, occupational health and safety practices, and environmental protection. Suppliers are required to provide formal evidence of compliance, such as certifications. All KONČAR Group entities maintain a centralized supplier database that records essential information (e.g.,

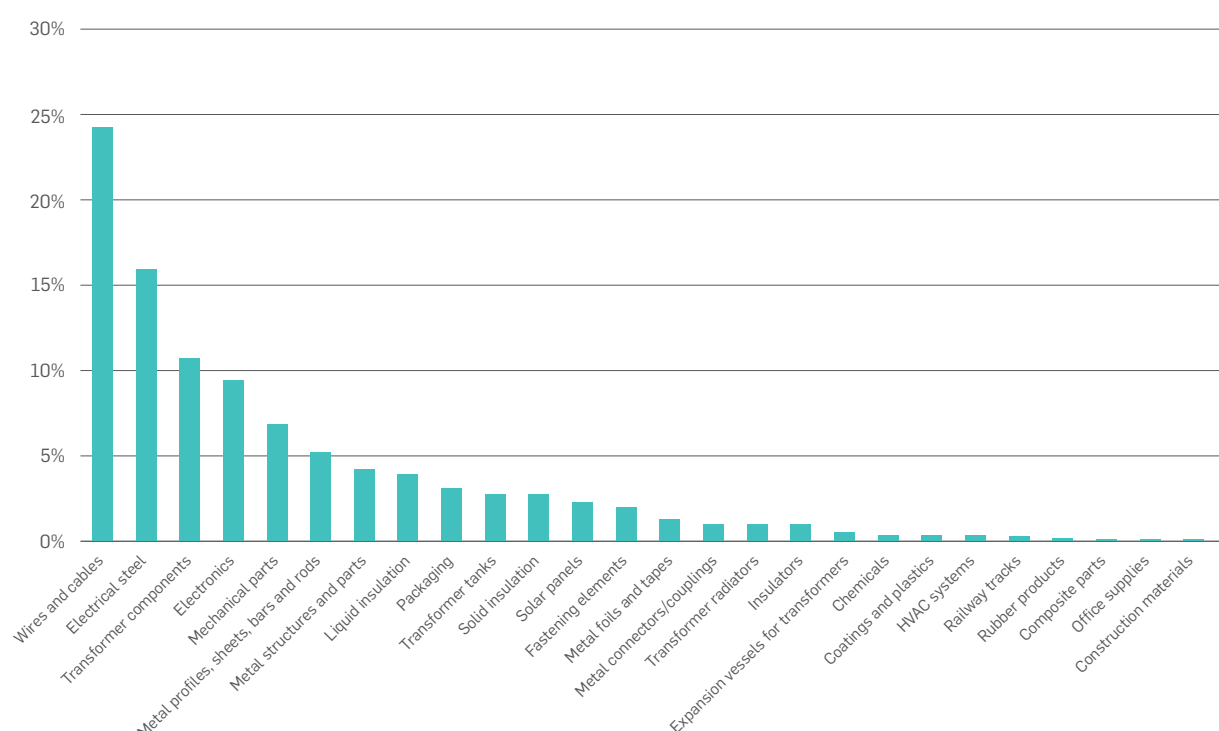
name, address, contact details) alongside data relevant to supplier evaluation – such as references, complaint history, quality management systems, and environmental and occupational health credentials.

To identify the most strategically significant materials for the Group's operations, a procurement structure analysis was conducted based on expenditure share. The results, illustrated in the accompanying graph, reveal the following priority categories by share of total procurement value:

- **Wires and cables (24%)** – driven by extensive demand for copper and aluminium conductors in the production of transformers, generators, and electrical equipment
- **Electrical steel (16%)** – a critical material for the magnetic cores of transformers, generators, and motors
- **Transformer components (11%) and Electronics (9%)** – reflecting the company's strategic focus on power system solutions and high technology

This procurement overview highlights the material categories of greatest financial and strategic relevance to KONČAR Group, thereby enabling targeted sustainability efforts in supply chain resilience and resource efficiency in forthcoming reporting periods.

**Structure of input material procurement**



Data on input materials were collected from KONČAR Group companies through individual data tables, which included detailed information on material types, quantities, mass, invoice value, supplier, country of origin, transport mode, intended product use, and availability of primary data.

Due to the incompleteness of the gathered dataset, it was not possible to conduct a comprehensive assessment using the average data method. Moreover, primary data from suppliers had not yet been obtained. Consequently, the assessment relied on a **method based on consumption**, specifically the economic value of purchased goods.

For this purpose, a database originally developed to support operational cost optimization was utilized. While this database encompasses the majority of purchased goods and materials, approximately 12% of entries remain unclassified. Based on information retrieved from company-level data tables and expert knowledge of materials used in production, reasoned assumptions were made to fill data gaps, thus enabling a consolidated overview of material use.



The following section presents data on resource use within the KONČAR Group for which complete information was available during this reporting period.

Resource inflow	Values (tonnes) / Rates
Total weight of technical and biological materials used (in tonnes)	183.241,18
Total weight of biological materials (including biofuels for non-energy purposes) from sustainable sources (in tonnes)	0
Share of biological materials (including biofuels for non-energy purposes) from sustainable sources (%)	0%
Absolute weight of recycled components used (in tonnes)	1.712,79
Share of recycled components used (%)	0,94%



## E5-5 Resource outflow

**E5-5\_01 E5-5\_04, E5-5\_05 E5-5\_06, E5-5\_07, E5-5\_15, E5-5\_16, E5-5\_08, E5-5\_09, E5-5\_10, E5-5\_11, E5-5\_17**

KONČAR Group's core product portfolio comprises electrical power equipment—including transformers, generators, electric motors, control and switchgear—as well as electric vehicles and renewable energy infrastructure. Primary materials used in production include metals such as steel, copper, and aluminium, in addition to composite materials and plastics. A portion of these products has been specifically designed with circularity in mind, enabling easier repair, refurbishment, and recycling—particularly of metallic components.

Most products are engineered for extended operational lifespans ranging from 10 to 40 years or more, depending on the product type. Their design allows for routine maintenance and repair, further prolonging their lifecycle and reducing the need for premature disposal.

The total estimated recyclability rate of KONČAR Group's products stands at approximately 31%. This estimate is primarily based on the recoverability of input materials, with metals contributing the highest share, and plastics and composites to a lesser extent.

Packaging materials primarily consist of wooden pallets, corrugated cardboard, and polyethylene-based films. Continuous efforts are underway to increase the overall recyclability rate through the optimization of packaging design and the expanded use of recyclable and reusable materials.

The data disclosed on resource outflows – including product and packaging recyclability rates as well as waste generation volumes – are derived from internal records maintained by individual KONČAR Group entities and subsequently aggregated at the Group level.

Given the current heterogeneity in data collection frameworks and tracking methodologies across subsidiaries, these figures should be interpreted as indicative, with a degree of estimation inherent in their calculation. To enhance data accuracy, comparability, and traceability, KONČAR Group intends to implement a centralized system for monitoring and reporting material outflows in 2025. This system will enable consistent tracking of material streams and recyclability performance across the entire organization.

Total waste generation by type	Amount (tonnes)
Total generated waste	8.774,93
Total hazardous waste generated	914,64
Total radioactive waste generated	0,00

Waste treatment and diversion breakdown by disposal method and waste type	HAZARDOUS WASTE	NON-HAZARDOUS WASTE
	Amount (tonnes)	Amount (tonnes)
<b>WASTE DIVERTED FROM DISPOSAL</b>	189,31	7.322,34
PREPARATION FOR REUSE	0,00	0,00
RECYCLING	163,73	7.232,20
OTHER RECOVERY OPERATIONS (including R1)	25,58	90,14
<b>WASTE DIRECTED TO DISPOSAL</b>	725,33	537,96
INCINERATION (D10 on land)	109,31	6,68
LANDFILLING	366,24	182,04
OTHER DISPOSAL OPERATIONS	249,78	349,23
<b>TOTAL WASTE GENERATED</b>	914,64	7.860,29
<b>TOTAL AMOUNT OF UNRECYCLED WASTE</b>	1.263,29	
<b>SHARE OF UNRECYCLED WASTE</b>	14%	



The data presented have been compiled from internal reports submitted by individual KONČAR Group entities, based on official R-ONTO forms. These reports reflect waste management records maintained in accordance with national regulatory requirements. All quantities are expressed in metric tonnes (t).

Looking ahead, KONČAR Group intends to further enhance its waste data monitoring system to ensure increased accuracy, transparency, and comparability of its disclosures. This initiative aims to strengthen the reliability of environmental reporting and reinforce accountability across the Group.







3 |

## **Social matters**





## 3 Social matters

### 3.1. ESRS S1 Own workforce

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>WORKING CONDITIONS</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Employment stability and security</b>	A predominance of permanent, full-time contracts enhances employee security. Employee turnover is in line with industry averages and does not pose a significant challenge to business continuity.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Fair compensation</b>	The provision of fair and competitive remuneration aligned with industry trends, worker qualifications, responsibilities, and scope of work. KONČAR Group ensures equal pay for equal work, based on job complexity gradation and performance assessment. Internal regulations provide the framework for determining base salary, allowances, and variable components, along with benefits such as compensation for work under special conditions (night and shift work, work on Sundays and public holidays, and overtime), as well as performance-based bonuses.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Social Dialogue Freedom of association, the existence of works councils, and workers' rights to information, consultation, and participation</b>	Regular negotiations and information exchange between trade unions and management foster transparency, stability, and trust. KONČAR Inc. upholds the freedom of association by ensuring a non-interference policy regarding the establishment and membership of trade unions. The company is committed to good-faith negotiations, guarantees access to appropriate facilities and time allocation for employee representatives, and enforces strong protections against dismissal and discrimination of union members.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Collective bargaining</b>	All employees governed by collective agreements are entitled to clearly defined rights and responsibilities, which contribute to social cohesion and transparent organizational governance. For KONČAR entities which are not party to a collective agreement, employee entitlements are regulated through internal policies and/or official decisions, guaranteeing at least the minimum standards established by the KONČAR collective agreement.	Own operations	Short to long term
<b>NEGATIVE IMPACT - POTENTIAL</b>	<b>Fair compensation</b>	Rising living costs and inflation have led to a sense of financial stress among smaller groups of employees in lower-paid roles.	Own operations	Short to long term

<b>NEGATIVE IMPACT- ACTUAL</b>	<b>Excessive working hours due to increased demand and labour shortages</b>	In periods of intensified production, insufficiently optimized shift schedules and extended working hours for certain employees may result in reduced job satisfaction, increased stress levels, and diminished productivity.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Occupational Health and Safety</b>	Occupational safety is managed systematically in line with ISO 45001. Ongoing monitoring, planning, and execution of occupational health and safety measures — including training programs and the active engagement of formal safety committees — contribute to employee protection and risk reduction.  Investments in health and safety training for new hires, along with regular refresher courses for all staff, reinforce the organization's culture of safety.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Employee health and well-being</b>	Initiatives such as supplementary health insurance, scheduled medical check-ups, and organized physical activities raise health awareness and contribute to the overall well-being of employees.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Work-life balance</b>	KONČAR Group is committed to fostering a healthy work-life balance, which supports employees' well-being, reduces stress, and builds trust and satisfaction. Flexible working hours have been introduced, and in departments where feasible, a hybrid work model further enables employees to harmonize professional and personal responsibilities. The Group actively encourages all employees to take full advantage of maternity and parental leave, irrespective of gender, and offers a range of supportive measures for working parents.	Own operations	Short to long term
<b>EQUAL TREATMENT AND OPPORTUNITIES</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Gender equality and equal pay for work of equal value</b>	Men and women receive equal wages for equal work. The compensation system is fully aligned with the principles of non-discrimination and gender equality.	Own operations	Short to long term
<b>NEGATIVE IMPACT - POTENTIAL</b>	<b>Gender equality and equal pay for work of equal value</b>	Women represent 20% of the total workforce at KONČAR, with 22% occupying managerial positions and 17.4% holding executive leadership roles (including Management Board and direct reports). While this distribution is largely influenced by the industry in which KONČAR operates, it may impact perceptions of gender balance within the organization. However, comparative analysis of salary levels across pay grades reveals that, in nearly all categories, women are compensated equally or more favourably than their male counterparts.	Own operations	Short to long term

<b>POSITIVE IMPACT – ACTUAL</b>	<b>Training and skills development</b>	Continuous learning and professional development at all levels empower employees to acquire new skills and knowledge, thereby supporting the delivery of high-quality products and enhancing individual employability. KONČAR delivers ongoing educational programs through the KONČAR Academy, which includes a growing number of participants and investments in MBA studies and specialized training such as project management (PMO methodology). The launch of digital skills training through the Digital Factory Lab has enhanced strategic capabilities in alignment with Industry 4.0 imperatives, establishing a robust technological foundation for future-ready, market-responsive solutions. Established in 2003, the annual KONČAR Award honours exceptional doctoral research in technical sciences with direct industrial relevance, fostering scientific excellence and driving innovation.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Training and skills development</b>	Thematic workshops are organized to promote awareness and expand knowledge on sustainability and sustainability-related principles, thereby strengthening both employee understanding and organizational capacities in this domain.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Training and skills development</b>	The development of individualized growth plans and performance management systems for key positions fosters motivation, strengthens employee retention, and supports long-term organizational development.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Employment and inclusion of persons with disabilities</b>	Individuals with disabilities are meaningfully integrated into suitable positions across the organization, supported by tailored workplace adjustments and inclusive benefits such as additional rest entitlements and targeted financial support.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Employment and inclusion of persons with disabilities</b>	Demonstrating a long-standing commitment to social inclusion, KONČAR engages in collaborative initiatives with the Croatian Paralympic Committee, sponsors inclusive athletic events, supports marginalized communities, and actively commemorates the International Day of Persons with Disabilities.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Measures against workplace violence and harassment</b>	A strict zero-tolerance policy on violence and harassment, alongside confidential reporting channels and whistleblower protection mechanisms, ensures a safe and respectful work environment. These measures build trust among employees and promote a culture rooted in human rights and ethical standards. KONČAR has embedded safeguards against violence and harassment in collective agreements, internal policies, and employee training programs. <b>(Linked to G1-Business conduct)</b>	Own operations	Short to long term



<b>POSITIVE IMPACT – ACTUAL</b>	<b>Diversity</b>	KONČAR is committed to cultivating an inclusive work environment that values the diverse backgrounds of all employees. This includes integration initiatives for foreign workers, structured support for parents returning from maternity or parental leave, and broader efforts that promote workplace equity and belonging.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Appropriate accommodation</b>	Appropriate accommodation is secured for employees on field assignments, contributing to their well-being, mitigating work-related stress, and enhancing performance. High-standard housing is recognized as a key factor in employee motivation and retention in off-site operations.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	<b>Privacy</b>	Personal data is safeguarded through clearly defined policies and secure processes aligned with applicable data protection legislation, contributing to organizational integrity and stakeholder confidence.	Own operations	Short to long term
<b>RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE</b>				
<b>RISK</b>	<b>Employee turnover and talent shortages</b>	The potential loss of key personnel, coupled with difficulties in attracting and retaining qualified talent, presents a risk to operational continuity — particularly in light of increasing workforce migration to countries offering more competitive employment conditions.	Own operations	Short to long term
<b>RISK</b>	<b>Compromised health and safety of employees</b>	Inadequate occupational safety measures and an increase in work-related incidents in certain operational areas pose a material risk. Due to the inherent nature of the Group's activities — such as construction of energy infrastructure, work at height, and proximity to high voltage — there is an elevated risk of serious or even fatal injuries if preventive controls are not continuously strengthened.	Own operations	Short to long term
<b>RISK</b>	<b>Lack of trust in grievance mechanisms</b>	The underreporting of workplace harassment or violence due to insufficient confidence in available grievance channels may foster a work environment where inappropriate behavior persists unchecked, thereby undermining employee safety, well-being, and organizational culture. <b>(Linked to G1-Business conduct)</b>	Own operations	Short to long term

## S1.SBM-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model

S1.SBM-3\_01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12

KONČAR Group's reporting scope covers all individuals within the Group's own workforce who may be materially affected by the company's activities. This includes directly employed staff, as well as the occupational safety of external contractors and subcontractors operating within the Group's facilities. The Group directly impacts the working conditions of approximately 5,500 employees. In addition, significant impacts may extend to non-employee workers—such as individuals contracted to perform specific tasks, self-employed persons, or those engaged through third-party employment agencies—who operate under the direction and oversight of KONČAR Group entities.

The Group's actual and potential impacts, risks, and opportunities are closely interwoven with its business model and strategic priorities. Identified positive impacts stem from a proactive approach to workforce development and a commitment to ensuring fair compensation across all employee categories, which in turn strengthens talent retention. Recognizing that skilled professionals are pivotal to executing its strategy and achieving commercial success, KONČAR actively implements measures to retain critical talent and foster career advancement. In parallel, the Group is advancing the modernization of its business processes and project frameworks with a clear objective of minimizing environmental impacts. As part of this transformation, the development of a comprehensive Transition Plan for climate change mitigation is underway. While no material adverse effects on the workforce are currently anticipated, the evolving technological landscape may necessitate reskilling, upskilling, or organizational adjustments in certain departments to ensure a smooth and inclusive transition.

While not systemic or pervasive, certain adverse impacts have arisen as a result of increased workloads and continued challenges in attracting skilled professionals during 2024 – a trend that has influenced nearly all business segments and has been identified as a key organizational risk. In parallel, occupational health and safety remains a critical area of focus, particularly in operational environments where tasks are inherently hazardous. Despite robust safety management frameworks, employees in production settings continue to face elevated exposure to work-related incidents. Certain manufacturing sites have been identified as higher-risk zones due to the complexity of the work involved, which includes the use of specialized equipment, tools, and machinery requiring advanced expertise and attention. Furthermore, employees working on-site in the assembly of industrial facilities are exposed to environment-specific risks, such as variable working conditions, working at height, manual handling of heavy loads, and operation of various equipment in dynamic environments. These risks are typical for such roles and are formally recognized and managed within the Group's ISO 45001:2018-certified Occupational Health and Safety Management System. The Group continuously invests in employee training, the adoption of industry-leading occupational health and safety standards, and the rigorous monitoring and evaluation of safety procedures. These measures are designed to proactively mitigate operational risks and uphold a culture of prevention, accountability, and continuous improvement in workplace safety.

In parallel, as part of its human rights due diligence framework, KONČAR systematically assesses risks related to forced labour, compulsory labour, and child labour throughout its operations and supply chains. This includes ongoing evaluations of countries and regions in which the Group operates or from which it sources goods and services—particularly those flagged as high-risk based on international benchmarks. Risk assessments draw upon a combination of globally recognized human rights reports, media intelligence, consultations with specialized databases, and adherence to international human rights guidelines. No incidents of forced labour, compulsory labour, or child labour were identified during the reporting period in any of the jurisdictions where KONČAR operates or from which it procures. The Group remains firmly committed to ongoing surveillance and early risk detection, maintaining a proactive, preventive approach that is consistent with international due diligence standards and responsible business conduct.

### S1-1 Policies related to own workforce

S1.MDR-P\_01-06, S1-1\_01, S1-1\_03, S1-1\_04, S1-1\_05, S1-1\_06, S1-1\_07, S1-1\_08, S1-1\_09, S1-1\_10, S1-1\_11,, S1-1\_12, S1-1\_13

Policy Scope of application		Employment stability and security	Working hours	Fair compensation	Social dialogue	Freedom of association	Collective bargaining	Work-life balance	Health and Safety	Gender equality & equal pay	Training & skills development	Inclusion of persons with disabilities	Measures against harassment	Diversity	Privacy
Integrated Management System Policy (Quality, Environmental Protection, Occupational Health & Safety, and Energy)	KONČAR Group								x						
Diversity and Inclusion Policy	KONČAR Group									x	x	x	x	x	
Sustainability Policy	KONČAR Group	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Business Conduct Code	KONČAR Inc.	x	x	x					x	x	x	x	x	x	x
Privacy Policy	KONČAR Inc.														x
Code of Business Ethics Croatian Chamber of Economy – HGK	Applies to all KONČAR entities that have adopted the Code, including: KONČAR Inc., KONČAR-Switchgear, KONČAR – D&ST, KONČAR – Electrical Engineering Institute, KONČAR – Motors and Electrical Systems, KONČAR – Instrument Transformers, KONČAR - Infrastructure and Services, KONČAR - Digital, KONČAR - Generators and Motors, Dalekovod d.d., Dalekovod proizvodnja (MK i OSO), Dalekovod Projekt	x	x	x				x	x	x	x	x	x	x	x
Employee Well-being Policy	Dalekovod d.d.	x		x			x		x	x			x		
Health and Safety Management System Policy	Dalekovod Group								x						
Environmental and H&S Policy	KONČAR – Distribution and Special Transformers								x						
Code of Business Conduct	KONČAR – Distribution and Special Transformers					x		x	x	x	x	x	x	x	x

## Policies for managing material impacts, risks, and opportunities

KONČAR Group addresses material impacts, risks, and opportunities related to its own workforce through a coherent suite of internal policies, including the Sustainability Policy, Integrated Management System Policy, Diversity Policy, Code of Conduct, and Privacy Policy. These frameworks are applicable across all Group entities and encompass key dimensions such as working conditions, occupational health and safety, and the advancement of equality, diversity, and inclusion. In addition to Group-wide governance instruments, individual KONČAR entities have adopted specific policies and internal rules that further operationalize standards on human rights, decent work, occupational safety, prevention of forced and child labor, freedom of association, collective bargaining, and non-discrimination. These instruments reflect the Group's overarching commitment to responsible business conduct and alignment with internationally recognized labor and human rights principles.

The implementation of workforce-related policies is subject to regular internal audits and systematic monitoring through the Group's reporting mechanisms. Oversight is exercised by KONČAR's Management Board and the Human Resources Management Department, ensuring both policy effectiveness and alignment with corporate accountability standards. All policies are readily accessible to employees via the Group's intranet and official websites and are reinforced through continuous training and awareness initiatives aimed at strengthening understanding of rights and responsibilities across the workforce.

As part of its human rights governance framework, KONČAR has established structured remediation mechanisms to address potential or actual adverse impacts on individuals. These include internal grievance channels, clear and confidential procedures for reporting incidents of discrimination or harassment, and the designation of a responsible person to handle complaints with discretion and care. In addition, the Group's Whistleblower Protection Policy ensures safeguards against retaliation, thereby supporting a culture of transparency, trust, and psychological safety in the workplace.

## Compliance with regulatory frameworks and international instruments

KONČAR Group affirms its strong commitment to the respect and protection of human and labour rights through policies that reflect international standards, European directives, and the legal framework of the Republic of Croatia. The foundation of the Group's human rights and labour practices lies in full compliance with the Croatian Labour Act, which safeguards core rights such as freedom of association, collective bargaining, non-discrimination, and the protection of dignity at work, while explicitly prohibiting harassment, bullying, and abuse in the workplace. The Group's policies are also anchored in the principles of internationally recognized instruments, including the prohibition of forced and child labour, the promotion of equal opportunity and non-discrimination, and the recognition of workers' rights to organize and bargain collectively. These principles are embedded across policy frameworks and guide the Group's operational and governance practices. To ensure a consistent and comprehensive approach to human and labour rights, KONČAR actively promotes harmonization of policies across all Group entities, thereby strengthening the coherence and effectiveness of internal standards on social sustainability and responsible business conduct. In 2025, the Group will initiate the development of a new, Group-wide Code of Conduct, which will formally codify and reaffirm the commitment to the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. While these principles are already substantively reflected in existing Group policies, the forthcoming Code will serve to further institutionalize and unify their application, ensuring full and consistent adherence throughout the organization.

## Occupational health and safety management

KONČAR Group has implemented a certified Occupational Health and Safety Management System in accordance with ISO 45001:2018, aimed at systematically identifying and mitigating work-related risks. This framework includes comprehensive risk assessments, the development and enforcement of targeted safety measures, ongoing employee training, and the proactive engagement of the Occupational Health and Safety Committee.

## Inclusion and elimination of discrimination

KONČAR Group fosters a culture rooted in the highest ethical values and principles, where diversity is respected, embraced, and actively promoted. The Group maintains a firm stance against all forms of discrimination — whether based on visible characteristics such as gender, age, race, language, or disability, or less visible attributes such as religion, ethnicity, sexual orientation, beliefs, interests, learning styles, or cognitive preferences. In addition to the above, KONČAR's policies explicitly prohibit discrimination on the grounds of skin color, gender identity, political opinion, national or social origin, and other forms of unequal treatment as outlined under European Union and Croatian legislation. KONČAR Group is firmly committed to advancing inclusion and implementing targeted measures to support vulnerable and underrepresented groups, in alignment with its Sustainability Strategy 2024–2026. These efforts encompass the employment and integration of persons with disabilities, the promotion of gender equality by increasing the representation of women in leadership roles, the inclusion of foreign workers, and structured support for parents returning from maternity or parental leave.

To reinforce this commitment, the Group has adopted a dedicated Diversity Policy, which complements the broader policy framework at both Group and subsidiary levels. This policy articulates a clear position of zero tolerance for discrimination and harassment, affirms the Group's commitment to the promotion of equal opportunity, and encourages the active integration of diversity and inclusion principles across all organizational levels.

Implementation of this policy is supported by a series of targeted measures:

- Development of training programs on diversity, inclusion, and the elimination of unconscious bias
- Provision of administrative support for foreign employees (e.g., onboarding and relevant administrative support)
- Ongoing maintenance and improvement of transparent procedures for reporting and resolving incidents of discrimination
- Appointment of a dedicated Diversity Officer responsible for policy oversight
- Establishment of clear, accessible grievance procedures to ensure accountability
- Setting measurable diversity targets and conducting regular monitoring of progress

## S1-2 Procedures for engaging with own workers and their representatives on workforce-related impacts

S1-2\_01, S1-2\_02, S1-2\_03, S1-2\_04, S1-2\_06, S1-2\_07

KONČAR Group fosters a culture of social dialogue and participatory engagement, ensuring that employees have both the platform and the voice to influence decisions that affect their working lives. Structured collaboration with the workforce is maintained through Workers' Councils and trade union representatives, which function as formal bodies for consultation and representation. In Group companies where a Workers' Council is not established, the trade union representative assumes its rights and responsibilities. Where neither entity is present, employee representation is ensured through democratically elected delegates, chosen via free and direct elections. This ensures that no segment of the workforce remains without representation in employer-related matters. To support long-term organizational health and employee well-being, Collective Agreements have been concluded across the Group. These agreements reflect a mutual commitment to constructive labour relations and provide a robust framework for economic and social stability. As a result, social dialogue is deeply embedded in KONČAR's governance structure and serves as a foundation for inclusive and transparent decision-making.

Employee input is directly integrated into corporate decision-making processes. Consultation with the Workers' Council is mandatory prior to any decision that may impact employees' economic or social status. The Workers' Council communicates such decisions to relevant trade unions, facilitating bidirectional dialogue and trust. Additionally, employee interests are represented at the Supervisory Board level, reinforcing the inclusion of workforce perspectives in corporate oversight. KONČAR also promotes employee engagement through systematic feedback mechanisms. The Human Resources Department conducts an annual satisfaction survey, which informs the development, evaluation, and refinement of employee-focused initiatives. The survey places particular emphasis on training and professional growth, offering a diverse set of learning opportunities— including digital skills development, presentation training, stress management, ESG literacy, and various forms of technical upskilling. Learning pathways are either self-selected or manager-recommended, ensuring a balance between individual aspirations and organizational priorities. KONČAR places strong emphasis on future-facing competencies that contribute to the development of products and services capable of competing in global markets.

To further support transparency and engagement, the Group has established multiple recurring communication channels, including:

- **Quarterly briefings**, where management provides updates to Workers' Councils on business performance, operational changes, and workforce matters.
- **Biannual town hall meetings** are held in collaboration with the Workers' Council, providing a platform for Group management to present strategic and operational updates. These meetings foster transparency and offer employees the opportunity to ask questions, raise concerns, and engage in open dialogue.
- **Continuous internal communication**, enabled through the intranet, email, internal platforms (e.g., Končarevac magazine, Jenz social network), where employees receive updates and can raise questions or share proposals throughout the year.

Social dialogue is firmly embedded in KONČAR Group's governance system and is primarily facilitated through the framework of Collective Agreements, which regulate not only employment conditions but also the process of collective bargaining with trade unions. These negotiations are conducted as needed—such as during contract renewals—and represent a formalized, constructive mechanism of cooperation. Employee engagement is further supported by representative bodies and employer-appointed liaison officers. At the highest level, employee representation is ensured through participation on the Supervisory Board, while the Management Board and Human Resources function are responsible for operational implementation and day-to-day cooperation. KONČAR is also advancing the digital transformation of HR processes and applications, enhancing the experience of both end users (employees) and process owners, while enabling data-driven HR decision-making.

The Group continuously evaluates the effectiveness of its employee engagement practices through ongoing dialogue and feedback mechanisms coordinated with Workers' Councils and trade unions. These channels allow employees to voice suggestions and concerns, reinforcing a culture of responsiveness. The ongoing renewal of collective agreements further exemplifies the maturity of social dialogue within KONČAR. Most recently, at the close of 2024, the Group concluded a new Collective Agreement – KONČAR 2024, which introduced improvements to employee benefits and working conditions. This agreement reflects the Group's commitment to actively listening to its workforce and responding constructively to emerging needs and expectations. Beyond formal dialogue, employee relations are continuously monitored through the analysis of key workforce indicators—such as staff turnover, absenteeism, and grievance patterns—in addition to annual employee satisfaction surveys. These tools provide strategic insights that inform the Group's continuous improvement processes and help guide future workforce-related initiatives.



In parallel, KONČAR places strong emphasis on equality, diversity, and inclusion (EDI) as foundational elements of its social sustainability framework. Acknowledging the critical importance of a supportive and inclusive working environment, where all individuals have the opportunity to thrive, the Group has defined clear and measurable social sustainability objectives. These include increasing the representation of women in leadership and highly skilled positions, promoting the employment and workplace integration of persons with disabilities, and cultivating a culture of inclusion that is embedded across all levels of the organization. Progress toward these goals is monitored through periodic reviews of the status of different employee groups, ensuring timely implementation of initiatives that enhance equity and inclusion. Employee awareness is also actively promoted through internal communication platforms. A notable example is the Končarevac employee magazine, which in 2024 featured a year-long editorial series in which Croatian Paralympians shared inspiring stories of inclusion, resilience, and personal achievement—contributing to a culture of empathy, belonging, and respect. KONČAR promotes a culture of openness and mutual respect, where employees at all levels are empowered to contribute their views and insights through the Workers' Council and a variety of internal communication tools. This inclusive approach ensures that employee voices are not only heard but meaningfully reflected in strategic and operational decisions that shape the work environment and enhance overall employee well-being.

### S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

S1-3\_01, S1-3\_02, S1-3\_05, S1-3\_06, S1-3\_07, S1-3\_08, S1-3\_09

KONČAR Group has established a clearly defined approach and formalized procedures for the remediation of adverse impacts affecting its workforce. In the event of an incident—such as a violation of labour rights, occupational safety issues, discrimination, harassment, or unethical conduct—the Group activates internal procedures that are fully aligned with relevant Croatian legislation, including the **Whistleblower Protection Act** and the **Labour Act**. A key role in the remediation process is held by the Confidential Person for Whistleblower Reporting, appointed with the active participation of employees. This individual is mandated to receive, investigate, and initiate remediation procedures for all reported concerns. The process includes registering the report, conducting a formal assessment, implementing corrective actions, and applying preventive measures, the effectiveness of which is subject to continuous monitoring. Upon receiving a report, the Confidential Person is required to initiate the investigative process within seven days, with final resolution issued within 30 days (or within 90 days in complex cases). During the reporting period, no cases of discrimination or serious breaches of employee rights were recorded, reflecting the Group's commitment to upholding a respectful and compliant workplace environment.

KONČAR has also established multiple dedicated channels through which employees can express concerns or seek resolution, including:

- The **whistleblower reporting channel**, which allows for both named and anonymous submissions and is managed by the Confidential Person
- The **Workers' Council and trade unions**, available to all employees as formal representatives in communication with management
- The **Human Resources Department**, acting as a centralized support function for individual employment-related matters
- The **closed employee social network (Jenz app)**, providing a digital platform for two-way communication with management, including anonymous messaging
- A **formal reporting mechanism for violations of employee dignity**, in accordance with the provisions of the Labour Act

KONČAR Group actively promotes the accessibility and visibility of its grievance and concern-reporting mechanisms through ongoing internal communication campaigns, employee training initiatives, and regular meetings with employee representatives. These efforts aim to ensure that all employees are well-informed about the available channels and feel supported in using them. In addition to the formal whistleblowing channel, Human Resources departments, line managers, and employee representatives also play an integral role in receiving and responding to concerns—ensuring timely, consistent, and structured issue resolution. The Group systematically monitors the effectiveness of its grievance mechanisms. The Confidential Person responsible for managing whistleblower reports maintains a detailed record of all submissions, including documentation of follow-up actions and outcomes. At the entity level, specialized units—such as the Legal and Compliance Department—conduct regular analyses of complaint trends and assess the effectiveness of implemented corrective measures. These efforts are further supported by periodic internal audits and formal reporting processes, ensuring the integrity and continuous improvement of the overall system. KONČAR also ensures transparent disclosure of the number of received complaints and their resolution through its annual reports, reinforcing accountability and stakeholder confidence in the responsiveness of its mechanisms. Employee awareness and trust in grievance mechanisms are regularly evaluated through employee satisfaction surveys and the analysis of usage patterns across reporting channels. These assessments generate critical insights that inform the continuous refinement of the system, including the design of targeted training modules, internal communication initiatives, and system improvements aimed at strengthening both accessibility and effectiveness.

KONČAR upholds a strict and unambiguous non-retaliation policy, which expressly prohibits any adverse action against employees who report concerns in good faith. The Group's Internal Whistleblower Reporting Policy is fully aligned with the requirements of the EU Whistleblower Protection Directive and relevant national legislation. It guarantees the confidentiality of the reporting individual and ensures legal protection throughout the process. This commitment to safeguarding whistleblowers is deeply embedded in KONČAR's internal governance framework and is actively communicated to employees through multiple channels, including the internal social network, dedicated training sessions, and awareness campaigns. These efforts are designed to reinforce a culture of integrity, transparency, and psychological safety, where employees feel confident in raising concerns without fear of retaliation.

## **S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions**

**S1.MDR-A\_01-12, S1-4\_01, S1-4\_02, S1-4\_03, S1-4\_04, S1-4\_05, S1-4\_06, S1-4\_07, S1-4\_08, S1-4\_09**

KONČAR Group demonstrates a clear and sustained commitment to enhancing positive impacts while proactively managing and mitigating material adverse effects that may arise from its business activities on its workforce. To ensure that its operations do not contribute to harmful outcomes, the Group implements regular audits of business processes and working conditions, applies a transparent and GDPR-compliant data protection and recruitment policy, and maintains open communication channels with employees and trade unions to address any potential tensions between operational demands and employee interests. To enable the effective realization of these commitments, KONČAR dedicates targeted resources at both the strategic and operational levels. These efforts include the appointment of a Confidential Person for Whistleblowing, the establishment of formal employee representation bodies and advisory committees, the coordinated involvement of the Human Resources function in leading professional development and upskilling initiatives, and sustained investment in occupational health and safety infrastructure, digital competencies, and inclusive workforce programs. In parallel, the Group develops structured action plans with clearly defined timelines and responsibilities, ensuring that all measures are aligned with KONČAR's broader corporate sustainability goals and integrated into business planning processes. This comprehensive approach reflects the Group's commitment to ongoing monitoring, impact evaluation, and continuous enhancement of working conditions, as well as to the proactive mitigation of workforce-related risks and the realization of long-term opportunities for employee well-being and organizational performance.

Measures implemented to prevent and mitigate material workforce impacts:

- **Fair remuneration and financial security** - In 2024, the Group adopted a new Collective Agreement that includes an increase in base wages—particularly for the lowest salary brackets—and the introduction of additional non-taxable bonuses. These changes are designed to alleviate financial stress and adjust compensation structures in line with rising living costs.
- **Working hours and shift management** - KONČAR has initiated the optimization of work schedules and shift organization to reduce excessive working hours. These changes are intended to preserve employee well-being, enhance productivity, and support long-term workforce satisfaction.
- **Occupational health and safety** - The Group maintains full alignment with the ISO 45001 Occupational Health and Safety Management System, supported by regular internal audits, recurring employee training sessions, and the active engagement of formal Health and Safety Committees, particularly in higher-risk sectors. KONČAR has also introduced a quantitative safety target to maintain work-related injury-related lost time below 1% by 2026.
- **Stress prevention and mental well-being** - In 2024, the Group launched a series of training sessions and awareness initiatives focused on stress management and the importance of mental health in the workplace, recognizing its integral role in maintaining employee resilience, engagement, and long-term retention.

KONČAR Group has established formal procedures for the remediation of material workforce-related impacts, such as occupational injuries, incidents of discrimination, or other breaches of rights. These procedures are designed to ensure timely, fair, and structured resolution, and include:

- Clear protocols for receiving and handling complaints through the appointed Confidential Person for Whistleblowing
- Defined remedial measures, such as the implementation of corrective actions, provision of legal support, compensation for damages, and adjustments to working conditions or job roles following workplace incidents
- Continuous monitoring of remedial effectiveness through internal oversight mechanisms and reporting lines

To assess the effectiveness and relevance of implemented measures, the Group conducts employee satisfaction surveys, regular organizational climate assessments, and periodic audits under the ISO 45001 health and safety management system. Additional insights are gained through the analysis of employee turnover rates, reported complaints, and feedback collected from training programs, mentoring initiatives, and formal consultations with employee representatives. The suitability of spe-

cific measures in response to actual or potential negative impacts is determined through ongoing risk assessments, where appropriate (e.g., occupational safety risks assessed under ISO 45001), and informed by consultations with Workers' Councils and trade unions, as well as by employee complaints and feedback. In parallel, KONČAR systematically analyzes market trends and internal workforce indicators—such as attrition, absenteeism, and working hours—to proactively identify emerging risks and the need for further action.

#### Key measures for mitigating material workforce-related risks:

- Workforce availability and turnover: Initiatives aimed at strengthening employer attractiveness, including the expansion of employer branding activities, increased scholarships for students and apprentices, and the implementation of an employee referral program
- Health and Safety: Regular training, internal audits, and a strengthened safety culture through active employee engagement in occupational safety committees and formalized safety dialogues
- Trust in grievance mechanisms: Ongoing enhancement of confidential reporting mechanisms, consistent communication regarding whistleblower protection rights, and strong safeguards ensuring reporting transparency and protection from retaliation

The effectiveness of these mitigation efforts is tracked through systematic monitoring of internal indicators and scheduled internal audits, carried out in accordance with defined priorities and the Group's broader activity roadmap.

KONČAR Group actively implements a range of targeted initiatives aimed at unlocking workforce-related opportunities, particularly in the areas of talent development, diversity and inclusion, and digital transformation. Key initiatives include:

- Professional development: The Group has implemented a comprehensive performance management system, supported by individual development plans and a structured mentorship program, all aimed at fostering continuous growth, leadership readiness, and internal mobility
- Diversity and inclusion: Through projects such as Iskustvo zlata vrijedi, InspireHERLeadership, and collaboration with UNICEF on parental education, KONČAR promotes an inclusive work environment. Additional initiatives include the integration of foreign workers and programs dedicated to the employment and inclusion of persons with disabilities, reflecting the Group's commitment to equal opportunity and broader social impact
- Digital skills development: Recognizing the importance of digital readiness, KONČAR has set a goal for at least 20% of employee training programs to focus on digital competencies, ensuring the workforce is equipped for the demands of ongoing technological transformation

In 2024, KONČAR proudly celebrated a notable milestone in advancing women's leadership in the energy sector.

Sanela Carević, Technical Director at KONČAR – Distribution and Special Transformers, was awarded the prestigious XENA – Woman of the Year in Energy award by XEnergy, a network dedicated to promoting women's roles in the energy transition. The award, determined by both a professional jury and public vote, recognized Ms. Carević for her strategic leadership, technical expertise, and measurable contributions to the energy industry and transition initiatives. Upon receiving the award, she stated:

**„I share this award with all my colleagues as recognition of our collective dedication to power engineering. I truly believe that this award, along with XEnergy's initiatives, will help shape the next generation of experts, enabling us to successfully navigate the energy transition. There has never been a more exciting time to be in energy!”**

## S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

### S1.MDR-T\_01-13, S1-5\_01, S1-5\_02, S1-5\_03

As part of its Sustainability Strategy, KONČAR Group has defined a set of workforce-related targets aimed at mitigating potential negative impacts, amplifying positive contributions to employee well-being, and proactively managing workforce risks and opportunities. These targets are formulated to support the Group's long-term commitment to responsible employment practices, inclusive growth, and workplace resilience. A number of these targets are quantitative in nature, with clearly established benchmarks and timeframes, while others are qualitative, focused on continuous improvements in work conditions, health and safety, equality, and employee development.

#### Quantified targets:

#### Strategic objective 3 Implementing a safe and healthy working environment for all employees and associates

- Aim to reduce the percentage of lost working hours caused by work - related injuries to less than 1% - Maintain the percentage of lost working hours due to work-related injuries below 1% of total available hours. This target has been

met and is continuously monitored through the Group's ISO 45001-certified Occupational Health and Safety Management System. Performance against this target is assessed annually via internal and external audits and through ongoing review of workplace injury data. The target is absolute in nature, applicable to the entire KONČAR workforce, and is intended for continuous monitoring over the medium to long term. Annual evaluations form part of both internal oversight and external verification processes.

#### **Qualitative targets under continuous monitoring:**

##### **Strategic objective 3: Implementing a safe and healthy working environment for all employees and associates**

- Ensure all employees have access to supplementary health insurance: Since 2023, KONČAR has made supplementary health insurance available to all employees across the Group. This benefit is maintained as a standing entitlement, reinforcing the Group's commitment to comprehensive well-being and preventive care.
- Promote mental health awareness and implement stress prevention measures: The Group regularly conducts workshops on stress and time management, along with training sessions focused on mental health and psychological resilience. These programs are delivered across all entities within the Group and are evaluated through employee satisfaction surveys to ensure relevance, accessibility, and impact.

##### **Strategic objective 4: Promoting inclusion, diversity and equal opportunity**

Through the adoption of the Diversity Policy, KONČAR Group has formalized its commitment to fostering a workplace environment that is inclusive, equitable, and respectful of all individuals.

- Increasing the representation of women in leadership and specialist roles: The Group has implemented Inspire-HERLeadership, a dedicated education and empowerment initiative designed to support the professional growth of women in the organization. This is accompanied by regular tracking of female representation in managerial positions, with a focus on achieving measurable improvements relative to current levels.
- Promoting the employment of persons with disabilities and fostering inclusive work environments: KONČAR actively participates in the Iskustvo zlata vrijedi program, providing internship opportunities for students with disabilities as a pathway to employment. Monitoring of progress includes tracking the number of employees with disabilities and the number of internships conducted annually.
- Offer ongoing support to parents beyond maternity or paternity leave: As part of its commitment to work-life balance and family-friendly practices, the Group offers flexible working hours and the option of remote work, where feasible, for returning parents. These measures are evaluated through annual employee satisfaction interviews and engagement surveys.
- Facilitating the integration of foreign workers: To ensure a smooth onboarding experience, KONČAR provides a structured one-month introductory training program under the guidance of an experienced supervisor. Additionally, a comprehensive internal procedure for the recruitment and integration of foreign employees is currently under development.

##### **Strategic objective 5: Fostering career advancement and professional growth for employees**

- Streamline the onboarding process for new hires while continuously refining these procedures: The onboarding process has been significantly enhanced through digitalization tools and the introduction of mentorship programs for trainees, ensuring smoother integration, knowledge transfer, and early-stage support.
- Develop personalized growth plans and robust performance management systems for critical roles: A comprehensive performance management system has been implemented for all managerial and critical roles, based on a formalized procedure. During the goal-setting process, discussions with employees include identifying personal development needs. For each relevant employee, an Individual Development Plan (IDP) is prepared, which outlines targeted training and learning activities to support performance improvement and career progression.
- Commit at least 20% of training hours to the development of employees' digital skills: In alignment with the Group's digitalization strategy, a minimum of 20% of annual training hours are allocated to developing digital skills. These hours are planned through the annual training schedule, and preparatory steps are underway for the implementation of a Learning Management System (LMS) to further streamline access to learning opportunities.
- Cultivate a culture that values innovation and active engagement: To strengthen employee engagement and social impact, KONČAR has adopted new Guidelines on Corporate Volunteering and initiated activities within the KONČAR Volunteer Club, encouraging employees to actively participate in shaping corporate culture and contributing to community-based projects.

##### **Strategic objective 6: Fostering youth engagement and cultivating KONČAR's image as a desirable employer:**

- Ensure ongoing student and apprentice programs within all corporate entities: All KONČAR entities regularly host students and apprentices, offering practical, hands-on experience in technical fields.
- Increasing the number of student and apprentice scholarships: In alignment with workforce planning needs, KONČAR has committed to steadily increasing the number of scholarships awarded to students and pupils year-over-year, based on the 2023 baseline.
- Sustain continuous partnerships with technical colleges and universities: The Group maintains strong institutional partnerships and actively participates in career fairs and technical education events. In 2024, KONČAR engaged directly with thousands of students through its presence at high-profile gatherings such as the Job Fair, which welcomed over 3,000 students; the Days of FSB (Faculty of Mechanical Engineering and Naval Architecture), attended by 2,500 stu-

dents; WorldSkills Croatia 2024, which brought together 374 competitors; TVZ Career Day, with approximately 1,100 visitors; and the University North Career Week, which attracted more than 2,500 students.

- Implement a referral system for new hires: To support organic talent acquisition, a Group-wide employee referral system has been introduced, encouraging existing staff to recommend qualified candidates for open positions.

All sustainability-related workforce objectives are tracked through an integrated internal control and reporting system managed by the Human Resources Department. Effectiveness is evaluated through key workforce indicators, including participation metrics and satisfaction levels, supported by regular employee surveys. In cases where performance falls short of expectations, the Group management team evaluates and adjusts the corresponding measures and activities to ensure alignment with strategic goals. KONČAR regularly evaluates the effectiveness of its implemented measures, using the insights gained to continuously adapt and enhance its activities. Although no specific quantitative targets have currently been set for mitigating risks such as employee turnover, the Group monitors this area through a set of general workforce indicators, maintaining a focus on continuous improvement and agile response. Through this approach, KONČAR ensures systematic governance of both positive and adverse workforce impacts, while promoting a culture of safety, inclusion, development, and engagement. The Group remains committed to identifying and addressing workforce-related risks and opportunities with forward-looking and evidence-based practices.

KONČAR Group actively involves its workforce and their representatives in the process of setting targets related to the management of material negative and positive impacts, as well as risks and opportunities concerning the workforce:

- Workers' Councils and trade unions are directly engaged in the goal-setting process through regular meetings, consultations, and collective bargaining, particularly in areas concerning working conditions, remuneration, occupational safety, and other aspects of employment.
- Through formal social dialogue and collective agreements, employee representatives play a key role in shaping objectives related to minimum wage levels, additional benefits, work-life balance, and measures aimed at preventing harassment in the workplace.
- Occupational Safety Committees, which include employee safety representatives, are responsible for the regular identification, review, and approval of specific health and safety improvement targets, such as those focused on reducing workplace injuries.

In addition to these structured forms of representation, employees were actively involved in the data collection and materiality assessment process during the development of the current Sustainability Strategy, including the application of the double materiality principle.

KONČAR Group ensures the direct involvement of its workforce and their representatives in the monitoring of progress towards defined objectives:

- Regular communication with the Workers' Council, held at least on a quarterly basis, provides employees with transparent insight into the achievement of corporate objectives, including those linked to working conditions, employment stability, and health and safety performance.
- The presence of an employee representative on the Supervisory Board further enables workforce perspectives to be considered at the highest level of strategic oversight.
- In parallel, Occupational Health and Safety Committees systematically monitor the implementation of health and safety goals, provide feedback on the effectiveness of associated measures, and conduct periodic evaluations and reviews of existing practices.

Beyond formal governance channels, KONČAR fosters a continuous process of collaborative learning and improvement through structured social dialogue. Workers' Councils and trade unions regularly assess lessons learned from prior periods and develop forward-looking recommendations. Safety committees actively participate in incident analysis and the co-creation of preventive actions, including the planning of targeted training sessions. In addition, the Group conducts regular employee surveys, the results of which inform enhancements across a wide range of areas, such as training programs, mentoring schemes, digital skills development, and the implementation of more flexible work arrangements. Worker representatives are also directly involved in grievance resolution committees, including those related to the protection of employee dignity, thereby contributing to the ongoing strengthening of organizational culture and the prevention of harmful practices.

## S1-6 Characteristics of the undertaking's employees

S1-6\_01, S1-6\_04, S1-6\_07, S1-6\_11, S1-6\_12, S1-6\_13, S1-6\_14, S1-6\_15, S1-6\_17

Table 3.1 Number of employees per gender

Gender	Number of employees
Men	4358
Women	1089
Other*	0
Not disclosed	0
<b>TOTAL</b>	<b>5447</b>



Table 3.2 Overview of the number of employees in countries where at least 50 employees represent a minimum of 10% of the undertaking's total workforce

Country	Number of employees
Croatia	5326
<b>TOTAL</b>	<b>5326</b>

While KONČAR operates across multiple jurisdictions, entities outside Croatia do not individually account for more than 10% of the Group's total workforce. Accordingly, Croatia is the only country subject to detailed disclosure under this provision.

Table 3.3 Employees by type of contract and working time arrangement

Women	Men	Other	Not disclosed	Total
Total number of employees				
1239	4208	0	0	5447
Permanent employees				
1535	3527	0	0	5062
Temporary employees				
52	333	0	0	385
Employees with zero guaranteed hours				
0	0	0	0	0
Full-time employees				
1575	3822	0	0	5397
Part-time employees				
12	38	0	0	50

During the reporting period, a total of 50 employees across KONČAR Group were employed on a part-time basis. Of these, 38 individuals are retired professionals whose full-time engagement is restricted by national pension regulations. The remaining part-time arrangements are linked to specific circumstances, such as caregiving for children with developmental disabilities, supplementary employment, reduced workloads, or tailored working arrangements as stipulated in employment contracts to support specialized functions across multiple entities. All employees are engaged in accordance with applicable national legislation and are fully registered within the Group's internal systems and payroll structure.

In 2024, 676 employees left the Group, resulting in an annual employee turnover rate of 12.56%. The turnover rate was calculated by dividing the number of employees who exited during the reporting year by the average number of employees during the same period.

The data presented is based on internal records and reflects the employment status as of 31 December 2024. The total headcount refers to employees with a valid employment contract and listed on the Group payroll, regardless of the contract type at year-end. This figure excludes external contractors and third-party agency workers. According to KONČAR Group's consolidated financial statements, the total number of employees as of 31 December 2024 was 5,503 (As referenced in the consolidated financial statements of the KONČAR Group – Section 1: General Information about the Group). This figure is considered the most representative point of reference for aligning financial and non-financial disclosures. The minor difference in headcount compared to the detailed workforce tables arises from the inclusion of certain subsidiaries that are not material for disaggregated analysis under this report's scope.

## S1-8 Collective bargaining coverage and social dialogue

S1-8\_01, S1-8\_02, S1-8\_06

KONČAR Group maintains a structured and transparent approach to collective bargaining and social dialogue as a core component of responsible labor relations. As of the end of the reporting period, 63% of the Group's total workforce was covered by collective bargaining agreements. This coverage is primarily achieved through the KONČAR 2024 Collective Agreement, which applies to seven key Group entities: KONČAR Inc., KONČAR - Switchgear, KONČAR - Electric Vehicles, KONČAR - Electronics and Informatics, KONČAR - Motors and Electrical Systems, KONČAR - Generators and Motors, KONČAR - Metal Structures. In addition, three separate collective agreements apply to companies within Dalekovod Group: (Dalekovod d.d., Dalekovod OSO and Dalekovod - Metal Structures).

	Collective bargaining coverage	Social dialogue
Coverage level	Number of employees covered by collective bargaining agreements (EEA only*) (for countries with more than 50 employees representing over 10% of the undertaking's total workforce)	Number of employees represented through workplace employee representation mechanisms (EEA only*) (for countries with more than 50 employees representing over 10% of the undertaking's total workforce)
60-79%	Croatia	
80-100%		Croatia
*European Economic area		

## S1-9 Diversity indicators

S1-9\_01, S1-9\_02, S1-9\_03, S1-9\_04, S1-9\_05, S1-9\_06

Table 3.5 Gender distribution of employees (headcount and percentage) at the executive management level

	Gender representation at the executive management level	
Gender	Number of individuals	%
Men	95	82,6%
Women	20	17,4%

Gender representation at the highest management level includes members of the Management Boards of KONČAR Group companies and employees in direct reporting lines to the Management Board, which together constitute the Group's top leadership layer.

Tablica 3.6 Raspodjela zaposlenika (brojno stanje i postotak) mladih od 30 godina, između 30 i 50 godina te starijih od 50 godina

	Workforce distribution by age group	
Age	Number of individuals	%
<30	982	18,3%
30-50	3063	56,23%
>50	1402	25,74%

## S1-10 Adequate wages

### S1-10\_01

KONČAR Group ensures that all employees receive a base gross salary that exceeds the minimum thresholds prescribed by the Minimum Wage Act and the Government Regulation on the Minimum Wage, primarily through the provisions of its collective bargaining agreements. As an employer committed to attracting and retaining talent, KONČAR strives to foster a work environment that supports professional growth, performance recognition, and long-term engagement. The contribution of employees is acknowledged and incentivized through structured reward mechanisms. The Group's compensation philosophy is centred on achieving a balanced mix of monetary and non-monetary rewards, as well as fixed and variable income components, aligned with corporate values and strategic priorities. The remuneration is fixed and/or variable. Fixed components reflect the employee's relevant professional experience, competencies, and the level of organizational responsibility. Variable components are performance-based and linked to the achievement of predefined business objectives, designed to encourage prudent risk-taking and strong performance in line with sustainable business conduct.

In addition to base salaries, companies within the KONČAR Group provide a wide array of guaranteed benefits, which are defined through collective agreements, internal policies, or executive decisions, depending on the specific entity. These benefits include holiday-related bonuses such as Christmas, Easter, and vacation allowances; financial contributions toward meal expenses and commuting costs; seasonal gifts for employees' children; and recognition awards for length of service. Employees are also entitled to voluntary supplementary and additional health insurance, as well as accident insurance. Furthermore, the Group offers both paid and unpaid leave for purposes such as education or significant personal events, financial support in cases of personal hardship, severance pay, and reimbursements for childcare expenses related to pre-school-aged children. To further promote employee well-being and encourage work-life balance, many entities within the Group also offer access to health and fitness programs such as Multisport memberships, supporting the physical and mental health of employees while reinforcing a culture of care and preventive health.

## S1-14 Health and safety metricsi

### S1-14\_01, S1-14\_02, S1-14\_03, S1-14\_04, S1-14\_05

KONČAR Group maintains a strong commitment to occupational health and safety, ensuring that 100% of its own workforce is covered by a formal Occupational Health and Safety (OHS) management system. This includes not only employees under direct employment contracts, but also individuals engaged through employment service providers, whose work is directed by and integrated into the operations of KONČAR Group companies. No fatalities were recorded during the reporting period as a result of work-related injuries or occupational illnesses, either among the Group's own employees or among third-party workers operating at Group-controlled sites. During the reporting year, a total of 79 work-related injuries were registered across the Group. This corresponds to a recordable injury rate of 7.71 per 1,000,000 hours worked, calculated in accordance with established occupational safety reporting standards. Data for this indicator was sourced from internal monitoring systems and records. In certain subsidiaries, the number of hours worked was estimated based on standard or customary working time, adjusted for periods of paid leave, such as annual leave, paid sick leave, and public holidays.

## S1-16 Remuneration metrics (pay gap and total remuneration)

### S1-16\_01, S1-16\_02, S1-16\_03

KONČAR Group is committed to promoting pay equality and continuously monitors the ratio of total employee compensation by gender, in line with its Diversity, Equity, and Inclusion (DEI) objectives. Confirmation of the effectiveness of this approach is reflected in the Group's anticipated receipt of the Equal Pay Champion certificate in 2025, awarded by SELECTIO Solutions d.o.o., which affirms the commitment to achieving and maintaining gender pay equity for comparable positions.

In 2024, KONČAR applied for the Equal Pay Champion certificate, which validates the Group's dedication to building a fair and equitable pay system, including concrete steps to align with new guidelines and principles of pay fairness. The certification methodology covers gender-based salary data, years of service, and educational attainment. The certification encompasses a broader range of topics beyond pay itself, including an evaluation of all organisational practices and initiatives aimed at building a fair and transparent framework for compensation, reward, and career advancement—thus addressing the root causes of gender inequality. It also assesses how strategically the organisation approaches DEI. KONČAR's DEI and equal pay practices are already delivering excellent results.

**KONČAR Group:**

Job complexity level	Gender pay gap (F/M)
B-0,5	+14,7%
B-1	+1,6%
B-2	-7,9%
I-4	-7,5%
I-5	-6,6%
I-6	-5,7%
I-7	-6,0%
I-8	-2,4%

The graphical representation of the differences in agreed gross salaries between males and females by levels of complexity for the KONČAR Group.

When speaking about the results of such analysis at the KONČAR Group level, it is evident from the applied methodology that in the two job categories with the highest complexity levels (B-0.5 and B-1), women achieve equal or higher salaries compared to men. This data indicates a trend towards aligning the KONČAR Group with the EU directive on increasing the number of women in leadership positions and achieving pay equality between women and men. Furthermore, there is a visible calculated salary difference in favour of men within salary grades that include a variety of job roles. The methodology applied here takes into account differences only between salary grades and not data related to individual job positions. Within the same salary grade, there are positions with varying job content (tasks). Employees in the KONČAR Group, within the same salary grade and on the same job positions (e.g., Security Guard), receive equal pay regardless of gender, which is ensured not only by KONČAR Group's trend towards equal pay for women and men but also through internal processes.

Total remuneration ratio = Total annual compensation for the highest-paid person in the company / Total annual compensation for the average-paid employee (excluding the highest-paid employee) = 1:7.84.

The organization conducts regular analyses related to gender diversity while monitoring trend movements. Although 82.6% of employees are men, there has been a significant increase in the employment of women over the past year, with women making up 33% of new hires. This indicates the organization's active efforts to reduce gender imbalance and promote the even representation of women within the organization.

In 2024, 35% of all promotions were women, 41% of employees in development programs were women, and 30% were in the talent pool. Such data also indicates that, despite challenges in the industry, the organization is focused on creating a work environment that fosters the advancement of both men and women.

## S1-17 Incidents, complaints and severe human rights impacts

S1-17\_01, S1-17\_03, S1-17\_10

Number of confirmed cases of discrimination, including workplace harassment	Number of complaints submitted by own workers through internal grievance channels	Number of complaints submitted to OECD National Contact Points regarding working conditions, equal treatment, or other labour rights	Total amount of fines, sanctions, or compensation paid
<p>This includes incidents of workplace discrimination based on gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination, involving internal and/or external stakeholders across the organization's operations during the reporting period. This also includes cases of harassment, recognized as a specific form of discrimination.</p>		<p>(a) Working conditions, including</p> <ul style="list-style-type: none"> <li>i. safe and secure workplaces;</li> <li>ii. working hours; iii. adequate and fair remuneration; iv. social dialogue;</li> <li>v. freedom of association, the existence of workers' councils, and employees' rights to be informed, consulted, and involved in decision-making processes; vi. collective bargaining; vii. work-life balance; and</li> <li>viii. occupational health and safety.</li> </ul> <p>(b) Equal treatment and opportunities for all, including:</p> <ul style="list-style-type: none"> <li>i. gender equality and equal pay for work of equal value; ii. training and skills development;</li> <li>iii. employment and inclusion of persons with disabilities; iv. measures to prevent workplace violence and harassment; and v. diversity;</li> </ul> <p>(c) Other labour rights, including rights related to</p> <ul style="list-style-type: none"> <li>i. child labour; ii. forced or compulsory labour; iii. adequate accommodation; and</li> <li>iv. privacy.</li> </ul>	
0	3	0	0

During the reporting period, KONČAR received three complaints via internal channels. Two involved alleged violations of employee dignity, and one related to alleged discrimination. All were addressed in accordance with internal protocols and applicable legal frameworks. After thorough review and fact-finding, none of the allegations were substantiated, and no corrective actions were required.

There were no serious human rights violations involving KONČAR's own workforce in the reporting period.



### 3.2 ESRS S2 Workers in the value chain

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>WORKING CONDITIONS</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Contribution to safe working conditions and fair wages	KONČAR Group fosters long-term supplier partnerships through stable contractual arrangements, which can contribute to greater employment security within the supply chain. The Group places particular emphasis on engaging local small and medium-sized enterprises (SMEs), strengthening the resilience and sustainability of their operations. This, in turn, helps secure stable employment and more appropriate wages for their employees. (Linked to G1-Business conduct)	Upstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Working hours	The Group requires its suppliers to comply with national labour laws, particularly those related to working time and employment rights. This requirement is especially relevant for suppliers in labour-intensive sectors employing lower-wage workers, ensuring basic protections are upheld. (Linked to G1-Business conduct)	Upstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Contribution to occupational health and safety in the value chain	KONČAR Group requires its suppliers to demonstrate compliance with Croatian occupational health and safety legislation, as well as with additional site-specific safety protocols applicable to KONČAR locations. Furthermore, the Group mandates adherence to both local and international occupational safety standards. Regular audits of key suppliers are conducted, and where needed, KONČAR provides advisory support in developing safety improvement plans. These actions contribute positively to safer working conditions for workers across the supply chain.	Upstream	Short to long term
<b>NEGATIVE IMPACT - POTENTIAL</b>	Risk of labour and human rights violations in the value chain	A lack of comprehensive oversight further upstream in the value chain may pose a risk of inadvertently engaging suppliers who do not comply with labour rights or human rights standards, or who are themselves connected to partners violating internationally accepted norms. This may lead to reputational risk and undermine the Group's ethical procurement commitments.	Upstream	Short to long term
<b>OTHER EMPLOYMENT-RELATED RIGHTS</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Risk of labour and human rights violations in the value chain	KONČAR Group actively monitors supplier compliance with sustainability-related standards to ensure that fundamental labour rights are respected throughout the value chain. This includes measures aimed at eliminating child labour, forced or compulsory labour, and other human rights violations.	Upstream	Short to long term

#### S2.SBM-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model

##### S1-17\_01, S1-17\_03, S1-17\_10

KONČAR Group's reporting scope includes all workers in its value chain who may be materially affected by the Group's operations. This encompasses both upstream workers (e.g., those employed by suppliers of equipment, materials, and services) and downstream workers (e.g., users and operators of KONČAR's equipment and services). The Group continuously strengthens its approach to identifying and managing sustainability-related risks related to workers employed by its suppliers and business partners. Particular attention is given to those involved in the installation, operation, and maintenance phases of KONČAR products and systems, where impacts are most direct and significant. Workers in KONČAR's value chain who may be materially affected include:

- Workers employed by suppliers, particularly those engaged in the manufacture of raw materials, components, and equipment
- Third-party contractors responsible for the installation and maintenance of KONČAR equipment
- Operational personnel of customers, including those working in power networks, industrial facilities, and railway systems, whose occupational health and safety are directly linked to the quality and performance of KONČAR products

The most significant impacts are observed among two key groups of workers: those employed by component and material suppliers, often operating in higher-risk manufacturing environments, and end users or frontline operators—such as personnel involved in grid maintenance, railway infrastructure, or energy systems—who are directly exposed to occupational hazards associated with the use and maintenance of complex technical infrastructure. These workers face elevated risks related to working conditions, occupational safety, and health. However, they also benefit substantially from KONČAR's commitment to high product quality, safety standards, and targeted training support, which contribute to improved working environments throughout the value chain. KONČAR Group sources the majority of its materials and services from domestic and EU-based suppliers, where working conditions are strictly regulated. As a result, no systemic negative impacts on workers in the value chain have been identified. Risks related to child labour and forced labour are considered minimal. However, heightened due diligence is applied to the procurement of specific raw materials and specialised electronic components potentially sourced from outside the EU—such as certain metals—where KONČAR implements enhanced screening procedures to mitigate these risks. The Group also engages in a range of activities designed to generate positive impacts for both supplier and customer workforce segments. Suppliers are required to adhere to internationally recognised labour standards, which encompass fair wages, regulated working hours, and robust occupational health and safety provisions—ultimately contributing to improved conditions for supplier employees. ESG assessments of key suppliers are carried out on a regular basis, further promoting the adoption of responsible business practices and continuous improvement in labour conditions. On the customer side, KONČAR delivers high-quality, safety-compliant equipment and solutions that enhance workplace safety for end users, particularly in high-risk sectors such as the energy and railway industries. In addition, the Group provides ongoing training and advisory support to suppliers and partners, facilitating the implementation of safe working procedures and sustainable operational standards across the broader value chain.

The primary risks identified by KONČAR Group relate to the potential inadequate implementation of labour standards by suppliers located outside the European Union. Specific risk exposure has been observed in labour-intensive industries that supply the Group with raw materials or components, particularly in sectors such as metal processing and electronics manufacturing. To mitigate these risks, KONČAR applies sustainability-related performance evaluations across its supplier base, requires relevant certifications, and—in certain Group entities—enforces labour and ethical standards through formal Supplier Codes of Conduct. Recognising the value of these practices, the Group is actively working toward the harmonization of supplier governance frameworks, with the development of a Group-wide Supplier Code of Conduct planned for 2025. This initiative aims to strengthen consistency and accountability across all procurement processes and supply chain engagements.

Beyond these measures, KONČAR has not identified any particularly vulnerable worker groups within the value chain who would be disproportionately exposed to harm. However, risk assessment processes aligned with ISO 9001 are regularly conducted and adapted based on different use cases involving KONČAR products. This enables proactive mitigation strategies tailored to workers who interact with Group products and systems. Particular attention is paid to workers involved in high-risk operations, such as the installation, maintenance, and operation of energy and transportation infrastructure. For instance, during energy sector projects, safety and operational compliance criteria are systematically verified—including protocols related to power shutdowns and workplace safety. Should new user groups emerge—such as individuals with specific vulnerabilities or accessibility needs—KONČAR has established internal mechanisms and procedures that enable it to adapt operational protocols to reduce risk and uphold inclusive and safe working conditions across the value chain.

## S2-1 Policies related to workers in the value chain

**S2.MDR-P\_01-06, S2-1\_01, S2-1\_02, S2-1\_03, S2-1\_04, S2-1\_05, S2-1\_06, S2-1\_08, S2-1\_09**

Policy	Scope of application	Working hours	Fair compensation	Health and Safety	Child and forced labor
Integrated Management System Policy (Quality, Environmental Protection, Occupational Health & Safety, and Energy)	KONČAR Group			X	
Sustainability Policy	KONČAR Group	X	X	X	X
Employee Well-being Policy	Dalekovod d.d.			X	X
Code of Business Conduct	KONČAR – Distribution and Special Transformers			X	X
Supplier Code of Conduct (KONČAR – Distribution and Special Transformers)	KONČAR – Distribution and Special Transformers	X	X	X	X

KONČAR Group's approach to upholding human rights within the value chain is grounded in internationally recognised standards—including ISO norms, national legislation, EU directives, and the principles of the UN Global Compact, to which the Group is a formal signatory. Through its Sustainability Policy, KONČAR commits to the ten UNGC principles covering human rights, labour standards, environmental protection, and anti-corruption. A set of clear requirements and procedures have been established for suppliers, mandating adherence to both national and international labour and human rights standards. These expectations include compliance in areas such as working conditions, occupational health and safety, equal opportunity, and non-discrimination. Most of the Group's suppliers are based within the EU, where regulatory safeguards are strong. For suppliers operating outside the EU, enhanced due diligence processes are conducted to mitigate potential human rights risks. Certain entities within the Group—such as KONČAR – Distribution and Special Transformers—have developed formal Supplier Codes of Conduct. These Codes, which require suppliers to observe international standards related to human rights and labour practices, are integrated into contractual obligations and serve as a practical tool for managing sustainability-related risks throughout the supply chain. In line with its internal policy harmonisation strategy, KONČAR intends to introduce a Group-wide Supplier Code of Conduct by 2025.

KONČAR engages with workers in its value chain primarily through collaboration with their employers (i.e., its suppliers). Although the Group currently does not engage in direct consultation with supplier employees, working conditions and human rights compliance are systematically monitored through regular sustainability-related assessments and supplier audits. Where non-conformities are identified, corrective actions are required, and in cases of significant violations, business relationships may be suspended or terminated. Looking forward, KONČAR plans to strengthen its due diligence by developing an enhanced grievance mechanism that will also be accessible to workers in the supply chain, further supporting transparency, remedy, and responsible business conduct.

KONČAR Group explicitly prohibits human trafficking, forced labour, and child labour, upholding a zero-tolerance approach toward such practices. These prohibitions are clearly articulated in the Group's Sustainability Policy, Code of Conduct, and in specific Supplier Codes of Conduct adopted by certain KONČAR entities.

Although the Group's current policies do not yet formally declare full alignment with the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, or the ILO Declaration on Fundamental Principles and Rights at Work, the regulatory framework of the Republic of Croatia—under which KONČAR operates—effectively integrates the core elements of these instruments. As such, KONČAR's existing governance framework de facto adheres to these international standards.

Recognising the importance of explicit alignment, KONČAR plans to develop and adopt a unified Group-wide Supplier Code of Conduct in 2025, accompanied by updates to its existing internal policies. This will formally confirm the Group's commitment to global human rights standards and enhance transparency in the management of sustainability-related risks within the supply chain. In parallel, KONČAR has established a partnership with UNICEF Croatia to identify and assess risks relating to children's rights. As part of this collaboration, KONČAR will host three workshops in 2025 aimed at mapping its impact on children's rights and developing accompanying guidelines and an action plan for safeguarding child rights across its value chain. The Group also continues to support employees returning from parental leave, as part of its broader family-support policies. During the reporting year, no cases of non-compliance with the UNGPs, ILO Declaration, or OECD Guidelines involving value chain workers were identified. The Group continues to conduct regular reviews to proactively identify potential risks. No material violations of these international standards were recorded in the value chain during the reporting period.

## S2-2 Processes for engaging with value chain workers about impacts

### S2-2\_01, S2-2\_08

KONČAR Group currently incorporates the perspectives of workers in the value chain indirectly, primarily through supplier sustainability-related risk assessments and the analysis of relevant sectoral benchmarks, recommendations from international organizations, industry reports, and regulatory guidance.

Through regular sustainability-related audits and evaluations of key suppliers, the Group gathers information that provides indirect insights into employee working conditions, health and safety standards, the observance of labour rights, and any potentially adverse impacts linked to business operations. These evaluations inform decisions regarding continued collaboration and the implementation of necessary corrective measures. Additionally, KONČAR reviews sector-specific risk analyses—including international assessments of labour practices and conditions in certain jurisdictions—which further aid in identifying exposure to human rights risks and guide the formulation of mitigation actions.

Acknowledging the importance of more structured engagement, KONČAR plans to enhance its procedures in the coming peri-

od to enable more formalized and, where possible, direct inclusion of worker perspectives in its due diligence processes. These improvements will include the development of clear guidelines, protocols, and tools for communicating with and collecting input from workers or their representatives across the value chain. This evolution reflects the Group's intention to align with best sustainability-related practices and the expectations of emerging human rights and sustainability regulations.

## S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns

### S2-3\_07

At present, KONČAR Group has not established a grievance mechanism specifically dedicated to workers in its value chain. However, these workers may access the Group's general whistleblowing channels, which allow for the confidential reporting of concerns related to working conditions, human rights, or business ethics. These channels are governed by internal rules aligned with applicable national legislation and are designed to ensure confidentiality and impartial handling of reports. To strengthen its approach to managing adverse impacts in the value chain, KONČAR plans to explore the development of dedicated, formalized grievance mechanisms during 2025. These would enable value chain workers and their legitimate representatives to express concerns directly and securely. This initiative will be undertaken in parallel with the development of a Group-wide Supplier Code of Conduct, ensuring alignment with evolving due diligence expectations and international best practices. The expanded grievance framework will encompass clearly defined procedures for the submission, follow-up, and resolution of complaints, alongside monitoring mechanisms to assess the overall effectiveness of these processes. Furthermore, awareness-raising activities will be implemented to ensure that supplier employees are adequately informed about the existence and accessibility of these channels. By enhancing accessibility and oversight, KONČAR aims to reinforce the reliability, responsiveness, and transparency of its ESG risk management system across the entire value chain.

## S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action

### S2.MDR-A\_13-14

KONČAR Group has not yet adopted specific measures aimed at addressing material impacts on workers within its value chain.

## S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

### S2.MDR-T\_14-19

KONČAR Group has not established target values related to the management of material negative impacts, the promotion of positive outcomes, or the mitigation of risks and realization of opportunities associated with workers in the value chain.

## 3.3 ESRS S3 Pogodene zajednice

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>ECONOMIC, SOCIAL, AND CULTURAL RIGHTS OF COMMUNITIES</b>				
POSITIVE IMPACT – ACTUAL	Positive contribution to local communities	KONČAR demonstrates strong commitment to the communities in which it operates by fostering positive socio-economic and cultural outcomes. This is achieved through local employment initiatives, infrastructure investments, and targeted donations and sponsorships, all of which contribute to the social and cultural advancement of various communities.	Own operations	Short to long term

## S3.SBM-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model

S3.SBM-3\_01, S3.SBM-3\_02, S3.SBM-3\_03, S3.SBM-3\_04, S3.SBM-3\_05, S3.SBM-3\_06, S3.SBM-3\_07, S3.SBM-3\_08

KONČAR Group includes all types of communities within its reporting scope that may be significantly affected by its operations. This encompasses communities surrounding manufacturing facilities, transmission line routes, transport infrastructure, and areas where infrastructure projects are implemented. The Group assesses potential and actual impacts on communities at all locations—both in Croatia and abroad—where construction or operational activities may influence local populations. For all projects in which KONČAR acts as the investor, the Group adheres to legally prescribed procedures, which include the identification and evaluation of social impacts on communities. In cases where KONČAR assumes the role of contractor, the responsibility for these procedures lies with the project investor. Two predominant settings where these impacts occur include:

- Urban areas, where modernization of existing infrastructure is underway, including the development of energy and public transport systems (e.g., city tram networks, transformer stations in densely populated zones); and
- Rural and peri-urban regions, where work is carried out on transmission lines, wind farms, hydroelectric facilities, and similar energy infrastructure.

The majority of KONČAR's operations take place in jurisdictions with robust regulatory frameworks, where construction permitting processes are subject to rigorous evaluation and mandatory public consultation. In countries with less stringent legal systems—such as certain African nations—KONČAR relies on its internal policies and standards to uphold safeguards for both communities and the environment that are comparable to EU expectations.

Communities located near KONČAR's production and project sites are the most directly exposed to the impacts of its operations. Potential adverse effects—such as increased traffic, noise, or dust—are effectively mitigated through strict preventive measures. In terms of the value chain, KONČAR sources the majority of its raw materials and components from large suppliers within the European Union, where legal frameworks strongly uphold human rights and environmental standards. As a result, the risk of significant negative impacts on communities within the supply chain—such as human rights violations or environmental degradation—is minimized. No material adverse impacts or risks affecting local communities were identified during the reporting period.

KONČAR's positive contribution to local communities is realized through several key activities:

- Local employment and capacity building – By hiring local talent and collaborating with nearby educational institutions, the Group fosters economic opportunity and supports the development of technical competencies in the region.
- Infrastructure investments – Investments in the modernization and construction of energy and transport infrastructure improve the quality of life in communities, accelerate economic growth, and enhance access to essential services.
- Donations and sponsorships – Through regular contributions to schools, associations, and cultural and sporting events, KONČAR actively supports the social and cultural vitality of local communities. These initiatives help strengthen trust and reinforce positive relationships with residents.

### S3-1 Policies related to affected communities

S3.MDR-P\_01-06

KONČAR Group manages its impacts, risks, and opportunities related to affected communities primarily through Group-level policies that define principles, responsibilities, and procedures regarding product quality, user safety, transparent communication, and the respect of human rights. Key policies in this context include:

- Sustainability Policy – This policy outlines the Group's commitments to responsible business conduct, including partnerships with local communities, investments in education, and support for sports and cultural initiatives. It emphasizes sustained investment in community well-being, youth engagement, and academic collaboration, promoting open and inclusive dialogue.
- Code of Conduct (KONČAR Inc.) Establishes expectations for transparent external communication and outlines behavioural standards for all employees, particularly in relation to corporate social responsibility and community impact.
- Risk Management Policy – Ensures a structured approach to identifying, assessing, and mitigating risks that could negatively affect surrounding communities, with heightened vigilance toward threats to safety, human rights, or the environment.



The Group's business model and Sustainability Strategy are firmly grounded in principles of corporate social responsibility. As a technology leader, KONČAR continuously develops innovative solutions that benefit both society and the environment. Social and environmental considerations are fully embedded within the Group's core business practices. Furthermore, as a signatory of the UN Global Compact since 2007, KONČAR is committed to upholding the highest standards of ethical behaviour, human and labour rights, environmental stewardship, and anti-corruption. This deep integration of ESG criteria enables the Group to harmonize strategic business objectives with long-term positive outcomes for the communities in which it operates—demonstrating that economic growth and social value can advance hand in hand.

KONČAR Group maintains a systematic and proactive approach to managing potential business-related risks, with particular emphasis on minimizing adverse impacts on local communities and stakeholders. The Group's Risk Management Policy ensures the continuous identification, assessment, and mitigation of risks, thereby supporting the achievement of strategic objectives, safeguarding financial stability, and upholding the company's reputation. The Group exercises the highest level of caution toward risks that could compromise safety, breach regulations, or harm its public standing, enabling the timely detection and mitigation of any negative operational impacts on surrounding communities.

Beyond formal risk management protocols, the Group implements targeted initiatives aimed at reducing risks to communities and fostering sustainable development. The Donations and Sponsorships Policy ensures transparency in the allocation of financial resources, aligning all community investments with the Group's Sustainability Strategy. This strategic alignment channels support toward programs that enhance inclusion, equality of opportunity, and broader societal progress. Furthermore, KONČAR actively promotes corporate volunteering as a key driver of community resilience. The Group's Volunteering Guidelines define the structure, processes, and methods through which employees engage in community service, encouraging them to dedicate their time, knowledge, and skills to the public good. These activities include humanitarian, environmental, social, and educational projects coordinated by the Marketing and Corporate Communications Department in collaboration with the KONČAR Volunteer Club. Employees are granted paid leave for volunteering efforts, while the employer provides the necessary resources and logistical support. Corporate volunteering strengthens team spirit, cultivates empathy among employees, and reinforces a shared culture of responsibility, ultimately enhancing KONČAR's reputation as a socially responsible employer committed to community well-being.

## S3-2 Processes for engaging with affected communities about impacts

### S3-2\_01 – 07

In relation to the implementation of energy and infrastructure construction projects, the applicable legal framework requires that all potential environmental, natural, and community-related impacts be anticipated during the project planning phase. This assessment is the responsibility of the investor and forms an integral part of project development. KONČAR assumes a dual role in this context: primarily as a contractor for external investors, and secondarily as an investor for its own development projects. Public consultation is integrated into the project evaluation phase in two key ways:

- Local communities and citizens are invited to provide input and feedback on proposed projects.
- Relevant national authorities evaluate the proposed development before any final approvals are granted.

As a result, any identified risks or concerns are formally communicated to the investor, who is then required to revise the project plan to accommodate mitigation measures and address stakeholder expectations. Only once all such requirements and oversight mechanisms are in place is the project approved and a construction permit issued. Projects are then implemented strictly in accordance with the approved documentation. In all of its project activities and relationships with affected communities, KONČAR:

- Promotes open dialogue and transparency
- Integrates community perspectives during both planning and implementation stages
- Pays special attention to vulnerable groups and impacted populations
- Routinely evaluates the effectiveness of community engagement and stakeholder cooperation
- Fully complies with legal and contractual obligations, whether acting as investor or contractor.

Through these procedures, KONČAR ensures that the voices of affected communities are respected and reflected in decision-making processes, enabling the Group to manage social, environmental, and economic impacts responsibly and in alignment with sustainability principles. KONČAR Group continuously delivers positive societal impact through a wide array of humanitarian initiatives, partnerships, and donations focused on the most vulnerable members of society. In addition to supporting social and humanitarian causes, the Group's donations and sponsorships contribute to excellence in education, the arts and culture, sports, environmental protection, scientific forums, and public awareness campaigns. Further support is extended to KONČAR's own Veterans' Association and the KONČAR Retirees' Club. In 2024, donations were primarily directed toward humanitarian and social causes, while the majority of sponsorships focused on sports.

## Humanitarian and cultural initiatives and donations:

- Celebration of KONČAR Day – As part of its long-standing tradition, KONČAR regularly marks its company anniversary by extending donations to organizations and communities in need. KONČAR commemorated its company anniversary with a donation to Vukovarski leptirići as part of the “Be My Wings” campaign, supporting therapeutic and educational services for children with disabilities and those from socially vulnerable families.
- Support for technical schools and universities - KONČAR actively supports the development of future technical professionals through continuous collaboration with educational institutions. This includes participation in student fairs such as the Job Fair, Days of FSB, TVZ Career Day, and UNIN Connect Week at the University North. The Group also supports a variety of student-driven initiatives and academic events, such as the PMF Doctoral Student Symposium, awards for top students at FERIT Osijek during its 46th anniversary celebration, the FSB Rowing Section, the “Josip Lončar” award for the best students at FER, as well as events like the TVZ Alumni Day and the FER Freshman Party.
- Collaboration with UNICEF – KONČAR Group has maintained a longstanding partnership with UNICEF, continuously supporting initiatives focused on children's mental health, positive parenting, and improving communication between health-care professionals and children in hospital settings.
- Ponos Hrvatske Project – KONČAR Group is a traditional supporter of this national initiative, which honors individuals for their bravery, compassion, and exceptional contributions to society. Through this recognition, the Group promotes community solidarity, civic engagement, and the celebration of everyday heroism.
- KONČAR Group continued its longstanding support for the association Mali zmaj for the seventh consecutive year by providing logistical support for the project Mali zmaj ide u školu. This initiative enabled the collection and distribution of school supplies for 341 children from economically disadvantaged families. In addition, the Group supported the annual holiday campaign Pisma Djedu Zmaju, donating 100 m<sup>2</sup> of space for the preparation and distribution of holiday gifts for children from low-income households.
- As part of its seasonal charitable efforts, KONČAR also provided special Christmas donations in 2024, amounting to a total of EUR 12,000. These funds were allocated to SOS Dječje selo Hrvatska and Pontes Salutis to support programs for youth without parental care and families facing severe socio-economic challenges.
- KONČAR actively participated in the humanitarian-sports initiative Hoops & Hits for Educational Bits, a charity basketball tournament organized to benefit the DOKKICA Children's Creative Center. The proceeds supported the Svemirska akademija (Space Academy) project, which fosters children's interest in STEM disciplines, with a focus on social inclusion and accessibility for children from disadvantaged backgrounds.
- The Group has maintained long-standing support for humanitarian organization Dora and humanitarian foundation for children of Croatia, reinforcing its commitment to child-focused humanitarian work.
- KONČAR is also a proud supporter of Ansambl LADO, Croatia's only professional folklore ensemble, contributing to the preservation and global promotion of Croatian cultural heritage.
- Throughout 2024, the Group continued to extend support to a wide range of associations and individuals, further affirming its role as an active and socially responsible member of the community.

## Volunteering and environmental activities:

- KONČAR Group actively supports community-based environmental and social initiatives, with a strong focus on sustainability and employee engagement. One standout initiative is large-scale drone-assisted afforestation. For the third consecutive year, in collaboration with Project O2, KONČAR conducted an innovative reforestation campaign in Vukovar during autumn 2024. Utilizing drone technology, 2,500 seed balls containing native tree species were distributed across degraded areas. The goal is to reduce the Group's carbon footprint, restore local biodiversity, and contribute to climate change mitigation. In parallel, KONČAR employees participated in inclusive environmental volunteering by planting flowers and trees alongside children with developmental disabilities through a partnership with the Vukovarski leptirići association—strengthening both environmental and social impact.
- Additionally, the Group continues its longstanding tradition of organizing blood donation drives. These are held several times a year across KONČAR locations, encouraging voluntary participation and reinforcing the values of solidarity and civic responsibility among employees.
- Volunteering initiative at Caritas home “That They May Have Life” in Zagreb. In April 2024, as part of a broader commitment to corporate volunteering and community engagement, KONČAR Group organized a volunteer action in collaboration with the nonprofit organization Djeca za bolji svijet (Children for a Better World). This initiative marked the World Good Deeds Day and anticipated Earth Day, aiming to humanize and beautify the environment of the Caritas home, which provides shelter for children without adequate parental care. Employees of KONČAR participated in planting spring flowers and landscaping the home's outdoor spaces, creating a more welcoming and nurturing atmosphere. The activity also contributed to social inclusion by bringing together children and volunteers in a shared experience of care and environmental stewardship. The event reflects KONČAR's strategic objective, as set out in its 2024 –2026 Sustainability Strategy, to strengthen corporate volunteering and foster meaningful social impact through hands-on employee engagement.

## Inclusive society:

- KONČAR Group actively fosters an inclusive and equitable society through long-term partnerships, awareness initiatives, and targeted educational programmes aimed at supporting underrepresented groups and strengthening societal cohesion. One of the pillars of this commitment is the Group's enduring partnership with the Croatian Paralympic Committee. This sponsorship supports the development of paralympic athletes and raises public awareness about the rights, talents, and achievements of persons with disabilities.

- Another key initiative is InspireHerLeadership, a six-month educational programme designed by women for women, with the aim of empowering participants to embrace leadership roles, pursue personal growth, and advocate for gender equality. The programme includes ten tailored modules focused on enhancing self-awareness, overcoming fear and self-doubt, and improving communication. Delivered in a hybrid format, it allows participants to balance learning with professional and personal commitments, while encouraging community-building through peer exchange and mentorship. The emphasis on individual development ensures that each participant receives personalised support, creating a transformative learning environment that inspires broader societal change.
- Initiative Iskustvo zlata vrijedi ("Experience is Worth Gold") project, connects employers with students with disabilities, facilitating practical work placements and supporting long-term employability. Recognising the importance of providing equal opportunities, KONČAR joined the project in 2024. As part of this collaboration, Kristina Krsnik, a fifth-year student of Croatian Language and Comparative Literature at the University of Zagreb's Faculty of Humanities and Social Sciences, completed her internship within KONČAR's Human Resources Department and the Department of Marketing and Corporate Communications. This engagement not only provided professional experience but also reinforced the Group's commitment to inclusive workforce development.
- In addition, KONČAR actively supports the "I ja želim čitati!" ("I Want to Read Too!") national campaign, which seeks to raise public awareness about reading difficulties and dyslexia. The campaign is focused on educating society and fostering empathy by addressing the significant gaps in understanding and support for individuals facing such challenges. Through its support, KONČAR contributes to building a more informed, inclusive, and compassionate educational and social environment.

### **S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns**

#### **S3-3\_10-15**

KONČAR Group has established accessible and clearly defined communication channels at the level of individual companies and projects through which stakeholders can directly raise concerns, report issues, or express their needs. These channels include written correspondence, email, phone contact, or in-person meetings, depending on the specific context and the preferences of the community. On-site communication mechanisms are reinforced by designated representatives tasked with engaging local communities. These typically include nominated project stakeholders such as investor and contractor representatives, chief engineers, and site managers, who act as primary contacts throughout the project duration. Each location or construction site has clearly appointed personnel responsible for addressing any inquiries or concerns raised by the community. All submissions—whether inquiries or formal complaints—are systematically recorded and handled in a coordinated manner, involving all relevant departments within the respective KONČAR company receiving the request. This structured approach ensures timely and effective responses, while reinforcing transparent and respectful cooperation with local communities during project implementation.

### **S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions**

#### **S3-4\_10**

No significant adverse impacts or community-related risks were recorded during the reporting period. Nevertheless, KONČAR Group recognizes the importance of responsible planning and resource governance to prevent negative outcomes for communities where its operations are present. Accordingly, the Group implements the following measures:

- Impact assessments and regulatory compliance - Prior to the launch of new projects—such as the construction of plants or infrastructure modernization—KONČAR conducts or participates in environmental and social impact assessments. These assessments consider potential implications for local sites, natural resources, and nearby populations. Internally, the Group ensures alignment with national regulations and international frameworks, thereby safeguarding those practices related to land use, raw material sourcing, and supplier conduct remain in line with sustainability principles.
- Natural resource and environmental management - KONČAR systematically monitors its energy and water consumption, waste management, and greenhouse gas emissions. Where necessary, mitigation measures are implemented—ranging from consumption optimization to the deployment of environmentally friendly technologies. In projects involving raw materials, KONČAR partners exclusively with suppliers who comply with rigorous quality, environmental, and social criteria. When risks such as irresponsible land use or threats to local communities are suspected, additional due diligence processes are triggered, and suppliers are required to demonstrate compliance.
- Managing tensions between business and social objectives - KONČAR Group recognizes that tensions may occasionally arise between short-term business imperatives and the long-term responsibility to prevent adverse community impacts. In such cases, stakeholder-driven solutions are prioritized. The Group proactively engages with local governments, community representatives, and civil society organizations to better understand their concerns and incorporate their perspectives into project planning and execution.
- Continuous improvement and transparency - To maintain alignment with evolving stakeholder expectations, emerging technologies, and best practices, KONČAR Group regularly reviews and updates its procedures and community engagement mechanisms.

This commitment to learning and adaptation ensures that the Group not only avoids contributing to significant adverse impacts on affected communities but also manages the balance between corporate goals and societal well-being with integrity and responsibility.

KONČAR Group actively and continuously invests in the development and quality of life of local communities, recognizing it as one of the key pillars of its sustainability strategy. Within the framework of Strategic Goal 7: "Continuous investments in the development and quality of life of local communities", the Group carries out clearly defined activities aimed at achieving long-term positive social impact in the regions where it operates. In addition to established mechanisms for engaging communities during the planning and implementation of projects, the Group runs a structured and transparent system of donations, sponsorships, and corporate volunteering. Through a merit-based evaluation of donation and sponsorship applications, resources are purposefully directed towards priority areas such as education, culture, sport, environmental protection, social inclusion of persons with disabilities, and humanitarian support—ensuring alignment with the real and pressing needs of local communities.

A particular strength of KONČAR's approach lies in its participatory model, which empowers employees to independently propose volunteering initiatives. This bottom-up process fosters deeper engagement with local societal challenges, enhances the relevance of the Group's community efforts, and strengthens employee motivation. Through corporate volunteering, KONČAR also deepens its dialogue with communities, facilitating early identification of local challenges and enabling timely, impactful responses—thus proactively mitigating potential negative effects of its operations.

### **S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities**

#### **S3.MDR-T\_14-19**

KONČAR Group has not yet established specific quantitative targets for managing significant negative impacts, enhancing positive effects, or addressing risks and opportunities related to affected communities. However, the Group systematically manages such risks through its established internal control framework, underpinned by robust policies such as the Risk Management Policy, the Sustainability Policy, and supporting standards on quality, environmental protection, and safety. The current approach—rooted in ongoing assessments, internal controls, transparent communication channels, and proactive stakeholder engagement—has proven effective in mitigating potential community-related risks.

As such, the absence of major identified negative impacts to date has not necessitated the adoption of additional time-bound targets. Nonetheless, in alignment with leading sustainability practices, KONČAR continuously monitors, evaluates, and adapts its procedures as needed. Should a heightened risk or a new opportunity for social impact arise, the Group will consider establishing dedicated goals for those areas.

Furthermore, the effectiveness of the corporate volunteering programme will be continuously monitored using key performance indicators such as the number of volunteer actions implemented, employee participation rates, total volunteer hours, and feedback from local communities. This will support ongoing improvements and provide a clearer picture of the initiative's social value. Based on the results of ongoing monitoring and evaluation, KONČAR Group will adjust its approach as needed, ensuring the continuous improvement of the quality of life in the communities where it operates.

In the area of inclusion and sport, KONČAR has solidified its partnership with the Croatian Paralympic Committee (HPO), taking on the role of official sponsor as of 2025. Over the 2025–2030 period, the Group aims to expand the reach of this support, measured by the total annual sponsorship value and the number of para-athletes benefiting from the collaboration.

KONČAR Group systematically invests in community-relevant initiatives, with a total expenditure of EUR 399,586 in 2024 by KONČAR Inc. The most financially significant individual donation amounted to EUR 7,000 and was granted on the occasion of KONČAR Day to the association Vukovarski leptirići in support of the campaign Budi moja krila. The most significant sponsorship, valued at EUR 20,000, supported the Croatian Ski Association's cadet team for the 2024/2025 season.

During the reporting period, donations were predominantly directed towards humanitarian and social activities, totaling EUR 75,665 or 43% of all approved donations. Sponsorships primarily supported sports clubs bearing the KONČAR name, amounting to EUR 82,586 or 37% of total approved sponsorships.

Starting in 2025, the sponsorship and donation budget will be centralized at the Group level and coordinated through KONČAR's Sponsorships and Donations Committee. Planned budgets include EUR 590,000 for 2025, EUR 600,000 for 2026, and EUR 650,000 annually from 2027 to 2030, with flexibility for further increases based on community needs and project opportuni-

ties. Resources will be allocated with a strategic focus on initiatives demonstrating the greatest potential for long-term societal impact—particularly in areas such as education, social inclusion, support for vulnerable groups, equity promotion, culture, sports, and environmental protection.

Should specific community-related impacts arise in the future that require targeted intervention, KONČAR will consider setting dedicated target values as part of its ongoing refinement of corporate responsibility practices.

### 3.3 ESRS S4 Consumers and End-users

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>INFORMATION-RELATED IMPACTS FOR CONSUMERS/END-USERS</b>				
<b>PERSONAL SAFETY OF CONSUMERS AND/OR END USERS</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Privacy of consumers and end users	KONČAR Group ensures full data privacy through the implementation of GDPR, internal data protection policies, and robust technical and organizational safeguards.	Downstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Access to quality information	The Group communicates timely and transparently with clients and users, offering clear information on safety, privacy, and product quality. Procedures are in place for proper product labelling and providing customers with lifecycle-related environmental and social information.	Downstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Collaboration and product development	KONČAR fosters two-way communication and actively collects customer feedback. It integrates customers into product development processes to meet specific needs and local market conditions.	Downstream	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Product quality and safety, and customer information	The Group has established strong quality assurance and safety protocols, accompanied by transparent and comprehensive customer communication regarding product use and safety features.	Downstream	Short to long term
<b>RISKS AND OPPORTUNITIES RELATED TO CUSTOMERS AND END USERS</b>				
<b>RISK</b>	Product safety	Risks related to product safety and customer satisfaction include the potential for products or services to fall short of required safety standards or user expectations. Such instances may result in injuries, customer dissatisfaction, product recalls, or lead to legal and reputational consequences.	Downstream	Short to long term



## S4.SBM-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model

S4.SBM-3\_01, S4.SBM-3\_02, S4.SBM-3\_03, S4.SBM-3\_04, S4.SBM-3\_05, S4.SBM-3\_06, S4.SBM-3\_07, S4.SBM-3\_08

The companies within the KONČAR Group operate exclusively in a B2B environment, without direct interaction with end consumers. Nevertheless, KONČAR acknowledges its extended responsibility towards end users of its products and services, which are delivered to market via business partners. To ensure alignment with this responsibility across the value chain, the Group expects its B2B partners to uphold the principles of legality, ethics, human rights protection, and high standards of product quality and safety. Potential risks are regularly monitored, and internal procedures are in place to mitigate any deviations from these principles. During the reporting period, no instances of non-compliance relating to consumers or end users were recorded, nor were there any reported breaches of business conduct or human rights guidelines within the downstream value chain. All end users potentially materially affected by KONČAR's operations—including impacts arising from its own activities, value chain, products or services, and business relationships—are included within the reporting scope. Operating in more than 130 countries worldwide, KONČAR maintains a robust presence across the energy, transport, and industrial sectors. The European Union remains its most prominent export destination, reflecting the Group's alignment with high regulatory standards and market expectations.

The primary customer segments served by KONČAR comprise:

- National power utilities, encompassing the full spectrum of electricity generation, transmission, and distribution
- Industrial complexes, particularly those operating in the metal and chemical industries
- Railway operators, both at the national and international levels
- Infrastructure investors, especially those involved in complex, large-scale energy and transportation projects

While KONČAR operates exclusively in a B2B environment, these customers ultimately serve end users who may be directly affected by the quality, safety, and reliability of KONČAR's products and services. Depending on the specific activities carried out by different entities within the Group—ranging from engineering to production and service delivery—the significant impacts may extend to:

1. End users within the energy value chain (e.g., households reliant on uninterrupted electricity supply), and
2. Infrastructure end users (such as rail passengers or users of public utility systems)

No material negative impacts on end users have been recorded during the reporting period. In cases where dissatisfaction or product-related concerns arise, the Group has robust mechanisms in place—rooted in the ISO 9001 quality management framework—to ensure timely resolution through established complaint handling procedures. To proactively mitigate potential negative outcomes and enhance user experience, KONČAR continuously monitors customer satisfaction and implements improvement measures focused on product safety, regulatory compliance, and transparent communication.

The positive impacts generated by KONČAR Group arise from the careful application of sustainability-related practices, particularly through:

- Customer collaboration, product development, and quality and safety assurance - KONČAR fosters an active two-way communication with its customers, regularly collecting and analysing feedback through customer satisfaction surveys. These insights drive continuous improvements in product performance and operational processes. Customers are actively involved in product development, ensuring that solutions are tailored to specific market and location needs. In parallel, the Group implements robust quality management systems and stringent safety standards to safeguard both customers and end users. Transparent and comprehensive information on product features, including safety instructions and usage guidelines, enhances the overall customer experience and ensures safe application. This integrated approach contributes to long-term positive outcomes across the downstream value chain.
- Access to reliable information - KONČAR maintains a commitment to timely and transparent communication with clients and end users. Its subsidiaries follow established procedures for product and service labelling, and for customer access to relevant information. This includes data related to post-delivery activities and the environmental and social footprint of products and services throughout their lifecycle.
- Consumer and end-user privacy - The Group ensures full compliance with GDPR and internal data protection policies. Technical and organisational measures are systematically applied to safeguard user privacy and prevent misuse of personal data, reinforcing trust across all customer touchpoints.

Risks related to product safety and customer satisfaction primarily concern the possibility that delivered products or services may not meet safety standards or user expectations. Such instances could potentially result in injuries, customer dissatisfaction, product recalls, and legal or reputational consequences. To mitigate these risks, KONČAR systematically implements quality assurance mechanisms and risk management procedures.

The Group has not identified any specific vulnerable groups of end users who would be disproportionately exposed to harm. Nevertheless, ISO 9001-aligned procedures ensure continuous risk evaluation and adaptation of processes depending on the customer segment or product usage context. For instance, in the case of railway equipment and vehicles, particular attention is given to passenger safety, system reliability, and compliance with international norms such as the relevant EN railway standards. Should new user groups emerge—such as individuals with specific vulnerabilities or accessibility needs—KONČAR has established internal mechanisms and procedures that enable it to adapt operational protocols to reduce risk and uphold inclusive and safe working conditions across the value chain.

## S4-1 Policies related to consumers and end-users

### S4.MDR-P\_07-08, S4-1\_01

KONČAR Group manages its significant impacts, risks, and opportunities related to consumers and end users primarily through Group-wide policies that define core principles, responsibilities, and procedures in relation to product quality, user safety, transparent communication, and the protection of human rights. Key policies in this context include:

- **Sustainability Policy** – This policy establishes overarching goals and principles of sustainable business conduct for the entire KONČAR Group. It emphasises responsible impact management towards all stakeholders, including customers and end users, and mandates the continuous assessment of risks and opportunities within the sustainability domain.
- **Integrated Management System Policy for Quality, Environmental Protection, Occupational Health and Safety, and Energy** – This policy clearly defines responsibilities for ensuring product quality and safety while promoting open communication on environmental and social aspects relevant to consumers and end users. It encompasses the continuous improvement of business performance, customer satisfaction, environmental protection, occupational health and safety, and energy efficiency. KONČAR's approach to quality is fully aligned with ISO 9001:2015 standards. It is guaranteed through a documented Quality Manual and is based on meeting customer requirements across all business segments and throughout every stage of production and service delivery. The quality management system is consistently applied and maintained by all employees, in accordance with their respective duties, responsibilities, and authorities, at all times and in every operational area.
- **Code of Conduct (KONČAR Inc.)** defines the Group's ethical framework, promoting legal compliance, integrity, equality, and the respect of human rights while emphasizing transparent business practices. It sets clear behavioural expectations for all employees, with particular attention to fair treatment of clients and the protection of their interests.
- **KONČAR Group Risk Management Policy** - establishes a structured approach to identifying, assessing, and mitigating risks that may compromise strategic and operational goals, including those related to consumers and end users. Anchored in international best practices and aligned with the ISO 31000 methodology, this policy fosters a proactive stance in identifying and addressing potential adverse effects on customers

Together, these policies comprehensively address key risks and impacts related to product safety, quality, and customer satisfaction, while simultaneously creating opportunities to strengthen customer relationships, drive innovation, and develop sustainable solutions.

## S4-2 Processes for engaging with consumers and end-users about impacts

### S4-2\_01

KONČAR systematically engages with customers to incorporate the perspectives of consumers and end users when identifying actual and potential impacts, risks, and opportunities. This engagement is embedded within structured processes governed by the integrated management system and the Group's Risk Management Policy. The approach spans the entire business cycle—from defining procurement requirements and planning projects to providing post-sales support. User feedback plays a pivotal role in informing product and service improvements, while the effectiveness of engagement is continuously assessed through satisfaction indicators, complaint monitoring, and internal and external quality system audits.

This comprehensive and proactive engagement strategy ensures transparent and effective communication, strengthens relationships with stakeholders, reduces potential risks, and fosters opportunities for innovation and development. This commitment has been recognized through several accolades, including the **EPL AWARD 2024**, honouring excellence in corporate communication and strategic impact, and **Brand Leader 2024**, awarded for brand excellence and market presence in 2023.

### **S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns**

**S4-3\_01, S4-3\_02, S4-3\_03, S4-3\_04, S4-3\_05, S4-3\_06**

Companies within the KONČAR Group have established clearly defined procedures for handling complaints, claims, and any potential negative impacts on consumers and end users, as part of their ISO 9001-certified quality management system. Communication channels are in place at both the company and project levels, allowing consumers and end users to raise concerns via written correspondence, email, or telephone—depending on their needs and the specifics of each case.

During the reporting period, there were no recorded non-compliances related to applicable regulations or voluntary codes concerning the health and safety impacts of products and services throughout their lifecycle.

### **S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions**

**S4.MDR-A\_13-14**

KONČAR Group primarily operates in a business-to-business (B2B) environment and does not maintain a direct relationship with end consumers. Within the framework of the double materiality assessment, the Group did not identify any significant negative impacts, risks, or opportunities directly related to consumers or end users. Accordingly, no specific measures or dedicated resources were assigned to manage such impacts during the reporting period. Product quality and customer satisfaction are addressed through the Group's existing quality management systems, which are integrated into daily business operations. A certified quality management system is applied to ensure that products and services consistently meet high standards and reduce the likelihood of defects or user dissatisfaction. All equipment and solutions delivered by KONČAR undergo stringent safety and compliance checks to guarantee product reliability and user protection. Mechanisms such as after-sales support and structured complaint-handling systems are in place, allowing customers to report any issues. These cases are promptly addressed as part of KONČAR's established quality management procedures.

KONČAR Group will continue to proactively monitor potential impacts on consumers and end users through established mechanisms, ensuring timely corrective actions when necessary.

During the reporting period, no dedicated resources were allocated to this area, as no material impacts or exceptional circumstances were identified. All relevant procedures remain fully integrated into the operational structure, with ongoing accountability for adherence to the Group's policies and compliance standards embedded at every level.

### **S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities**

**S4.MDR-T\_14-19**

No material targets have been identified for disclosure at this time.

## 4 Governance Disclosure

### 4.1. ESRS G1 Business conduct

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>CORPORATE CULTURE</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Clearly defined and ethically grounded corporate culture	A well-defined and ethically anchored corporate culture promotes responsible conduct across the organisation. Embedding integrity, transparency, and accountability into everyday decision-making empowers employees to act in alignment with corporate values, strengthening engagement and cultivating a supportive, value-driven working environment.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Alignment with sustainable strategic objectives and transparent stakeholder communication	KONČAR has already established a strong foundation of transparency and strategic alignment in supporting a green and sustainable economy. Long-term benefits include maintaining stakeholder trust, strengthening corporate reputation, and ensuring alignment with sustainability-related standards. These changes are substantial and enduring, with visible impact on key business processes and stakeholder relations.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Employee alignment with the sustainability mission	Fostering a sense of belonging and employee connection to the Company's sustainability mission through training, recognition, and involvement in sustainability-related decision-making. Enhanced motivation and engagement within sustainability-related departments and teams yield internal benefits. (Linked to ESRS S1 – Own workforce)	Own operations	Short to long term
<b>WHISTLEBLOWER PROTECTION</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Accessible mechanisms for reporting irregularities and protecting whistleblowers	Providing secure and accessible whistleblowing mechanisms and ensuring whistleblower protection are key for preventing and uncovering unlawful and unethical conduct.	Own operations	Short to long term
<b>SUPPLIER RELATIONSHIP MANAGEMENT</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Maintaining fair and transparent supplier relationships	Maintaining fair and transparent supplier relationships supports supply chain stability. Responsible sourcing, fair contracting, and timely payments foster trust, mitigate risks, and enable more sustainable procurement practices.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Group Supplier Code of Conduct	Developing a Group-wide Supplier Code of Conduct will establish sustainability-related compliance expectations across the supply chain, promoting responsible conduct, including supplier commitments and audit procedures.	Own operations	Short to long term
<b>POSITIVE IMPACT – ACTUAL</b>	Sustainability-related risk screening of suppliers	Sustainability-related risk screening of strategic suppliers has the potential to strengthen supply chain resilience and reduce exposure to non-compliance risks.	Own operations	Short to long term

Material Impacts, Risks, Opportunities		Description	Value Chain Stage	Time Horizon
<b>ANTI-CORRUPTION AND ANTI-BRIBERY</b>				
<b>POSITIVE IMPACT – ACTUAL</b>	Zero tolerance for corruption	KONČAR applies a zero-tolerance policy towards corruption, with all employees and suppliers informed of applicable anti-corruption policies and procedures. Transparency and clearly defined processes support effective corruption prevention.	Upstream / Own operations	Short to long term
<b>BUSINESS CONDUCT-RELATED RISKS AND OPPORTUNITIES</b>				
<b>RISK</b>	Inadequate or delayed identification of corruption-related risks	Delayed identification or response to corruption risks, either internally or in the supply chain, may lead to stakeholder mistrust or legal exposure. Unaddressed supplier/subcontractor corruption can endanger reputation and compliance.	Upstream / Own operations	Short to long term
<b>RISK</b>	Limited availability of components, raw materials, and critical supplies	Risk of delivery delays to customers due to shortages of critical components, limited availability of raw materials, or disruptions in logistics and transportation.	Upstream	Short to long term
<b>RISK</b>	Lack of employee confidence in whistleblowing mechanisms	Insufficient employee awareness and training on whistleblowing mechanisms can erode trust in such systems and discourage their use, potentially fostering a culture of silence. This may negatively impact the reporting of misconduct, increase feelings of insecurity, and elevate the risk of unethical behaviour going undetected. (Linked to S1 –Own workforce)	Own operations	Short to long term
<b>RISK</b>	Non-compliance with sustainability-related standards in the supply chain	ESG non-compliance in the supply chain may lead to legal liabilities and reputational harm.	Upstream / Own operations	Short to long term

## G1.GOV-1 Role of administrative, supervisory and management bodies in relation to business conduct

### G1.GOV-1\_01, G1.GOV-1\_02

#### Corporate governance framework

KONČAR – Electrical Industry Inc. upholds the highest standards of corporate governance and transparency, recognising these as fundamental principles underpinning all business operations throughout KONČAR Group. The Company operates under a two-tier governance structure, comprising a Supervisory Board and a Management Board. Alongside the General Assembly, and in accordance with the Companies Act and the Company's Articles of Association, these governing bodies constitute the essential framework of KONČAR's corporate governance system.

The Management Board of the Parent Company is tasked with formulating strategic proposals and guiding key decisions for KONČAR Group, whereas the Supervisory Board exercises oversight of both operational management and the decision-making process, thereby safeguarding the interests of all stakeholders.

Administrative support for Supervisory Board meetings is ensured by the Company Secretary, delivered with efficiency and timeliness. As of year-end 2024, the Supervisory Board consisted of nine members, including one woman, representing 11.1% of the total membership. The Board advocates for diversity in its composition while maintaining a strong emphasis on the qualifications and professional competence of candidates.



The Corporate Governance Code of KONČAR Group is anchored in the legal standards of the Republic of Croatia and internationally recognized standards, seamlessly woven into its operational practices. As a regional leader in its industry and a key employer in Croatia, KONČAR is devoted to constantly refining and evolving its governance models to align with the highest global benchmarks and methodologies. Furthermore, with KONČAR Inc.'s shares traded on the Zagreb Stock Exchange's Official Market, the company rigorously follows the Corporate Governance Code established by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

KONČAR Inc., together with the Group, is persistently progressing and aligning its operations with superior corporate governance standards. Its business strategy, policies, foundational documents, and practices all contribute to setting a high bar for corporate governance, aiming to ensure transparency and operational efficiency while maintaining strong ties with the community it supports. The management rigorously adheres to all established corporate governance regulations.

In addition to the applicable Corporate Governance Code of the Zagreb Stock Exchange and HANFA, KONČAR Group also applies its own Corporate Governance Code, furthering the business transparency standards that comply with EU Directives. Corporate Governance Code defines the procedures for the activities of the Supervisory Board, Management Board and other decision-making bodies, ensuring avoidance of the conflict of interest, efficient internal supervision and efficient accountability system. The Management and the Supervisory Board have adopted a Code of Conduct, which serves as the foundational document for embracing and promoting the organizational values of the Company and the Group as a whole and advocating for socially responsible business practices.

The Company is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy. By endorsing this Code, the Company has committed to principles of responsibility, truthfulness, efficiency, transparency, and quality, while acting in good faith and in line with fair business practices toward all business partners, the wider community, and its employees. Through its governance policies and codes, KONČAR reinforces its commitment to fostering equality and inclusion across all facets of the organisation. This includes equal treatment in recruitment, promotion, and professional development, irrespective of gender, age, nationality, ethnicity, race, religion, language, socio-economic status, sexual orientation, or political and organisational affiliations.

### **Expertise of the administrative, management, and supervisory bodies in matters of business conduct**

The Management Board and the Supervisory Board maintain a close and constructive collaboration, acting in the best interest of KONČAR – Electrical Industry Inc. and the broader KONČAR Group. This cooperation is realised through regularly convened formal meetings and, where appropriate, through other established channels of communication. Members of the Management Board are deemed to possess the requisite knowledge, professional acumen, and industry-specific expertise aligned with their respective areas of responsibility. Their professional biographies are publicly accessible via the official KONČAR website.

The Management Board provides the Supervisory Board with regular and comprehensive updates on all material business developments, the trajectory of operational performance, financial results, and the overall condition of KONČAR – Electrical Industry Inc. and KONČAR Group. In line with statutory obligations, the Management Board submits quarterly, semi-annual, and annual written reports on business performance. In addition, the Supervisory Board is kept apprised of the Company's corporate strategy, planning processes, significant business events, risk management framework, compliance matters, deviations from initial plans and forecasts, and major transactions involving KONČAR Inc., its subsidiaries, and affiliated entities. The individual self-assessment of Management Board members forms an integral part of the annual performance management and evaluation process, serving as a key instrument for reinforcing accountability, strategic alignment, and continuous improvement at the executive level. Furthermore, in accordance with the Companies Act, the General Assembly grants discharge to the Management Board for its conduct of business operations during the preceding financial year, thereby formally endorsing the way the Company has been managed.

The Supervisory Board conducts regular self-assessments of its overall composition, including the professional profiles, competencies, and effectiveness of both its members and standing committees. These evaluations are initiated by the Chair of the Supervisory Board, with the support of relevant committees, and are carried out independently, without recourse to external evaluators. The Board operates with an optimal composition of nine members, who collectively bring the breadth of expertise, sector-specific knowledge, and professional acumen required for the effective execution of their fiduciary responsibilities. The assessment process affirms that each member contributes constructively and consistently, demonstrates a clear commitment to their role, and dedicates sufficient time and attention to the fulfilment of their duties.

The Secretary to the Management Board is entrusted with the coordination and execution of Board meetings and ensures that all Management Board resolutions are in full compliance with the Company's Articles of Association and internal governance framework. These responsibilities are carried out in accordance with the Principles of Corporate Governance, the Group's Corporate Governance Rules, and KONČAR Group Code of Conduct.

## G1-1 Corporate culture and business conduct policies

G1.MDR-P\_01-06, G1-1\_01, G1-1\_02, G1-1\_05, G1-1\_08

### G1-1 Corporate culture and business conduct policies

KONČAR Group has established a comprehensive Group-wide Code of Business Conduct, which encapsulates all essential dimensions of responsible corporate governance. This framework articulates clear commitments to the prevention of bribery and corruption, the prohibition of political financing, whistleblower protection, regulatory compliance, and the strict rejection of child labour, forced labour, human trafficking, and any form of discrimination. The Group's operations are firmly grounded in the Principles of Corporate Governance and are further supported by a robust Internal Whistleblowing Procedure, which outlines clear responsibilities related to the avoidance of conflicts of interest and the upholding of ethical standards. Moreover, the Group has adopted a comprehensive Anti-Corruption Policy, which enshrines a zero-tolerance stance on all corrupt practices—whether direct or indirect—and explicitly prohibits such behaviour across all levels of the organisation. Regarding data privacy and protection, KONČAR Inc. and all affiliated Group companies uphold robust safeguards to ensure the confidentiality and integrity of both personal and business-related information pertaining to employees and external stakeholders. A comprehensive Data Protection Register has been implemented to systematically document data usage, including its intended purpose and processing methods. Employees undergo continuous training on secure electronic communication protocols and cybersecurity risk awareness, reinforcing a culture of digital responsibility. Since 2018, the Group has enforced a Personal Data Protection Policy alongside a dedicated GDPR Implementation Procedure, ensuring full alignment with European data protection standards.

Moreover, all governing, management, and supervisory bodies are actively engaged in the adoption and enforcement of ethical principles. Employees receive targeted training on the Code of Ethics and the mechanisms for reporting misconduct or irregularities, thereby embedding ethical conduct across the organisation's daily operations. Further advancements have been achieved in fostering diversity, gender equality, and a culture of mutual respect and transparent decision-making, with a strong emphasis on developing solutions that harmonise employee wellbeing with organisational performance. In this context, the adoption of the Diversity Policy marks a key milestone, soon to be followed by the implementation of a Diversity Action Plan. Complementing these strategic frameworks are a range of socially responsible initiatives, including dedicated support programmes for working mothers and reintegration workshops for employees returning from parental leave. These initiatives are spearheaded by KONČAR Inc. in strategic partnership with UNICEF, reflecting a shared commitment to advancing awareness and action on critical social priorities. Employees are actively encouraged to deepen their understanding of children's rights and explore ways to meaningfully embed these principles within the broader corporate ecosystem. In alignment with Strategic Objective 8 – Ensuring Responsible and Ethical Governance and the Integration of Sustainability into Core Business Practices – KONČAR Group is systematically embedding sustainability-related criteria within its risk assessment procedures and enterprise risk management frameworks. Leveraging its Risk Management Policy and a robust methodology compliant with ISO 31000:2018, the Group has formally identified, evaluated, and prioritised sustainability-related risks within its 2024 Risk Catalogue. This structured integration marks a significant advancement in the institutionalisation of sustainability-related criteria within the Group's risk governance system, reinforcing operational resilience and driving the achievement of KONČAR's long-term sustainability goals.

### Corporate culture

The evolution of the company's strategic direction and corporate culture is subject to biennial review and refinement and is fully embedded in Strategy 2024+ and the Group's revised operational model. The cultivation and advancement of corporate culture are actively championed by the Group's leadership and strategically anchored across key functions—including the Strategy and Business Development Department (within which the Sustainability Office operates), the Marketing Department, and the Human Resources Department. The Sustainability Office plays a central role in operationalising the Group's cultural values, maintaining continuous engagement with KONČAR subsidiaries to ensure measurable progress across all three sustainability-related dimensions. The social dimension of KONČAR's corporate culture is actively reinforced through a comprehensive portfolio of donation and sponsorship programmes, encompassing support for domestic athletes, para-athletes, and amateur sports, as well as scholarship schemes, internship opportunities, and ongoing academic collaboration, including guest lectures at the Faculty of Electrical Engineering and Computing in Zagreb. Further embedding the Group's commitment to responsible citizenship, KONČAR cultivates a culture of collective engagement and social solidarity through its Volunteer Club, an employee-led initiative that contributes to community wellbeing and environmental stewardship. Activities include annual reforestation campaigns in Vukovar, renovation support for social welfare institutions, and local environmental clean-up and greening initiatives, all of which reflect the Group's values of inclusion, accountability, and shared responsibility. The Group systematically evaluates its corporate culture through annual employee engagement and satisfaction surveys, which serve as a structured mechanism for gathering insights on employee perceptions, organisational climate, and proposals for improvement. The results directly inform the Company's strategic direction and provide a valuable basis for continuous development.

Corporate culture is further embedded and strengthened through a comprehensive programme of corporate-level decisions, targeted training sessions, and interactive workshops conducted throughout the year. Participation is closely monitored and

supported by curated learning materials to facilitate knowledge dissemination and foster an environment of collaborative learning and proactive engagement. Where appropriate, KONČAR engages leading external experts, while in-house training is carefully aligned with business priorities, regulatory obligations, emerging trends, and employee development needs. In alignment with Strategic Objective 8 – Ensuring Responsible and Ethical Governance and the Integration of Sustainability into Core Business Operations, KONČAR places strategic emphasis on comprehensive ESG capacity-building. All key personnel engaged in the reporting process have successfully completed targeted ESG training programmes, covering a wide spectrum of relevant thematic areas. These trainings are designed not only to deepen awareness of sustainability-related principles but also to foster a culture of corporate responsibility and sustainability integration across all operational levels. Equipped with this knowledge, employees play a vital role in every phase of the ESRS reporting cycle—from data gathering and validation, through the identification of material sustainability topics and execution of the double materiality assessment, to the structured development and final assurance of sustainability disclosures. By embedding a rigorous, knowledge-based approach to ESG reporting, KONČAR ensures strong alignment with evolving regulatory frameworks while simultaneously responding to the expectations of a broad spectrum of stakeholders.

### **Reporting irregularities**

KONČAR Inc. has instituted a robust and formally structured mechanism for the confidential reporting and examination of irregularities, governed by its Internal Whistleblowing Procedure and fully aligned with the applicable provisions of the Whistleblower Protection Act. Oversight of the internal reporting process is entrusted to a Designated Confidential Officer, supported by a Deputy, both of whom must be individuals who command the confidence of the workforce and possess the necessary competencies to carry out the procedure in strict adherence to internal governance frameworks and statutory requirements. Reports of suspected irregularities may be submitted confidentially, either in written or oral form—via telephone, voicemail, or, upon request, through a face-to-face meeting arranged within a reasonable timeframe. Written submissions are accepted through any medium that ensures the creation of a verifiable record. The entire process is governed by strict confidentiality and provides full protection to whistleblowers in accordance with applicable legal and internal provisions. The scope of reportable concerns includes all instances of unlawful or unethical conduct, encompassing—though not limited to—harassment, corruption, bribery, conflicts of interest, and any violation of KONČAR's internal codes, policies, or ethical standards. Such matters are addressed through well-defined internal procedures that ensure due process, impartiality, and adherence to the Internal Whistleblowing Procedure. Whistleblowers are also entitled, under applicable national legislation, to report concerns directly to the designated external authority—the Ombudsperson of the Republic of Croatia—without the obligation of prior internal disclosure. This safeguard underscores KONČAR's commitment to transparency, accountability, and the full protection of individuals who act in the public and organisational interest.

### **Protection of whistleblowers**

Designated Confidential Persons are required to complete targeted training focused on whistleblower protection and the ethical management of sensitive disclosures. The employer is obligated to equip the Confidential Person with all requisite resources and conditions to perform their duties effectively. This includes secure systems for data collection and processing, as well as strict adherence to internal protocols. The identity of whistleblowers is strictly protected and disclosed solely to the Confidential Person where necessary for investigative purposes. All participants in the process are bound by confidentiality obligations. Anonymous reporting is also permitted. In such instances, the Confidential Person evaluates the credibility and factual basis of the report, proceeding in accordance with their professional judgment and the applicable procedural safeguards.

### **Timely, independent and impartial investigation**

Reports of irregularities are investigated as promptly as possible, through an independent and impartial process. Upon receipt of a report, the Designated Confidential Person is obligated to formally acknowledge the submission within seven calendar days. Where feasible, whistleblowers are encouraged to provide any relevant supporting documentation or evidence to substantiate the reported concerns. Clear and accessible instructions regarding the reporting process, including designated contact points and communication channels, are publicly disclosed on KONČAR's official website and prominently displayed on internal noticeboards. For procedural coordination purposes only, the Confidential Person must inform the Management Board and the relevant line manager of the report's receipt, accompanied by an indicative timeline for the resolution process. Reported concerns may be addressed through informal resolution mechanisms or escalated to a formal investigatory process, depending on the nature and gravity of the issue. The Confidential Person is required to initiate appropriate follow-up measures and to communicate the outcome of the preliminary review to the whistleblower.

If the reported matter is deemed to pose a material risk to the Company and cannot be resolved through internal channels, the Confidential Officer is authorised to prepare an Extraordinary Report and escalate the issue to the competent external authorities, in accordance with the nature and seriousness of the concern raised.

## G1-2 Supplier relationship management

G1-2\_01, G1-2\_02, G1-2\_03

### Disclosure of the company's policy for preventing late payments

Entities within the KONČAR Group pay special attention in their operations to the timely settlement of obligations to suppliers, respecting legal and contractual payment deadlines. A detailed description of policies, practices, and payment oversight can be found below in section G1-6 – Payment Practices.

### Description of the company's approach to supplier relationships

In its supply chain governance, KONČAR Group aims to foster transparency, promote accountability, reduce supplier-related risks, and encourage sustainability across all stages of the value chain. The most prominent risk relates to the instability of global supply chains, manifesting in prolonged lead times for critical components. Volatility in the prices of key raw materials—such as copper, aluminium, transformer steel, transformer oil, insulation materials, and structural steel—represents a persistent challenge, given the potential for significant fluctuations over relatively short periods. In response, KONČAR Group has implemented a series of measures aimed at mitigating exposure to such risks. Over the past two years, the Group has introduced sliding price clauses into customer contracts, allowing for the adjustment of prices in accordance with raw material market movements. Copper, as a commodity traded on global exchanges such as the London Metal Exchange, is subject to forward purchasing agreements, whereby future quantities and prices are contractually secured in alignment with projected needs and market expectations. In addition, strategic procurement arrangements—particularly for transformer steel and other critical components—are established through semi-annual agreements with key suppliers, ensuring both supply continuity and greater price stability. Any material price developments are consistently reflected in cost recalculations and incorporated into the pricing structure of future bids and proposals.

KONČAR bears significant responsibility for the environmental and social footprint of its products and strives to manage the entire production chain to uphold quality and sustainability at every stage. Whenever feasible, the Group selects suppliers whose materials and components are non-hazardous to human health and the environment, recyclable at end-of-life, or otherwise safely disposable. Furthermore, KONČAR integrates sustainability considerations into its procurement practices by applying the precautionary principle, particularly in projects located in environmentally sensitive areas such as rivers, lakes, and rural ecosystems. The Group ensures that all delivered equipment, and products adhere to the highest safety and environmental standards, which is reflected in the absence of any reported incidents or complaints related to environmental non-compliance. In alignment with these principles, KONČAR collaborates with investors and project developers who are required to observe all relevant environmental regulations and standards as part of the implementation of capital infrastructure projects.

### Supplier selection criteria

As an integral pillar of its corporate policy, KONČAR is dedicated to delivering products of the highest quality and reliability, while simultaneously upholding rigorous standards in environmental protection, occupational health and safety, information security, and sustainable energy management. These principles are systematically embedded across KONČAR Group through the implementation and third-party certification of integrated management systems, aligned with globally recognised standards—namely ISO 9001 (Quality Management), ISO 14001 (Environmental Management), OHSAS 18001 / ISO 45001 (Occupational Health and Safety), ISO/IEC 27001 (Information Security Management), and ISO 50001 (Energy Management). In addition, for specific product segments, the Group applies supplementary technical norms and customer-specific standards to ensure full compliance with stakeholder expectations and sectoral requirements.

The Environmental Management System in accordance with ISO 14001 is currently certified across fourteen KONČAR Group companies. Through the application of this framework, Group entities systematically monitor and assess environmental aspects related to their operations, processes, and the lifecycle impacts of delivered products and services, while implementing targeted measures to minimise environmental harm. Certification is issued by independent accredited bodies, enhancing trust among key stakeholders—including regulatory authorities, local communities, and suppliers. In the supplier selection process, KONČAR applies a comprehensive set of criteria that extend beyond technical and commercial performance. Prospective contractors are expected not only to meet clearly defined standards related to product quality, delivery timelines, and payment terms, but also to demonstrate robust compliance with occupational health and safety requirements and environmental protection protocols. Verification of such compliance is ensured through the submission of relevant and up-to-date documentation, including internationally recognised certifications. Each entity within KONČAR Group maintains a centralised supplier database encompassing both essential corporate information (e.g., registered name, contact details) and qualitative performance indicators. In the supplier selection process, KONČAR applies a comprehensive set of criteria that extend beyond technical and commercial performance. Prospective contractors are expected not only to meet clearly defined standards related to product quality, delivery timelines, and payment terms, but also to demonstrate robust compliance with occupational health and safety requirements and environmental protection protocols.

KONČAR places particular emphasis on ensuring that key suppliers uphold and integrate sustainability-related standards into their operations. This includes full adherence to all applicable legislation in the fields of environmental protection, health, and safety; a commitment to sustainable product development, use, and end-of-life management; and the observance of internationally recognised human rights. Suppliers are expected to guarantee fair working conditions, respect statutory wage and working hour regulations, and categorically prohibit all forms of forced and child labour across their operations. KONČAR expects its suppliers to recognise and safeguard the rights of vulnerable groups—including children, women, and migrant workers—and to foster a workplace free from discrimination, where all individuals are treated equally and with dignity, irrespective of their background or identity.

In alignment with Strategic Objective 9 – Ensure accountability across the supply chain and alignment with KONČAR's core values – the Group is in the process of developing a comprehensive Supplier Code of Conduct. This document will institutionalise and harmonise ESG expectations across all KONČAR entities. It is worth noting that KONČAR – Distribution and Special Transformers has already adopted a dedicated Supplier Code of Conduct, the acceptance of which is a mandatory condition for entering into any contractual relationship.

## G1-3 Prevention and detection of corruption and bribery

**G1-3\_01, G1-3\_02, G1-3\_03, G1-3\_05, G1-3\_06, G1-3\_07, G1-3\_08, G1.MDR-A\_01-12**

Corruption encompasses any misuse of authority or entrusted position for the purpose of securing undue personal advantage or conferring benefits upon an associated individual or group. The concept of corruption is interpreted in its broadest sense, extending beyond personal financial gain to include all forms of unethical conduct, such as nepotism, cronyism, and undue preferential treatment, that compromise legal compliance or breach internal standards of integrity. KONČAR – Electrical Industry Inc., together with all entities within KONČAR Group, upholds a rigorous zero-tolerance policy towards corruption, underpinned by a proactive and systemic approach to its prevention, detection, and sanctioning. All KONČAR employees are thoroughly acquainted with the Group's anti-corruption commitments. The act of reporting suspected corruption—whether to the Company's Management Board, designated internal authorities, or competent national institutions—is unequivocally protected and shall not, under any circumstances, constitute grounds for disciplinary action or termination of employment.

The Group guarantees robust whistleblower protections, including the preservation of confidentiality, immunity from retaliation, and safeguarding against any form of reprisal or workplace harassment. Additionally, the Management Board bears the obligation to initiate formal proceedings against any superior who acts in contravention of these protective provisions.

As of the end of 2024, KONČAR Group formally adopted its Anti-Corruption Policy, further consolidating its firm and preventive stance against all forms of corruption and bribery. The Management Board retains ultimate accountability for ensuring the policy's consistent and effective implementation, while all levels of management are entrusted with overseeing employee compliance, proactively identifying areas requiring additional training, and embedding the policy's core values within their respective organisational units. The Management Board and senior executives play a central role in leading by example, consistently upholding the principles of ethical conduct, transparency, and accountability. Through their actions, they establish a clear organisational tone that reinforces integrity as a fundamental and non-negotiable value embedded across all levels of KONČAR Group. The role and exemplary behavior of Management Board members and managers are key factors in education about values and their dissemination to ensure the implementation of these values and in practice.

The Anti-corruption Policy establishes a systematic and risk-based framework for assessing exposure to corruption across business transactions, projects, and contractual engagements. This structured approach facilitates the early identification of potential vulnerabilities and mandates the application of proportionate mitigation measures to ensure residual risks are managed within acceptable thresholds.

The Group's corruption risk assessment framework is guided by a set of clearly defined criteria, applied with rigour and proportionality depending on the nature and context of the engagement. These criteria include:

- Jurisdictional exposure, reflecting the inherent corruption risks associated with the geopolitical and regulatory landscape of the specific country
- Customer classification, distinguishing between private and public sector engagements the type of buyer in respect of whether it belongs to the private or public sector
- Project-specific factors, including contract value, scope, complexity, and the procurement model applied circumstances of a particular case such as the value of the contract, the complexity of the business, the type of procurement
- Third-party due diligence, encompassing the reputation, role, and compensation structure of business intermediaries, agents, or partners
- Proportionality, ensuring that the level of effort, risk exposure, and anticipated benefit remain aligned and justified.

Risk assessments are conducted systematically whenever justified by the circumstances of a transaction, project, or contractual relationship—or when mandated by internal controls or regulatory obligation. To mitigate identified corruption risks, KONČAR applies a range of preventive and control measures, including targeted anti-corruption training for employees and ongoing communication of the Group's Anti-Corruption Policy and related standards to suppliers, contractors, and business partners.



## G1-4 Incidents of corruption or bribery

G1-4\_01, G1-4\_02

During the reporting period, KONČAR Group did not incur any convictions or financial penalties related to breaches of anti-corruption or anti-bribery regulations.

## G1-6 payment practices

G1-6\_01, G1-6\_02, G1-6\_03, G1-6\_04, G1-6\_05

KONČAR Group complies with the provisions of national and EU regulations regarding payment deadlines. Entities within the KONČAR Group independently establish their payment policies, which are communicated to suppliers when negotiating business cooperation, ensuring that obligations to suppliers are settled within legal and contractual deadlines. The supervisory boards regularly monitor the status of payables to suppliers and receivables from customers through detailed reports, which are reviewed at each meeting. The entities submit monthly data on outstanding obligations, categorized by due dates and by domestic, foreign, and affiliated entities. In this way, members of the Management Board of KONČAR Inc., in their supervisory role and through their membership in the supervisory boards of subsidiary companies, continuously monitor and control the timeliness of fulfilling obligations to suppliers. As a result of this approach, there are no legal disputes within the KONČAR Group related to delays in payment obligations to suppliers.

Cash obligations are regulated by the Financial Operations and Pre-Bankruptcy Settlement Act. As a rule, the companies within the KONČAR Group settle their obligations within the legally prescribed period (60 days), except in contracts where longer payment terms have been agreed in writing (retentions under contracts for complex projects). The average number of days for payments to suppliers across KONČAR Group is 92 days, which includes retention periods under contracts where extended payment terms have been agreed.

Company	Average payment duration (from contractual/statutory due date)	Payments made within stan- dard terms (%)*	Ongoing legal proceedings related to late payments
KONČAR Inc.	32	62%	0
KONČAR – Motors and Elec- trical Systems	34	98%	0
KONČAR – Generators and Motors	30	50%	0
KONČAR – Switchgear	75	~90%	0
KONČAR – Electric Vehicles	71	100%	0
KONČAR – Electronics and Informatics	30	/	/
KONČAR – Digital	38	47%	0
KONČAR – Electrical Engi- neering Institute	/	99%	0
KONČAR – Instrument Trans- formers	90	/	0
KONČAR – Metal Structures	32	74%	0
KONČAR – Distribution and Special Transformers (+ Ferokotao + PET)	45	78%	0
Dalekovod d.d.	53	69%	0
Dalekovod OSO	98	44%	1
Dalekovod MK	76	51%	0
Dalekovod Projekt	110	64%	0
Dalekovod EMU	56	68%	0
Dalekovod Mostar	16	100%	0
Dalekovod Ljubljana	30	100%	0

\* The percentage of payments is disclosed in terms of the company's standard payment conditions, expressed in number of days, and grouped by main supplier category. For example, under its standard contractual terms, Company ABC pays invoices from wholesale suppliers—representing approximately 80% of its annual invoices—upon receipt. Around 5% of its annual invoices relate to services received and are paid within 30 days of invoice receipt. The remaining invoices are generally paid within 60 days of receipt, except those in Country X, where, in line with market standards, they are paid within 90 days of receipt.



## 5 Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (the EU Taxonomy Regulation)

### Introduction

One of the central challenges of our era lies in achieving environmentally sustainable business operations.

In 2024, KONČAR Group achieved strong performance results, driven in large part by the momentum of the green transition and growing market demand for power equipment—a key segment of KONČAR's operations.

Sustainability has become a strategic imperative, particularly for manufacturing companies, where operational processes and product applications intersect directly with environmental factors. For KONČAR, this is especially relevant, as much of its equipment is installed within natural ecosystems—such as transformer stations, hydropower plants, energy infrastructure, and rail systems). The European Union has made climate transition a strategic priority, targeting a 55% reduction in CO<sub>2</sub> emissions by 2030 relative to 1990 levels, and full climate neutrality by 2050.

Meeting the EU's climate objectives will require significant investment across the full spectrum of economic sectors, as well as active engagement from the wider society. In the absence of a harmonised classification system for determining which economic activities and investments contribute to sustainability goals, the European Parliament and the Council adopted Regulation (EU) 2020/852 (the "Taxonomy Regulation")—supplemented by delegated acts that establish the EU taxonomy for climate-sustainable economic activities. By providing clear definitions of what constitutes environmentally sustainable and taxonomy-aligned activities, the framework enhances the transparency of sustainability disclosures, facilitates the identification of activities that make a substantial contribution to environmental objectives, and establishes a foundation for mobilising and redirecting capital flows toward sustainable technologies and business models. This structure strengthens access to international capital markets and reduces the risk of distortion from actors engaged in misleading environmental claims—commonly referred to as "greenwashing".

The EU Taxonomy sets out six key environmental objectives, which serve as the foundation for classifying economic activities as environmentally sustainable:

1. Climate change mitigation (CCM) – covering activities that result in measurable reductions in greenhouse gas emissions;
2. Climate change adaptation (CCA) – covering activities that result in measurable reductions in greenhouse gas emissions;
3. Sustainable use and protection of water and marine resources (WTR) – addressing activities that enhance water resource management and marine conservation;
4. Transition to a circular economy (CE) – encompassing activities that promote resource efficiency and waste minimisation;
5. Pollution prevention and control (PPC) – activities aimed at preventing or mitigating pollution;
6. Sustainable use and protection of water and marine resources (BIO) – addressing activities that enhance water resource management and marine conservation.

The Regulation distinguishes between two basic categories of regulated activities:

1. Taxonomically acceptable activities – economic activities that are listed in the Regulation under individual environmental objectives.
2. Taxonomically compliant activities – economic activities that are acceptable and that additionally meet specific technical screening criteria and can be considered environmentally sustainable activities.

According to Article 3 of the Regulation, an economic activity is considered environmentally sustainable (compliant with the Taxonomy Regulation) if it meets the following criteria:

1. Substantial contribution In order for an economic activity to be considered environmentally sustainable, the first requirement of the regulation is that it significantly contributes to at least one of the 6 environmental objectives prescribed in Article 9 of the Regulation, whereby the prescribed technical screening criteria must be met.
2. Principle of no significant harm ("Does not cause significant harm") The second requirement of the regulation stipulates that an economic activity, in order to be considered environmentally sustainable, must not cause significant harm to any other environmental objective.



In accordance with the requirements of Delegated Regulation 2021/2178 on publication of content and presentation of information on environmentally sustainable economic activities, this report provides information on key indicators, i.e. the shares of taxonomically harmonized, acceptable and unacceptable economic activities in the income, capital expenditure (CapEx) and operational expenditure (OpEx) of the KONČAR Group.

The KONČAR Group report is prepared on a consolidated basis and includes all companies that make up the Group. When calculating the KPUs, special attention was paid to avoiding double counting, in accordance with the principles within the Taxonomy Regulation, which ensures that one economic activity cannot be counted more than once for contributing to different environmental objectives or for different entities. Given that it was determined that each identified activity contributes to only one environmental objective, double counting was successfully avoided. When calculating the KPUs for the KONČAR Group, transactions between related parties were not taken into account because this is a report prepared at a consolidated level.

The analysis of income and expenses by activity was prepared in accordance with the Delegated Act on Publications and the Delegated Acts that prescribe the technical verification criteria. The analysis of capital expenditures was prepared in such a way that a list of realized capital expenditures in 2024 was first determined, which, in accordance with the Delegated Acts, can be linked to taxonomically acceptable activities. The assessment of the compliance of capital expenditures was not conducted because it was not possible to determine the “does not cause significant harm” criterion for capital expenditures for the environmental objective of climate change adaptation, given that the climate risk assessment and sensitivity analysis was not prepared during 2024.

## Assessment of activities considered taxonomy-eligible and taxonomy-aligned for KONČAR Group

For the fourth consecutive year, KONČAR is publishing its report in line with the EU Taxonomy Regulation. The report has been prepared on a fully consolidated basis, encompassing all entities within KONČAR Group. In calculating taxonomy-aligned Key Performance Indicators (KPIs), particular attention was paid to avoiding double counting by ensuring that each item was assigned to one KPI only.

EU Taxonomy results for KONČAR Group: 2021–2024

	Taxonomy eligible			
	2021	2022.	2023.*	2024.
EU-Taxonomy Revenue	29%	29%	70%	<b>77%</b>
EU-Taxonomy Capital Expenditures (CapEx)	44%	32%	45%	<b>82%</b>
EU-Taxonomy Operating Expenditures (OpEx)	23%	19%	45%	<b>41%</b>

\* In relation to the published data in the section related to taxonomically acceptable income, a reassessment of the compliance of section 3.2 was carried out. Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which significantly contribute to climate mitigation

This year's Taxonomy Report addresses all six environmental objectives. Alongside the two previously defined objectives—climate change mitigation and climate change adaptation—the scope now includes four additional objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

KONČAR Group's report on the requirements set out by the Taxonomy Regulation and delegated acts is based primarily on activities classified in line with the NACE[1] classification.

The production portfolio of companies within KONČAR Group is structured into several key segments:

### Electricity Generation

- Solar (photovoltaic) power plants
- Equipment manufacturing
- Turnkey projects, maintenance, overhauls, reconstruction, and plant refurbishment

### Transmission and Distribution of Electricity

- Transformer substations
- Equipment manufacturing
- Construction, reconstruction, overhaul, and refurbishment of transmission and distribution facilities

### Rail Vehicles and Infrastructure niskopodni elektromotorni i dizel-električni vlakovi

- Low-floor electric and diesel-electric multiple units
- Low-floor trams
- Components and systems for railway vehicles
- Railway infrastructure

In line with the NACE1 classification and for the purposes of the report prescribed by the Taxonomy Regulation ("the Report"), the majority (95%) of the products and services screened in order to identify Taxonomy-eligible activities are classified into three basic sectors:

- Sector 3 Manufacturing
- Sector 4 Energy
- Sector 6 Transport

For the purpose of the disclosures in the Report, with the support of expert consultants, a comprehensive Group-wide screening of the business segments and manufacturing portfolio was conducted. The screening included professional functions such as manufacturing, research and development, and finance.

The Management Board of KONČAR - Electrical Industry Inc. has reviewed and adopted the Report and, in cooperation with the professional functions in charge of strategy implementation and activities in the field of sustainable development, agreed on a roadmap of activities in this area. To support the transition to a low-carbon economy across all areas of operation, KONČAR remains firmly committed to investing in technologies that reduce the carbon footprint—both of the Company itself and of its customers as end-users of its products.

Manufacturing activities are oriented toward the development of robust and enduring products, with built-in potential for revitalisation and reuse in line with circular economy principles. The applied methodology in manufacturing is aimed at maximising the utilisation of environmentally sustainable resources in an efficient and responsible manner. The prudent use of primary resources such as water, gas, and electricity contributes to overall sustainability goals.

As reflected in the Company's business strategy, the development of products that reduce pollution and enhance energy savings remains a strategic imperative.

### Revenue from taxonomy-eligible activities

The purpose of the eligibility assessment is to determine whether KONČAR's operations correspond to the economic activity classifications outlined in the EU Taxonomy Regulation. Where alignment exists, such activities are designated taxonomy-eligible. Non-eligible activities are not included within the Taxonomy reporting framework. Eligibility was assessed across all Group companies. For the purpose of revenue-based KPI calculations, the denominator is derived from the Group's consolidated sales figures, excluding intra-group transactions. For the year 2024, consolidated revenue derived from taxonomy-eligible economic activities amounted to EUR 809.0 million, representing 76.72 % of the total revenue from the sale of products and services. All activities are taxonomically acceptable but environmentally unsustainable and inconsistent with the taxonomy, given that no climate risk assessment and sensitivity analysis was conducted for 2024, and it was not possible to determine whether the criteria "does not cause significant harm" for the goal of climate change adaptation were met.

Taxonomy-eligible revenue is primarily associated with companies whose core operations are aligned with the following economic activity categories:

- 3.2. Manufacture, installation, and servicing of high-voltage, medium-voltage, and low-voltage electrical equipment for the transmission and distribution of electricity, which contributes substantially to climate change mitigation
- 3.3. Manufacture of low-carbon technologies for transport
- 4.9. Transmission and distribution of electricity
- 6.14. Manufacture of low-carbon technologies for transport



A detailed breakdown of all economic activities that generated taxonomy-eligible revenue in 2024 is presented in the table below:

		Prihodi
1.2 (CE)	Production of electrical and electronic equipment	21.431
2.3 (CE)	Collection and transportation of non-hazardous and hazardous waste	1.731
3.1.A	Manufacture of renewable energy technologies	40.751
3.19 (CCM)	Production of component parts of railway vehicles	841
3.20 (CCM)	Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	559.294
3.3 (CCM)	Manufacture of low carbon technologies for transport	64.730
4.1	Electricity generation using solar photovoltaic technology	11.022
4.10	Storage of electricity	171
4.20.	Cogeneration of energy for heating/cooling and electricity from bioenergy	428
4.3	Electricity generation from wind power	1.940
4.5	Electricity generation from hydropower	18.192
4.8	Production of electricity from bioenergy	139
4.9	Transmission and distribution of electricity	39.971
5.2 (CCM)	Renovation of the water collection, purification and supply system	100
5.2 (CE)	Sale of spare parts	116
5.4 (CE)	Sale of used goods	4
5.5	Collection and transport of non-hazardous waste in source segregated fractions	392
6.14	Infrastructure for rail transport	6.953
6.15.A	Infrastructure enabling low-carbon road transport and public transport	26.967
7.6 (CCM)	Installation, maintenance and repair of technologies for energy from renewable sources	42
7.7	Acquisition and ownership of buildings	2.564
8.2 (CCA)	Computer programming, consulting and related activities	10.386
9.1 (CCM)	Research, development and innovation with market potential (to contribute to mitigating climate change)	804
	<b>Total taxonomic numerator</b>	<b>808.967</b>
	Denominator	1.054.377
	<b>Coverage</b>	<b>76,72%</b>

### Capital expenditures (CAPEX)

KONČAR Group's total capital expenditures pertain to the acquisition of assets and include all capitalised investments in tangible and intangible assets, right-of-use assets, and investment properties. In 2024, taxonomy-eligible capital expenditures amounted to EUR 36.2 million, representing 82.41% of total CAPEX, in accordance with the EU Taxonomy Regulation.

A substantial portion of this CAPEX pertains to the following activities:

- 7.3 Installation, maintenance, and repair of energy efficiency equipment
- 3.2 Installation and servicing of high-voltage, medium-voltage, and low-voltage electrical equipment for electricity transmission and distribution, contributing substantially to climate change mitigation
- 7.7. Acquisition and ownership of buildings
- 6.5. Transport by motorcycles, passenger cars, and light commercial vehicles

All capital expenditures that can be linked to taxonomically acceptable activities are recognized as taxonomically non-compliant since no climate risk assessment and sensitivity analysis was conducted for 2024 and it was not possible to determine whether the criterion "does not cause significant harm" for the purpose of climate change adaptation was met.

A detailed breakdown of all activities contributing to taxonomy-eligible CAPEX in 2024 is provided in the table below:

		CAPEX
1.2 (CE)	Production of electrical and electronic equipment	743
3.1.A	Manufacture of renewable energy technologies	2.064
3.19 (CCM)	Production of component parts of railway vehicles	58
3.20 (CCM)	Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	5.495
3.3 (CCM)	Manufacture of low carbon technologies for transport	494
3.6.	Production of other low-carbon technologies	193
4.1	Electricity generation using solar photovoltaic technology	613
4.3	Electricity generation from wind power	172
4.31.	Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	71
4.9	Transmission and distribution of electricity	139
5.2 (CCM)	Renovation of the water collection, purification and supply system	1
5.2 (CE)	Sale of spare parts	3.424
6.14	Infrastructure for rail transport	214
6.15.A	Infrastructure enabling low-carbon road transport and public transport	1.366
6.5	Transport by motorbikes, passenger cars and light commercial vehicles	3.019
6.6	Freight transport services by road	221
7.1	Construction of new buildings	14
7.2	Renovation of existing buildings	2.304
7.3 (CCM)	Installation, maintenance and repair of equipment for energy efficiency	9.350
7.4	Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking lots connected to buildings)	2
7.5 (CCM)	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	33
7.6 (CCA)	Installation, maintenance and repair of technologies for energy from renewable sources	30
7.6 (CCM)	Installation, maintenance and repair of technologies for energy from renewable sources	1.227
7.7	Acquisition and ownership of buildings	3.923
9.1 (CCM)	Research, development and innovation with market potential (to contribute to mitigating climate change)	1.005
<b>Total taxonomic numerator</b>		<b>36.175</b>
Denominator		43.897
<b>Coverage</b>		<b>82,41%</b>

Denominator linked to Notes 13 and 14 – Cash outflows for the purchase of property, plant, equipment and intangible assets, as reported in the consolidated financial statements of the KONČAR Group

## Operating expenditures (OPEX)

Pursuant to the EU Taxonomy Regulation, the operating expenditure (OPEX) indicator encompasses direct non-capitalised costs incurred for research and development, building renovation, short-term leases related to right-of-use assets under IFRS 16, maintenance, repair, and other direct expenses required for the routine servicing of property, plant, and equipment—whether carried out internally or by third-party service providers. These expenditures are essential for ensuring the continued functionality of the assets. The numerator of the KPI comprises only those expenditures that relate to the specified categories and are linked to economic activities classified as taxonomy-eligible.

For the year 2024, taxonomy-eligible operating expenses amounted to EUR 8.2 million, representing 40.49% of total OPEX. As in the case of capital expenditures, operating expenditures that can be linked to taxonomically acceptable activities were identified as taxonomically non-compliant given that no climate risk assessment and sensitivity analysis was conducted for 2024 and it was not possible to determine whether the criterion of “does not cause significant harm” for the climate change adaptation objective was met.

The largest share of taxonomy-eligible operating costs pertains to the following economic activities:

- 7.7. Acquisition and ownership of buildings
- 3.2. Manufacture, installation, and servicing of high-voltage, medium-voltage, and low-voltage electrical equipment for the transmission and distribution of electricity, which contributes substantially to climate change mitigation
- 6.6. Freight transport services by road

A detailed breakdown of all activities contributing to taxonomy-eligible OPEX in 2024 is provided in the table below:

		OPEX
1.2 (CE)	Production of electrical and electronic equipment	134
2.3 (CE)	Collection and transportation of non-hazardous and hazardous waste	88
3.1.A	Manufacture of renewable energy technologies	220
3.19 (CCM)	Production of component parts of railway vehicles	4
3.20 (CCM)	Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	1.514
4.3	Electricity generation from wind power	397
4.31.	Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	26
4.9	Transmission and distribution of electricity	101
5.2 (CCM)	Renovation of the water collection, purification and supply system	95
5.2 (CE)	Sale of spare parts	407
6.14	Infrastructure for rail transport	203
6.15.A	Infrastructure enabling low-carbon road transport and public transport	145
6.5	Transport by motorbikes, passenger cars and light commercial vehicles	656
6.6	Freight transport services by road	1.073
7.2	Renovation of existing buildings	11
7.3 (CCM)	Installation, maintenance and repair of equipment for energy efficiency	514
7.5 (CCM)	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	252
7.6 (CCA)	Installation, maintenance and repair of technologies for energy from renewable sources	1
7.6 (CCM)	Installation, maintenance and repair of technologies for energy from renewable sources	17
7.7	Acquisition and ownership of buildings	2.275
6.4	Personal mobility device business, bicycle logistics	59
	<b>Total taxonomic numerator</b>	<b>8.190</b>
	Denominator	20.228
	<b>Coverage</b>	<b>40.49%</b>

## Conclusion

KONČAR has proactively embraced the principles of the EU Taxonomy, recognising its role in driving transparency and sustainable transformation. As part of its regulatory obligations under the EU sustainable finance framework, the KONČAR Group evaluated the eligibility of its business activities in the 2024 Non-Financial Statement.

In the next phase, the Group will advance to the assessment of technical screening criteria, which will provide the foundation for determining whether its activities not only contribute meaningfully to climate change mitigation or adaptation, but also adhere to the 'Do No Significant Harm' principle in relation to the remaining environmental objectives

[1] The NACE classification is the abbreviated title for the Statistical Classification of Economic Activities in the European Union. It serves as the standard framework for categorising economic activities across the EU, ensuring consistency and comparability in the collection and analysis of statistical data

## KPI: Revenue

Financial year 2024	2024			Substantial contribution criteria						DNSH (do no significant harm)									
Economic activities(1)	Code (a) (2)	Turnover (3)	Proportion of turnover, 2024(4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of turnover from taxonomy-aligned (A.1) or eligible (A.2) activities, 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
Text		in 000 EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy - aligned)																			
Turnover of environmentally sustainable activities (Taxonomy - aligned) (A.1)		0	0%																
A.2. Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned activities) (g)																			
				EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)										
Production of electrical and electronic equipment	1.2 (CE)	21.431	2,0%	N/EL	N/EL	N/EL	N/EL	N	N/EL										
Collection and transportation of non-hazardous and hazardous waste	2.3 (CE)	1.731	0,2%	N/EL	N/EL	N/EL	N/EL	N	N/EL										
Manufacture of renewable energy technologies	3.1.A	40.751	3,9%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Production of component parts of railway vehicles	3.19 (CCM)	841	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	3.20 (CCM)	559.294	53,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Manufacture of low carbon technologies for transport	3.3 (CCM)	64.730	6,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Electricity generation using solar photo-voltaic technology	4.1	11.022	1,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL										

Storage of electricity	4.10	171	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Distribution of centralized heating/cooling	4.15	428	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Electricity generation from wind power	4.3	1.940	0,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Electricity generation from hydro-power	4.5	18.192	1,7%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Production of electricity from bioenergy	4.8	139	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Transmission and distribution of electricity	4.9	139	3,8%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Renovation of the water collection, purification and supply system	5.2 (CCM)	100	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Sale of spare parts	5.2 (CE)	116	0,0%	N/EL	N/EL	N/EL	N/EL	N	N/EL
Sale of used goods	5.4 (CE)	4	0,0%	N/EL	N/EL	N/EL	N/EL	N	N/EL
Collection and transport of non-hazardous waste in source segregated fractions	5.5	392	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Infrastructure for rail transport	6.14	6.953	0,7%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Infrastructure enabling low-carbon road transport and public transport	6.15.A	26.967	2,6%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	7.7	2.564	0,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, server services and related activities	8.1	0	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL
Computer programming, consulting and related activities	8.2 (CCA)	10.386	1,0%	N/EL	N	N/EL	N/EL	N/EL	N/EL
Research, development and innovation with market potential (to contribute to mitigating climate change)	9.1 (CCM)	804	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL
<b>Turnover of Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned) (A.2.)</b>		808.967	76,7%	74%	0,99%	0%	0%	2%	0%
<b>A. Turnover from Taxonomy - eligible activities (A.1 + A.2)</b>		<b>808.967</b>	76,7%	74%	0,99%	0%	0%	2%	0%
<b>B. TAXONOMY - NON - ELIGIBLE ACTIVITIES</b>									
<b>Turnover from Taxonomy - non - eligible activities</b>		<b>254.410</b>	23,3%						
<b>Total (A+B)</b>		<b>1.054.377</b>	100%						



(a) The designation consists of the description of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant attachment that refers to that objective, i.e.:

- Mitigation of climate change: CCM
- Adaptation to climate change: CCA
- Water and marine resources: WTR
- Circular economy: CE
- Prevention and control of pollution: PPC
- Biodiversity and ecosystems: BION

For example, the label for the activity "Reforestation" would be: CCM 1.1.

If activities can significantly contribute to the achievement of several objectives, labels for all objectives should be provided.

For example, if the business entity states that the activity "Construction of new buildings" significantly contributes to mitigating climate change and the circular economy, the label would be: CCM 7.1./CE 3.1.

Sections A.1 and A.2 should use the same labels.

(b) Y – Yes, taxonomically acceptable and taxonomically compatible activity with a relevant environmental objective

N – No, taxonomically acceptable, but taxonomically incompatible activity with a relevant environmental objective

N/EL – not acceptable, taxonomically unacceptable activity for the relevant environmental objective

(c) If an economic activity contributes significantly to several environmental objectives, non-financial enterprises shall indicate in bold the most relevant environmental objective for the purpose of calculating their key performance indicators and avoid double counting. If the purpose of the funding is not known, financial companies in their respective key performance indicators calculate the financial resources of economic activities that significantly contribute to multiple environmental goals under the most relevant environmental goal that non-financial entities have listed in bold in this form. The environmental objective can be stated in bold letters only once in one line to avoid double counting for economic activities in the key financial indicators of financial companies. This does not apply to the calculation of the compliance of economic activities with the taxonomy for financial products defined in Regulation (EU) 2019/2088, Article 2, point 12. In the form below, non-financial companies report the degree of acceptability and compliance by environmental objective, which includes compliance with each from environmental goals for activities that contribute significantly to several goals

	Revenue Share/Total Revenues	
	Aligned with taxonomy by objective	Taxonomically acceptable by target
CCM	%	59,35%
CCA	%	0,99%
WTR	%	%
CE	%	2,21%
PPC	%	%
BIO	%	%

(d) The same activity may be aligned with one or more objectives for which it is taxonomically acceptable.

(e) The same activity may be acceptable and inconsistent with the relevant environmental objectives.

(f) EL – Taxonomically acceptable activity for the relevant objective

N/EL – Taxonomically unacceptable activity for the relevant objective

(g) Activities are listed in section A.2 of this form only if they do not comply with any environmental objective for which they are eligible. Activities that are aligned with at least one environmental objective are listed in section A.1 of this form.

(h) The activity specified in section A.1 must meet all the criteria of not causing significant damage and be carried out in accordance with minimum protective measures. Non-financial companies can voluntarily enter data in columns (5) to (17) for the activities listed under A.2. Non-financial companies can indicate in section A.2 the criteria of significant contribution and non-causing significant damage that they meet or fail to meet. (a) for significant contribution – Y/N and N/EL designations instead of EL and N/EL designations and (b) for DNSH – D/N designations.

## KPI CapEx

Financial year 2024	2024			Substantial contribution criteria						DNSH (do no significant harm)										
Economic activities(1)	Code (a) (2)	Turnover (3)	Proportion of turnover, 2024(4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of turnover from taxonomy-aligned (A.1) or eligible (A.2) activities, 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)	
Text		in 000 EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy - aligned)</b>																				
Turnover of environmentally sustainable activities (Taxonomy - aligned) (A.1)		0	0%																	
<b>A.2. Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned activities) (g)</b>																				
				EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)	EL; N/EL(f)											
Production of electrical and electronic equipment	1.2 (CE)	743	1,7%	N/EL	N/EL	N/EL	N/EL	N	N/EL											
Manufacture of renewable energy technologies	3.1.A	2.064	4,7%	N	N/EL	N/EL	N/EL	N/EL	N/EL											
Production of component parts of railway vehicles	3.19 (CCM)	58	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL											
Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	3.20 (CCM)	5.495	12,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL											
Manufacture of low carbon technologies for transport	3.3 (CCM)	494	1,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL											
Production of other low-carbon technologies	3.6	193	0,4%																	
Electricity generation using solar photovoltaic technology	4.1	613	1,4%	N	N/EL	N/EL	N/EL	N/EL	N/EL											

Electricity generation from wind power	4.3	172	0,4%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	4.31 CCM	71	0,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Transmission and distribution of electricity	4.9	139	0,3%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Sale of spare parts	5.2 CE	3.424	7,8%	N/EL	N/EL	N/EL	N/EL	N	N/EL	
Infrastructure for rail transport	6.14	214	0,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Infrastructure enabling low-carbon road transport and public transport	A 6.15	1.366	3,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	3.019	6,9%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Freight transport services by road	6.6	221	0,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Renovation of existing buildings	7.2	2.304	5,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of equipment for energy efficiency	7.3 CCM	9.350	21,3%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	7.5 CCM	33	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of technologies for energy from renewable sources	7.6 CCA	30	0,1%	N/EL	N	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of technologies for energy from renewable sources	7.6 CCM	1.227	2,8%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Acquisition and ownership of buildings	7.7	3.923	8,9%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Research, development and innovation with market potential (to contribute to mitigating climate change)	9.1 (CCM)	1.005	2,3%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
<b>Turnover of Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned) (A.2.)</b>		36.175	82,4%	73%	0,07%	0%	0%	9,5%	0%	
<b>A. Turnover from Taxonomy - eligible activities (A.1 + A.2)</b>		36.175	82,4%	73%	0,07%	0%	0%	9,5%	0%	
<b>B. TAXONOMY - NON - ELIGIBLE ACTIVITIES</b>										
<b>Turnover from Taxonomy - non - eligible activities</b>		7,722	17,6%							
<b>Total (A+B)</b>		<b>43.897</b>	<b>100%</b>							

(a) The designation consists of the description of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant attachment that refers to that objective, i.e.:

- Mitigation of climate change: CCM
- Adaptation to climate change: CCA
- Water and marine resources: WTR
- Circular economy: CE

— Prevention and control of pollution: PPC

— Biodiversity and ecosystems: BION For example, the label for the activity "Reforestation" would be: CCM 1.1.

If activities can significantly contribute to the achievement of several objectives, labels for all objectives should be provided.

For example, if the business entity states that the activity "Construction of new buildings" significantly contributes to mitigating climate change and the circular economy, the label would be: CCM 7.1./CE 3.1.

Sections A.1 and A.2 should use the same labels.

(b) Y – Yes, taxonomically acceptable and taxonomically compatible activity with a relevant environmental objective

N – No, taxonomically acceptable, but taxonomically incompatible activity with a relevant environmental objective

N/EL – not acceptable, taxonomically unacceptable activity for the relevant environmental objective

(c) If an economic activity contributes significantly to several environmental objectives, non-financial enterprises shall indicate in bold the most relevant environmental objective for the purpose of calculating their key performance indicators and avoid double counting. If the purpose of the funding is not known, financial companies in their respective key performance indicators calculate the financial resources of economic activities that significantly contribute to multiple environmental goals under the most relevant environmental goal that non-financial entities have listed in bold in this form. The environmental objective can be stated in bold letters only once in one line to avoid double counting for economic activities in the key financial indicators of financial companies. This does not apply to the calculation of the compliance of economic activities with the taxonomy for financial products defined in Regulation (EU) 2019/2088, Article 2, point 12. In the form below, non-financial companies report the degree of acceptability and compliance by environmental objective, which includes compliance with each from environmental goals for activities that contribute significantly to several goals.

	Revenue Share/Total Revenues	
	Aligned with taxonomy by objective	Taxonomically acceptable by target
CCM	%	40,40%
CCA	%	0,10%
WTR	%	%
CE	%	9,50%
PPC	%	%
BIO	%	%

(d) The same activity may be aligned with one or more objectives for which it is taxonomically acceptable.

(e) The same activity may be acceptable and inconsistent with the relevant environmental objectives.

(f) EL – Taxonomically acceptable activity for the relevant objective

N/EL – Taxonomically unacceptable activity for the relevant objective

(g) Activities are listed in section A.2 of this form only if they do not comply with any environmental objective for which they are eligible. Activities that are aligned with at least one environmental objective are listed in section A.1 of this form.

(h) The activity specified in section A.1 must meet all the criteria of not causing significant damage and be carried out in accordance with minimum protective measures. Non-financial companies can voluntarily enter data in columns (5) to (17) for the activities listed under A.2. Non-financial companies can indicate in section A.2 the criteria of significant contribution and non-causing significant damage that they meet or fail to meet. (a) for significant contribution – Y/N and N/EL designations instead of EL and N/EL designations and (b) for DNSH – D/N designations.

## KPI OpEx

Financial year 2024	2024			Substantial contribution criteria						DNSH (do no significant harm)									
Economic activities(1)	Code (a)(2)	OpEx (3)	Proportion of OpEx, 2024(4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of OpEx from taxonomy-aligned (A.1) or eligible (A.2) activities, 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
Text		in 000 EUR	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy - aligned)</b>																			
OpEx of environmentally sustainable activities (Taxonomy - aligned) (A.1.)		0	0%																
<b>A.2. Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned activities) (f)</b>																			
				EL; N/EL(e)	EL; N/EL(e)	EL; N/EL(e)	EL; N/EL(e)	EL; N/EL(e)	EL; N/EL(e)										
Production of electrical and electronic equipment	CE 1.2	134	0,7%	N/EL	N/EL	N/EL	N/EL	N	N/EL										
Collection and transportation of non-hazardous and hazardous waste	CE 2.3	88	0,4%	N/EL	N/EL	N/EL	N/EL	N	N/EL										
Manufacture of renewable energy technologies	A 3.1	220	1,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Production of component parts of railway vehicles	CCM 3.19	4	0,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL										
Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	CCM 3.20	1.514	7,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL										



Electricity generation from wind power	4.3	397	2,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	CCM 4.31	26	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Transmission and distribution of electricity	4.9	101	0,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Renovation of the water collection, purification and supply system	CCM 5.2	95	0,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Sale of spare parts	CE 5.2	407	2,0%	N/EL	N/EL	N/EL	N/EL	N	N/EL	
Infrastructure for rail transport	6.14	203	1,0%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Infrastructure enabling low-carbon road transport and public transport	A 6.15	145	0,7%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	656	3,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Freight transport services by road	6.6	1.073	5,3%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Renovation of existing buildings	7.2	11	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of equipment for energy efficiency	CCM 7.3	514	2,5%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	CCM 7.5	252	1,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of technologies for energy from renewable sources	CCA 7.6	1	0,0%	N/EL	N	N/EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of technologies for energy from renewable sources	CCM 7.6	17	0,1%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Acquisition and ownership of buildings	7.7	2.275	11,2%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
Personal mobility device business, bicycle logistics	6.4	59	0,3%	N	N/EL	N/EL	N/EL	N/EL	N/EL	
<b>OpEx of Taxonomy - eligible but not environmentally sustainable activities (not Taxonomy - aligned) (A.2.)</b>		8.190	40,5%	0%	0%	0%	0%	3,1%	0%	
<b>A. OpEx from Taxonomy eligible activities (A.1 + A.2)</b>		<b>8.190</b>	40,5%	0%	0%	0%	0%	1,2%	0%	
<b>B. TAXONOMY - NON - ELIGIBLE ACTIVITIES</b>										
<b>OpEx of Taxonomy -non - eligible activities</b>		<b>12.037</b>	59,5%							
<b>Total (A+B)</b>		<b>20.228</b>	<b>100%</b>							

(a) The designation consists of the description of the relevant objective to which the economic activity can significantly contribute and the number of the section on the specific activity in the relevant attachment that refers to that objective, i.e.:

- Mitigation of climate change: CCM
- Adaptation to climate change: CCA
- Water and marine resources: WTR
- Circular economy: CE
- Prevention and control of pollution: PPC
- Biodiversity and ecosystems: BION

For example, the label for the activity "Reforestation" would be: CCM 1.1.

If the activities can significantly contribute to the achievement of several objectives, labels for all objectives should be provided.

For example, if the business entity states that the activity "Construction of new buildings" significantly contributes to mitigating climate change and the circular economy, the label would be: CCM 7.1./CE 3.1.

The same labels should be used in sections A.1 and A.2.

(b) Y – Yes, taxonomically acceptable and taxonomically compatible activity with a relevant environmental objective

N – No, taxonomically acceptable, but taxonomically incompatible activity with a relevant environmental objective

N/EL – not acceptable, taxonomically unacceptable activity for the relevant environmental objective

(c) If an economic activity contributes significantly to several environmental objectives, non-financial enterprises shall indicate in bold the most relevant environmental objective for the purpose of calculating their key performance indicators and avoid double counting. If the purpose of the financing is not known, the financial companies calculate the financial in their respective key performance indicators means of economic activity that significantly contribute to several environmental objectives under the most relevant environmental objective that non-financial entities have indicated in bold letters in this form. An environmental goal can should be indicated in bold letters only once in one line to avoid double counting for economic activities in the key financial indicators of financial companies. That doesn't apply to the calculation of compliance of economic activities with the taxonomy for financial products defined in Regulation (EU) 2019/2088, article 2, point 12. In the form below, non-financial companies report and degree of acceptability and compliance by environmental objective, which includes compliance with each of the environmental objectives for activities that contribute significantly to several objectives

	Proportion of operating expenses/total operating expenses	
	Aligned with taxonomy by objective	Taxonomically acceptable by target
CCM	%	12,0%
CCA	%	%
WTR	%	%
CE	%	3,1%
PPC	%	%
BIO	%	%

(\*) The same activity can be aligned with one or more objectives for which it is taxonomically acceptable.

(d) The same activity may be acceptable and inconsistent with the relevant environmental objectives.

(e) EL – Taxonomically acceptable activity for the relevant objective

N/EL – Taxonomically unacceptable activity for the relevant objective

(f) Activities are listed in section A.2 of this form only if they do not comply with any environmental objective for which they are eligible. Activities that are aligned with at least one environmental goal are listed in section A.1 of this form.

(g) The activity specified in section A.1 must meet all the criteria of not causing significant damage and be carried out in accordance with minimum protective measures. Non-financial companies can for the activities listed under A.2 voluntarily enter data in columns (5) to (17). In section A.2, non-financial companies can indicate the criteria of significant contribution and non-causing significant damage that they meet or fail to meet. fulfill. (a) for a significant contribution – Y/N and N/EL labels instead of EL and N/EL labels and (b) for DNSH – D/N labels.";



## Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

To the Shareholders of KONČAR Inc.

### Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated Sustainability Report of KONČAR Inc. ("the Company") and its subsidiaries (collectively, "the Group"), included in the *Sustainability Report* section of the Group's Management Report as of and for the year ended 31 December 2024 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law ("the Accounting Law").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Sustainability Report as of and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with the Accounting Law, including:

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section thereof; and
- Compliance of the disclosures in the *The EU Taxonomy regulation* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

Our conclusion on the Sustainability Report does not extend to any other information that accompanies or contains the Sustainability Report and our limited assurance report thereon, nor to any information within the Sustainability Report not in scope of our assurance engagement. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the Group's consolidated financial statements as of and for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's report thereon is also included with the other information.

### Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics of Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), together with the ethical requirements that are relevant to our assurance engagements on the Sustainability Reports in Croatia.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Other matter – Comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods. Our conclusion is not modified in respect of this matter.



## Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report (*continued*)

### ***Responsibilities for the Sustainability Report***

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section of the Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- Identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- Assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Developing methodologies and making assumptions that are reasonable in the circumstances.

The Management Board of the Company is further responsible for the preparation of the Sustainability Report in accordance with the Accounting Law, including:

- Compliance with the ESRS;
- Preparing the disclosures in *The EU taxonomy regulation* section of the Sustainability Report, in compliance with Article 8 of the Taxonomy Regulation;
- Designing, implementing and maintaining such internal controls that the Management Board of the Company determines are necessary to enable the preparation of the Sustainability Report such that it is free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Report.

### ***Inherent limitations in preparing the Sustainability Report***

There are inherent limitations regarding the measurement or evaluation of the sustainability matters presented in the Sustainability Report subject to limited assurance, which have been set out below:

- As described in the *General basis for preparation of the sustainability report* section, greenhouse gas emissions quantification is subject to inherent uncertainty.
- Certain metrics reported within the Sustainability Report may be subject to inherent limitations, for example, value chain information relating to emissions data provided by third parties.
- In reporting forward-looking information in accordance with the ESRS, the Management Board is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.
- In determining the disclosures in the Sustainability Report, the Management Board interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.



## Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report (*continued*)

### ***Our responsibilities***

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the Company's shareholders. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Report, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section.

Our other responsibilities in respect of the Sustainability Report include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures focused on disclosures in the Sustainability Report where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### ***Summary of the work we performed as the basis for our conclusion***

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. We designed and performed our procedures to obtain evidence about the Sustainability Report that is sufficient and appropriate to provide a basis for our conclusion.

The nature, timing and extent of our procedures depended on our understanding of the Sustainability Report and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Report. We exercised professional judgment and maintained professional skepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (including stakeholder engagement, business plans and strategy documents); and
  - inspecting the Group's internal documentation of its Process.
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section.





## **Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report (*continued*)**

### ***Summary of the work we performed as the basis for our conclusion (continued)***

In conducting our limited assurance engagement with respect to the Sustainability Report, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Report by performing inquiries of the relevant personnel and inspecting the Group's internal documentary evidence;
- Evaluating whether material information identified by the Process is included in the Sustainability Report;
- Evaluating whether the structure and the presentation of the Sustainability Report is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Report;
- Performing substantive assurance procedures on a sample basis on selected disclosures in the Sustainability Report;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Report;
- Evaluating whether the standardized reporting templates required by the Taxonomy Regulation were appropriately used to present the key performance indicators;
- Assessing whether the taxonomy disclosures are reconciled, where relevant, with the Group's consolidated financial statements; and
- Performing substantive assurance procedures on selected taxonomy disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**KPMG Croatia d.o.o. za reviziju**

Croatian Certified Auditors

Eurotower, 17th floor

Ivana Lučića 2a

10000 Zagreb

Croatia

**16 April 2025**

# Statement on the application of the corporate governance code

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# Statement on the application of the corporate governance code

The Corporate Governance Code of KONČAR Group is anchored in the legal standards of the Republic of Croatia and internationally recognized standards, seamlessly woven into its operational practices ensuring transparent and efficient operations. As a regional leader in its industry and a key employer in Croatia, KONČAR is devoted to constantly refining and evolving its governance models to align with the highest global benchmarks and methodologies. Furthermore, with KONČAR Inc.'s shares traded on the Zagreb Stock Exchange's Official Market, the company rigorously follows the Corporate Governance Code established by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

KONČAR Inc. (the "Company"), together with the Group, consistently operates in accordance with leading corporate governance practices. Through its strategy, policies, internal acts, and operational conduct, the Company has established high standards of governance and remains dedicated to fostering transparency, operational effectiveness, and strong relationships with its stakeholders and the broader community. Its business strategy, policies, foundational documents, and practices all contribute to setting a high bar for corporate governance, aiming to ensure transparency and operational efficiency while maintaining strong ties with the community it supports. The management rigorously adheres to all established corporate governance regulations.

At the HANFA Conference titled "Corporate Governance: Standards Shaping Tomorrow", awards were presented to capital market issuers listed on regulated markets for best compliance with the Corporate Governance Code, based on 2023 performance indicators. For the second consecutive year, KONČAR was recognised as the winner in the category of companies listed on the Official Market of the Zagreb Stock Exchange.

In addition to adhering to the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, which remains in force, the KONČAR Group also applies its own Corporate Governance Rules, thereby further strengthening its commitment to transparency, accountability, and alignment with European Union directives. These internal rules define procedures for the operation of the Supervisory Board, Management Board, and other decision-making bodies and governance structures, ensuring the prevention of conflicts of interest, the implementation of effective internal controls, and the establishment of a robust accountability framework.

The Management and the Supervisory Board have adopted a Code of Conduct, which serves as the foundational document for embracing and promoting the organizational values of the Company and the Group as a whole, and advocating for socially responsible business practices. The Company is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy. By adopting the Code of Business Ethics, the Company has undertaken to act in compliance with the principles of responsibility, truthfulness, efficiency, transparency, quality, good faith and observance of fair business practices towards business partners, business and social environment and its employees.

Through the adoption and endorsement of these guidelines, the Company commits to fostering an environment of equality for every employee, transcending distinctions of gender, age, nationality, ethnicity, race, religion, language, social and economic standing, sexual orientation, or political and other organizational affiliations, especially within the realms of employment, workplace conditions, selection criteria, career progression, and professional growth.

The description of the main elements of the internal control and risk management system is an important part of business operations, and its components are outlined below. The composition and functioning of the Management and Supervisory Boards, the operation of the General Assembly, and information about the Company's shareholders are part of the Corporate Governance Statement and are detailed below. All of the documents are available on KONČAR's website ([www.koncar.hr](http://www.koncar.hr)).

The Company complies with the recommendations of the Code, with the exception of those provisions where application is either impractical or not provided for under the prevailing legal framework. The relevant exceptions are as follows:

- The Supervisory Board has not formally established a target percentage for female representation on the Supervisory Board and Management Board (Article 14 of the Code); however, all applicable international and national standards on gender equality and balanced representation are directly implemented. Currently, women represent 11.1% of the Supervisory Board's composition. At the Group level, women hold 18% of senior management positions.
- In the context of reappointing Supervisory Board members whose terms concluded in 2024, the General Assembly materials did not contain data on their prior attendance at Board and committee meetings, nor the findings of the latest performance assessments (Article 17 of the Code). The Company is committed to enhancing transparency and will include this information in all future materials concerning the reappointment of Supervisory Board members.
- The company's internal regulations mandate the provision of all required materials for a Supervisory Board meeting to its members at least one week in advance, as per Article 34 of the Code. However, the Supervisory Board's Rules of Procedure specify that these materials be distributed no later than 5 days prior to the session.
- The Company has failed to establish effective formal mechanisms to enable minority Shareholders to raise questions directly with

the Presidents of the Supervisory and Management Boards (Article 76 of the Code). The Company has established mechanisms to enable minority Shareholders to raise questions via e-mail address available to investors ([ir@koncar.hr](mailto:ir@koncar.hr)), in addition to raising any questions directly with the Supervisory and Management Board Members at the General Assembly session.

- The Company does not currently employ modern communication technologies to enable remote participation in the General Assembly (Article 79 of the Code), as the existing voting procedure has, in practice, proven to be the most effective solution.
- Communication between the chairpersons and members of the committees and the Company's stakeholders (suppliers, customers, etc.) is not provided for by the Rules of Procedure, and the purpose of the committees is to give recommendations and proposals to the Supervisory Board. The Audit Committee is the exception to that rule and it communicates directly with external and internal auditors (Article 87 of the Code).

### **Combating Corruption and Bribery**

In 2024, the Management Board adopted an Anti-Corruption Policy, formally reaffirming the Company's zero-tolerance stance toward all forms of corruption.

Members of the managing bodies, employees and business partners are well-versed in the anti-corruption policies and adhere to the Code of Ethics in their professional and daily activities. KONČAR has established itself as a trustworthy and ethical business partner on the international stage, with no incidents of corruption reported across the Group.

KONČAR Inc. has abstained from providing any financial or non-financial support for political purposes, whether directly or indirectly, to any government or entity. KONČAR is committed to fostering and maintaining honest and transparent relationships in market competition across all operations, with every participant, and in every arena. No anti-competitive, antitrust or monopoly practices were recorded in KONČAR Group.

### **Corporate Governance Framework**

In line with the best practices, KONČAR strives for high standards of corporate governance and transparency of operations as the cornerstone of all business activities within the Group. Corporate governance structure is a two - tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, and pursuant to the Articles of Associations and the Companies Act, they constitute the three governance bodies of the Company.

### **General Assembly**

The General Assembly acts as the conduit for shareholders to assert their rights in matters of the company, voicing the collective ambitions of the shareholders which align with the company's objectives. It is composed of all shareholders of the company. The work of the General Assembly, its authority and competence, Shareholders' rights and the manner in which they are exercised are set out in the Company's Articles of Association, publicly available on the Company website ([www.koncar.hr](http://www.koncar.hr)). The General Assembly is competent for the election and revocation of the Supervisory Board Members, decides on the distribution of profit, grants discharges to Management and Supervisory Board Members, appoints auditors and decides on amendments to the Articles of Association, increase and reduction of share capital and other matters falling under its competence by law.

In 2024, one meeting of the General Assembly was held. At the session convened on 12 June 2024, all resolutions proposed on the agenda were duly adopted. The General Assembly passed the following resolutions: on granting discharge to the members of the Management Board and the Supervisory Board, on the distribution of available profit generated in 2023, on the appointment of the auditor for 2024, and on the approval of the Remuneration Policy and the Remuneration Report for the members of the Management Board and the Supervisory Board for the year 2023. A resolution was also adopted to amend Article 6 of the Company's Articles of Association, extending the Company's scope of business activities in accordance with the corporate restructuring resulting from the merger of KONČAR – Engineering for Production and Services Ltd. and KONČAR – Energy and Services Ltd. into the Parent Company, KONČAR Inc. Due to the expiry of the mandates of certain Supervisory Board members appointed by the General Assembly, a resolution was passed on the election of Supervisory Board members for the term beginning 13 July 2024 and ending 12 July 2028.

All resolutions adopted at the General Assembly meeting have been published in accordance with legal requirements and are available on the websites of the Company ([www.koncar.hr](http://www.koncar.hr)), the Zagreb Stock Exchange, and HANFA, together with the results of the voting.

### **Supervisory board**

In accordance with the Corporate Governance Code adopted by the Zagreb Stock Exchange and HANFA, applicable as of 1 January 2020, the Supervisory Board consists mostly of independent members. Eight out of nine members of the Supervisory Board (88.89% of the total members) are members who have no business, family or other relations to the Company, a majority Shareholder or a group of majority Shareholders, or a Member of the Management or Supervisory Board or a majority Shareholder.

The Supervisory Board has nine members. Five members are appointed and recalled by the General Assembly, one member is appointed by the employees as per the Labour Act and three members are appointed, in accordance with the Companies Act (Article 256), by the shareholder Kapitalni fond d.d. for as long as it holds Company shares representing 25% plus one share in the Company's share capital. In the event of a decrease of the number of shares held by Kapitalni fond d.d., the number of Supervisory Board Members it appoints shall be reduced accordingly.

The Supervisory Board is responsible for supervising the management of operations, represents the Company in dealings with the Management Board and adopts resolutions on matters not falling under the General Assembly's competence. Direct management of the Company is not performed by the Supervisory Board. Rather, the Supervisory Board directs the Management Board when adopting strategic decisions and setting a governance framework. The Supervisory Board has also been granted additional authorisations by virtue of the Company's Articles of Association, stipulating that particular types of tasks can be performed only with the previous consent of the Supervisory Board.

The President of the Supervisory Board is elected by the Members, who are elected by the General Assembly. Deputy President is elected by the appointed members of Kapitalni fond d.d., from among their own ranks. Supervisory Board Members are appointed for a four-year term and may be reappointed. Members appointed by Kapitalni fond d.d. may be appointed for two consecutive terms at most.

Pursuant to the Resolution of the General Assembly of KONČAR – Electrical Industry Inc. of 12 July 2016, monthly remuneration for Supervisory Board Members was determined in the gross amount of 1.5 average (gross) salary paid at KONČAR Group in the month preceding the month of remuneration calculation. Each and every Member of the Supervisory Board is entitled to a fixed monthly remuneration paid starting from the date of appointment to that duty until the date of expiry thereof. In order to maintain their independence and objectivity, remuneration of Supervisory Board Members does not depend on the Company's performance and does not include variable remuneration. In 2024, a resolution was adopted stipulating that members of the Supervisory Board committees are entitled to receive a monthly remuneration for their service.

Remuneration report for the Members of the Management and Supervisory Boards includes information on the remuneration amount, it is drawn up pursuant to Article 272 of the Companies Act and the Company's Remuneration Policy, and it will be presented to the General Assembly for adoption.

#### Supervisory Board Members in 2024:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Branko Lampl	Member of the Supervisory Board (term expired on 13 July 2024)
Ivan Milčić	Member of the Supervisory Board (term expired on 13 July 2024)
Maja Martinović	Member of the Supervisory Board
Ruža Siluković	Member of the Supervisory Board (term expired on 29 October 2024)
Lovro Jurišić	Member of the Supervisory Board (appointed as of 30 October 2024)
Mario Radaković	Member of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Danko Škare	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board (appointed as of 13 July 2024)
Igor Filipović	Member of the Supervisory Board (appointed as of 13 July 2024)

#### **Supervisory Board Report on Corporate Governance**

In 2024, the Supervisory Board held twenty-two meetings.

A quorum at the meetings requires the presence of five Supervisory Board Members.

Throughout the year, all Members participated in decision-making at every meeting. In cases where Members were unable to attend in person, they took part via videoconference or submitted their votes in writing, in accordance with the Rules of Procedure of the Supervisory Board.

The Management Board and the Supervisory Board cooperated closely in the best interests of the Company and the Group, through regular meetings as well as other channels of communication, whenever necessary. The Management Board regularly informed the Supervisory Board of all significant business events, the progress of operations, income and expenditure, and the overall status of the Company and the Group.

The Management Board submitted quarterly, semi-annual and annual reports to the Supervisory Board within legally prescribed deadlines. These reports were unanimously adopted by the Supervisory Board without objections. In addition, the Management Board regularly updated the Supervisory Board on corporate strategy, planning, business developments, risk management, compliance, material deviations from initial plans and forecasts, as well as on significant business transactions involving the Company and its



affiliated companies. For all matters requiring the Supervisory Board's consent as stipulated by the Articles of Association, such consent was duly obtained.

The Supervisory Board conducted a self-assessment of the profiles and competencies of its members and the members of its committees. The assessment was carried out by the Chairman of the Supervisory Board with the assistance of the relevant committees, without engaging an external auditor.

The Supervisory Board operates with an optimal number of nine members. Collectively, the members possess the knowledge, capabilities and professional experience necessary to discharge their duties effectively, with due consideration given to diversity and gender representation. The assessment of the Supervisory Board Members and its committees confirmed that each member contributes effectively, demonstrates commitment to their role, and devotes sufficient time to performing their duties.

Administrative support for Supervisory Board meetings is ensured by the Company Secretary, delivered with efficiency and timeliness. Out of nine Supervisory Board Members, one is a woman, representing 11.1% of the total membership. The Board advocates for diversity in its composition while maintaining a strong emphasis on the qualifications and professional competence of candidates.

The Report on the supervision conducted in 2024, prepared for adoption at the General Assembly meeting, contains the following:

- Manner and the extent to which the Supervisory Board supervised the management of the Company in 2024
- Results of review of Annual Financial Statements prepared as at 31 December 2024
- Auditor's reports
- Results of review of the Management Board's report on the Company's performance in 2024
- Results of the review of the report on relations with the Parent company and its associate companies.

### **Supervisory board committees**

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Appointments Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board.

#### **Audit Committee**

The Audit Committee operates independently and is composed predominantly of members with proven expertise in the fields of accounting and auditing.

The Committee performs an in-depth review of the financial statements, supports the Company's accounting processes, and plays a key role in strengthening robust and reliable internal control systems. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used at the Company and KONČAR Group, including the criteria for consolidated financial reporting of Group subsidiaries. Moreover, the Committee is tasked with monitoring the internal controls and risk management system with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed.

Darko Horvatin serves as the Chairman of the Audit Committee, with Mario Radaković and Joško Miliša as its Members. In 2024, the Audit Committee held three meetings. All Committee Members participated in the decision-making process at every meeting. During the meetings, the Committee discussed, adopted resolutions, and made recommendations to the Supervisory Board regarding: reports on the implementation of the Annual Internal Audit Plan, enforcement of the Policy on the Provision of Non-Audit Services for 2024, oversight of the statutory audit process, and the consolidated and unconsolidated annual financial statements for 2024. The Committee also issued recommendations for the approval of those reports and participated in the appointment of the auditor for 2024.

In 2024, the Audit Committee reviewed the Group Risk Management Report and evaluated the effectiveness of the overall risk management framework and internal control system. The report provides a consolidated overview based on individual risk assessments submitted by KONČAR Group companies. Out of the total number of risks identified, 62 risks (6.1%) were classified as high, 555 (54.7%) as medium, and 398 (39.2%) as low. The increase in the total number of reported risks compared to the previous year is primarily attributable to the inclusion of additional companies in the risk assessment process.

Most Group companies assessed their internal risk management systems as effective in their respective reports. In two companies, the systems were assessed as partially effective, indicating room for improvement. The majority of risk mitigation measures implemented in 2023 were deemed effective, while a smaller portion was evaluated as partially effective.

#### **Strategic and Business Development Committee**

The Committee is tasked with providing support to the Supervisory Board in strategic planning by: tracking and evaluating shifts in the business landscape, assessing the Group's objectives for both the short and long term, aiding in strategic decisions related to

acquisitions, joint ventures, restructuring, and the development of strategic human resources. It consists of five members. Joško Miliša is the Chairman of the Strategic and Business Development Committee, and its Members are: Mario Radaković, Zvonimir Savić, Igor Filipović, and Maja Martinović. All members of the Committee are also Members of the Supervisory Board. In 2024, the Committee held two meetings. The Committee discussed the proposed strategy "People, Technology, Investments – KONČAR 2030". Based on the Committee's recommendation, the Supervisory Board adopted the proposed Strategy

### **Nomination Committee**

The Nomination Committee functions as a working body of the Supervisory Board, established to assist in the preparation of decisions within the Board's remit. It is tasked with reviewing and submitting proposals to the Supervisory Board concerning the appointment and selection of Management Board Members. Danko Škare serves as the Committee Chair. The Committee's membership in 2024 included Darko Horvatin and Ruža Siluković (until 29 October 2024), who was succeeded by Lovro Jurišić as of 30 October 2024. All Committee Members concurrently serve on the Supervisory Board. During 2024, the Committee convened one meeting, with full attendance by all members.

### **Remuneration Committee**

The Remuneration Committee is tasked with proposing the content of contracts for Management Board Members and defining the overall structure of their remuneration packages. It is also responsible for preparing and drafting the Company's Remuneration Policy applicable to both the Management Board and the Supervisory Board. Zdravko Kačić serves as the Chairman of the Committee, with Maja Martinović and Igor Filipović acting as Members. All members of the Committee are also Members of the Supervisory Board. In 2024, the Committee convened on five occasions, with all Members in attendance at each session.

### **Management**

The role of the Management Board in managing the Company's operations is governed by the Companies Act, the Articles of Association, and KONČAR – Electrical Industry Inc.'s internal regulations. In performing their duties, the Members of the Management Board are required to act with the care and diligence of a prudent and conscientious businessperson, while always upholding the best interests of the Company and its shareholders.

As the executive body responsible for the overall management of operations, the Management Board is appointed and dismissed by the Supervisory Board. Its responsibilities are delineated across business areas, processes, and markets. The Management Board is accountable for effective risk management and regularly monitors the Company's economic, environmental, and social performance during its meetings.

At its regular sessions, the Supervisory Board evaluates the performance of the Management Board and the management boards of Group companies, based on key performance indicators and efforts to uphold and enhance the Company's corporate reputation.

Through participation in supervisory boards, assemblies, and adherence to other established guidelines, Management Board members of KONČAR ensure coordination, direction, supervision, and performance monitoring within Group subsidiaries. It is noted that KONČAR – Electrical Industry's Management Board members do not receive remuneration for their roles on the supervisory boards of these subsidiaries.

The Supervisory Board concluded that, in 2024, the Management and Supervisory Boards maintained effective cooperation in the Company's best interest through regular and constructive communication. The Management Board consistently and in a timely manner informed the Supervisory Board of all material business events, developments in operations, revenues and expenditures, and the overall status of the Company. Quarterly, semi-annual, and annual written reports were submitted to the Supervisory Board in line with statutory requirements, all of which were reviewed without objection and unanimously adopted. The Management Board also kept the Supervisory Board informed of the Company's corporate strategy, planning processes, operational developments, risk management practices, compliance matters, deviations from original plans, and significant transactions involving the Company and its related parties. Between formal sessions, the Management Board ensured the Supervisory Board was continuously updated on key developments relevant to the Company's operations.

The individual self-assessment of Management Board members forms an integral part of the annual performance management and evaluation process, serving as a key instrument for reinforcing accountability, strategic alignment, and continuous improvement at the executive level. Additionally, in accordance with the Companies Act, the General Assembly grants discharge to the Management Board, thereby confirming the appropriateness of how the Company's business was managed during the preceding financial year. Pursuant to the Company's Articles of Association, the Management Board may consist of three to seven members. As at year-end 2024, the Management Board comprised five members. Members are appointed for a term of up to five years, with the possibility of reappointment without limitation on the number of terms. Each member independently manages the operations within their designated remit, acting with the care and diligence of a prudent businessperson, and makes decisions solely in the best interest of the

Company. When matters pertain to key business policy or affect the remit of other Members, such issues are submitted for collective decision-making by the entire Management Board.

The rights and responsibilities of Management Board Members are defined by their respective Management Board Service Contracts. The Remuneration Report for the Members of the Management and Supervisory Boards, prepared in accordance with Article 272 of the Companies Act and the Company's adopted Remuneration Policy, includes information on the total remuneration of the Management Board and will be submitted to the General Assembly for approval.

Members of the Management Board during 2024 were as follows:

- Gordan Kolak, CEO
- Petar Bobek, Member of the Management Board
- Miki Huljić, Member of the Management Board
- Josip Lasić, Member of the Management Board
- Ivan Paić, Member of the Management Board

At the Supervisory Board meeting held on 18 October 2024, Josip Lasić, the Management Board Member responsible for Finance, submitted his resignation effective 31 December 2024, due to his appointment to a new position outside the KONČAR Group.

At the same session, Mr. Mario Radaković submitted his resignation from the Supervisory Board, also effective 31 December 2024, and was appointed as Member of the Management Board for Finance, for the term beginning 1 January 2025 through 21 January 2028. Mr. Radaković had served as a Member of KONČAR Inc.'s Supervisory Board since 2020.

In 2024, the Management Board held 45 meetings. All meetings were attended by all Members. Where physical attendance was not possible, Members participated via video conferencing and remained actively involved in the decision-making process.

Throughout 2024, the Management Board operated as a five-member body. Each Member brought to the role the requisite knowledge, capabilities, and professional expertise needed to effectively perform their duties. Individually, each Member made a meaningful contribution, demonstrated strong commitment to their role, and dedicated the necessary time and focus to the performance of their responsibilities.

## Internal Audit

The Corporate Internal Audit Department of the KONČAR Group functions as an independent assurance and control mechanism, providing the Management Board with comprehensive audit reports that include key findings and recommendations for improvement. The Internal Audit Charter defines the operational framework and core principles guiding audit activities across the KONČAR Group. The Internal Audit function is responsible for evaluating the effectiveness of risk management processes embedded within business operations, reviewing the adequacy and efficiency of internal control systems, and ensuring compliance with established policies, procedures, strategic plans, applicable laws, and regulations that may significantly impact financial reporting and corporate integrity.

In addition to oversight, the Internal Audit team is tasked with identifying and recommending preventative measures in areas such as financial reporting, regulatory compliance, operations, and control. These recommendations aim to mitigate risks and address deficiencies that could potentially lead to process inefficiencies or fraudulent activities. The Internal Audit Department reports on its activities and audit plans to the Management Board, the Audit Committee, and the Supervisory Board. The findings and recommendations provided by Internal Audit serve as a critical tool for management, supporting process improvements and proactively managing risks to maintain them at acceptable levels.

U 2024. During 2024, audits were conducted across several key operational areas, including sales processes, procurement, inventory management, and process mapping in companies involved in recent mergers.

All audit findings and recommendations, along with implementation deadlines and current status, are outlined in the Overview of Findings and Recommendations. The final audit report was reviewed and formally adopted by the Audit Committee.

# Statement of Management's responsibilities

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and its subsidiaries ("the Group") and of the results of its operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

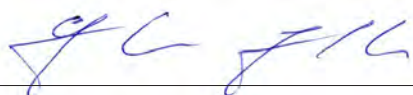
The Management Board is also responsible for the preparation and publishing, in accordance with the Accounting act and other laws and regulations governing the preparation of financial statements in Croatia, of the following:

- Management Report, which includes the Sustainability Report;
- Corporate Governance Report; and
- Annual consolidated financial statements in single electronic reporting format.

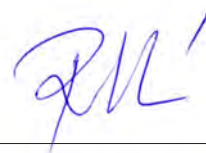
The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

The Management report which includes the Sustainability Report, and the Corporate Governance Report, as well as the annual consolidated financial statements in single electronic reporting format were approved and signed by the Management Board on 16 April 2025 for submission to the Supervisory Board.

Signed on behalf of Management Board:



Gordan Kolak, President of the Management Board



Mario Radaković, Member of the Management Board



Miki Huljić, Member of the Management Board



Petar Bobek, Member of the Management Board



Ivan Paić, Member of the Management Board

**KONČAR d.d. Zagreb**  
Fallerovo šetalište 22  
2

KONČAR Inc., Zagreb  
Fallerovo šetalište 22,  
10000 Zagreb

# Consolidated Financial Statements

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## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 EUR'000	2023 EUR'000
Sales revenue	3	1,054,377	894,079
Bargain purchase gain	36	-	777
Other operating income	4	11,776	13,173
		<b>1,066,153</b>	<b>908,029</b>
Change in inventory of work in progress and finished goods		8,051	29,605
Raw materials, products, consumables and services used	5	(625,239)	(619,347)
Staff costs	6	(208,373)	(161,867)
Depreciation and amortisation	13,14,15	(25,072)	(19,136)
Reversal of impairment / (impairment losses)	7	(2,981)	(12,465)
Other operating expenses	8	(52,932)	(52,531)
		<b>(906,546)</b>	<b>(835,741)</b>
<b>Operating profit</b>		<b>159,607</b>	<b>72,288</b>
Finance income		5,336	3,298
Finance expenses		(5,256)	(3,545)
<b>Net finance income</b>	9	<b>80</b>	<b>(247)</b>
<b>Share in profit of equity accounted investees</b>	16	<b>34,174</b>	<b>13,314</b>
<b>Profit before tax</b>		<b>193,861</b>	<b>85,355</b>
Income tax	10	(29,508)	(14,453)
<b>PROFIT FOR THE PERIOD</b>		<b>164,353</b>	<b>70,902</b>
<b>Profit is attributable to</b>			
Owners of the Company		102,600	46,328
Non-controlling interests		61,753	24,574
<b>Earnings per share</b>			
Basic and diluted earnings per share	11	40.29	18.19

*The accompanying notes form an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 EUR'000	2023 EUR'000
<b>PROFIT FOR THE PERIOD</b>		<b>164,353</b>	<b>70,902</b>
<b>Other comprehensive income:</b>			
<i>Items that may not be reclassified to profit or loss:</i>			
Gain or loss from revaluation of financial assets available for sale		-	<b>1,574</b>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		438	(442)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>164,791</b>	<b>72,034</b>
<b>Comprehensive income for the period attributable to:</b>			
Owners of the Company		102,852	46,969
Non-controlling interest		61,939	25,065

*The accompanying notes form an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	31 Dec 2024 EUR'000	31 Dec 2023 EUR'000
<b>ASSETS</b>			
Goodwill	12	9,551	8,353
Intangible assets	13	19,107	17,389
Property, plant and equipment	14	243,141	213,339
Right of use assets		1,685	1,478
Investment property	15	19,017	18,003
Investments in equity accounted investees	16	49,698	37,182
Other investments	17	1,126	728
Financial assets at amortised cost	18	12,973	7,965
Deferred tax assets	10	9,817	8,917
<b>Non-current assets</b>		<b>366,115</b>	<b>313,354</b>
Inventories	19	229,706	212,514
Financial assets at amortised cost	21	300,484	242,650
Other assets	20	19,391	16,249
Contract assets	22	101,024	77,966
Income tax receivable		2,028	1,611
Financial assets	23	80,163	438
Cash and cash equivalents	24	147,964	153,823
Assets held for sale	25	757	763
<b>Current assets</b>		<b>881,517</b>	<b>706,014</b>
<b>TOTAL ASSETS</b>		<b>1,247,632</b>	<b>1,019,368</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		159,471	159,471
Capital reserves		1,073	1,073
Other reserves		111,252	107,261
Retained earnings		225,579	138,413
<i>Attributable to owners of the Company</i>	26	497,375	406,218
Non-controlling interests	27	152,678	124,755
<b>EQUITY AND RESERVES</b>		<b>650,053</b>	<b>530,973</b>
Borrowings	29	29,505	35,940
Warranty provisions	28	19,726	21,631
Other provisions	28	8,215	9,783
Other financial liabilities		2,892	3,473
Other liabilities	30	2,522	-
Deferred tax liabilities	10	3,520	3,787
<b>Non-current liabilities</b>		<b>66,380</b>	<b>74,614</b>
Borrowings	29	29,512	29,793
Other financial liabilities	31	12,125	21,810
Trade and other payables	32	232,011	191,861
Contract liabilities	22	234,155	144,377
Warranty provisions	28	8,868	7,380
Income tax liabilities		6,905	15,307
Other provisions	28	7,623	3,253
<b>Current liabilities</b>		<b>531,199</b>	<b>413,781</b>
<b>Total liabilities</b>		<b>597,579</b>	<b>488,395</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,247,632</b>	<b>1,019,368</b>

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 EUR'000	2023 EUR'000
<b>Cash flows from operating activities</b>			
Proceeds from trade receivables		1,127,583	968,437
Proceeds from insurance reimbursements		1,016	1,417
Proceeds from tax returns		41,304	29,511
Proceeds from EU funds and grants		2,326	1,455
Payments to suppliers		(677,329)	(625,520)
Payments for employees		(202,266)	(162,072)
Cash payments to insurance companies		(4,153)	(3,445)
Taxes paid		(29,711)	(41,051)
Other cash payments		(6,570)	(3,725)
<b>Cash from operations</b>		<b>252,200</b>	<b>165,007</b>
Interest paid		(2,059)	(1,581)
Income tax paid		(39,321)	(8,508)
<b>Net cash flows from operating activities</b>		<b>210,820</b>	<b>154,918</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of non-current tangible and intangible assets		381	4,594
Proceeds from collection of receivables		-	391
Interest received		4,607	1,448
Dividends received		8,812	5,438
Proceeds from repayment of term deposits		10,700	5,184
Proceeds from other investing activities		381	7
Purchase of non-current tangible and intangible assets	13, 14	(43,897)	(22,562)
Acquisition of controlling interest in subsidiaries	36	(5,571)	(9,267)
Cash used for the acquisition of financial instruments (treasury bills)	23	(14,903)	-
Cash used for term deposits and other investing activities		(81,086)	(2,947)
Cash used for the acquisition of non-controlling interest in subsidiaries	27	(32,746)	-
<b>Net cash flows from investing activities</b>		<b>(153,322)</b>	<b>(17,714)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	29	48,413	26,423
Other cash inflow from financing activities		706	2,013
Repayments of borrowings	29	(58,367)	(49,007)
Dividends paid		(14,480)	(9,154)
Lease liability principal payments		(1,705)	(1,585)
Cash used for supplier's factoring repayment	31	(35,171)	(6,231)
Other outflow cash from financing activities		(2,753)	(3,103)
<b>Net cash flow from financing activities</b>		<b>(63,357)</b>	<b>(40,644)</b>
<b>Net increase in cash flows</b>		<b>(5,859)</b>	<b>96,560</b>
Cash and cash equivalents at beginning of the period		153,823	57,263
<b>Cash and cash equivalents at end of year</b>	24	<b>147,964</b>	<b>153,823</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

<i>(in EUR thousand)</i>	Share capital	Capital reserves	Reserves from profit	Treasury shares reserve	Treasury shares	Retained earnings	Non-controlling interest	Total
<b>As at 1 January 2023</b>	<b>160,448</b>	<b>96</b>	<b>109,380</b>	<b>4,526</b>	<b>(2,051)</b>	<b>93,368</b>	<b>94,702</b>	<b>460,469</b>
Profit for the year	-	-	-	-	-	46,328	24,574	<b>70,902</b>
Transfer on conversion to EUR	(977)	977	-	-	-	-	-	-
Other comprehensive income								
Exchange differences from the translation of foreign operations	-	-	(191)	-	-	2	(253)	<b>(442)</b>
Remeasurement to fair value upon acquisition (note 36)	-	-	830	-	-	-	744	<b>1,574</b>
<b>Total comprehensive income</b>	<b>(977)</b>	<b>977</b>	<b>639</b>	<b>-</b>	<b>-</b>	<b>46,330</b>	<b>25,065</b>	<b>72,034</b>
Transactions with owners								
Transfers	-	-	(5,233)	(19)	19	2,967	2,266	-
Dividends paid	-	-	-	-	-	(5,093)	(3,812)	<b>(8,905)</b>
Effect of acquisitions of subsidiaries	-	-	-	-	-	841	6,534	<b>7,375</b>
	-	-	(5,233)	(19)	19	(1,285)	4,988	<b>(1,530)</b>
<b>As at 31 December 2023</b>	<b>159,471</b>	<b>1,073</b>	<b>104,786</b>	<b>4,507</b>	<b>(2,032)</b>	<b>138,413</b>	<b>124,755</b>	<b>530,973</b>
Profit for the year	-	-	-	-	-	102,600	61,753	<b>164,353</b>
Other comprehensive income								
Exchange differences from the translation of foreign operations	-	-	252	-	-	-	186	<b>438</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>252</b>	<b>-</b>	<b>-</b>	<b>102,600</b>	<b>61,939</b>	<b>164,791</b>
Transactions with owners								
Transfers	-	-	2,214	1,493	32	(3,739)	-	-
Dividends paid	-	-	-	-	-	(6,366)	(8,457)	<b>(14,823)</b>
Acquisition of non-controlling interest	-	-	-	-	-	(3,392)	(29,191)	<b>(32,583)</b>
Other movements within equity	-	-	-	-	-	1,695	-	<b>1,695</b>
Adjustments of non-controlling interest	-	-	-	-	-	(3,632)	3,632	-
	-	-	2,214	1,493	32	(15,434)	(34,016)	<b>(45,711)</b>
<b>As at 31 December 2024</b>	<b>159,471</b>	<b>1,073</b>	<b>107,252</b>	<b>6,000</b>	<b>(2,000)</b>	<b>225,579</b>	<b>152,678</b>	<b>650,053</b>

The accompanying notes form an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

## 1 General information on the Group

### 1.1 Activities

The principal activities of the Končar Group, Zagreb (hereinafter: "the Group") are divided into main business areas:

- I. Generation of electrical energy;
- II. Transmission and distribution of electrical energy;
- III. Urban mobility and infrastructural services;
- IV. Digital solutions and platforms.

### Group structure

Within the Group, along with the parent company KONČAR Inc., there are 16 subsidiaries involved in core business activities and 1 subsidiary with special activities, specifically research and development of products and companies controlled by subsidiaries including companies of the Dalekovod Group. Associates and joint ventures are shown in note 16.

The Group's Parent company is KONČAR Inc. (OIB: 45050126417), Zagreb, Fallerovo šetalište 22 (hereinafter: the "Company"). The Company is a holding company of all companies in its ownership and the regular operations of companies merged during 2024.

### Number of employees

As at 31 December 2024, the Group had 5,503 employees, while as at 31 December 2023 the Group had 5,271 employees.

### Members of the Supervisory Board:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Danko Škare	Member of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Mario Radaković	Member of the Supervisory Board until 31 December 2024
Maja Martinović	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board since 13 July 2024
Igor Filipović	Member of the Supervisory Board since 13 July 2024
Lovro Jurišić	Member of the Supervisory Board since 30 October 2024
Ruža Siluković	Member of the Supervisory Board until 29 October 2024
Branko Lampl	Member of the Supervisory Board until 12 July 2024
Ivan Milčić	Member of the Supervisory Board until 12 July 2024

### Members of the Management Board:

Gordan Kolak	President of the Management Board
Miki Huljić	Member of the Management Board
Josip Lasić	Member of the Management Board (until 31 December 2024)
Petar Bobek	Member of the Management Board (since 21 January 2024)
Ivan Paić	Member of the Management Board (since 21 January 2024)

Fees payable to the statutory auditors of the Group for the year ended 31 December 2024 amounted to EUR 589 thousand (2023: EUR 412 thousand). The audit services provided in 2024 mainly relate to fees for the audit and review of the consolidated annual report of KONČAR Inc. (including consolidated financial statements and the consolidated management report containing the sustainability report), the consolidated and unconsolidated annual reports of the Group companies, and the audit of reports prepared for regulatory purposes. During 2024, as well as in 2023, no non-audit services were provided by the auditors.

Management Board and Supervisory Board remuneration is presented in note 35 to the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information

The principal accounting policies used for the preparation of these consolidated financial statements are presented below. These accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the applicable laws in the Republic of Croatia and with the International Financial Reporting Standards adopted in the European Union (EU).

The Group's consolidated financial statements have been prepared under the accrual basis of accounting, whereby the transaction effects are recognised when incurred and recorded in the financial statements for the period to which they relate, as well as under the going concern assumption.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 2.27.

The Group's financial statements are presented in euros (EUR) as the functional and presentation currency of the Group.

### Application of new and revised international financial reporting standards

#### *Effective standards, amendments to standards and implementations – adopted in 2024*

The following standards, amendments to existing standards and interpretations entered into force in 2024:

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Restrictive Terms;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Financing Arrangements;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback Transaction.

The adoption of these standards did not have a significant impact on the amounts recognized in the balance sheet or income statement or on the accounting policies disclosed.

#### *Standards, amendments to standards and interpretations issued but not yet effective*

A number of new amendments to existing standards and interpretations have been issued that are not yet effective at the date of publication of the financial statements. If applicable, the Group intends to adopt these standards when they become effective. The consolidated financial statements of the Group include the financial statements of the Parent company and the financial statements of the companies controlled by the Parent company (subsidiaries).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in ownership interests in subsidiaries without change in control*

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from minority shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### 2.2 Investments in associates and joint ventures

##### *Associates*

Associated companies are companies in which the Group has between 20% and 50% of voting power and in which the Group has significant influence, but not control. In the consolidated financial statements investments in associates are accounted for using the equity method of accounting.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

##### *Joint arrangements*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Dividends received or receivable from joint ventures are deducted from the carrying value of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.3 Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

#### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell.

Any impairment is recognised immediately as an expense and is not subsequently reversed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.4 Revenue recognition

KONČAR Group recognises revenue from:

- manufacturing and sales of products, equipment and machines (e.g. transformers, rotary machines and other equipment and machinery) in the energy sector
- design and construction of rail vehicles and related equipment
- projects for construction of plant and equipment for generation, transmission and distribution of electricity as well as related design and engineering services.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or at a point in time (recognition on completion). Before revenue is recognised, the Group identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Revenue recognition policies under IFRS 15 applicable to revenue streams are as follows:

*- Revenue from the manufacturing and sale of transformers, small motors and small generators*

Revenue from the manufacturing and sale of products, equipment and machinery is recognized by the Group in part over time as the performance obligation is performed, and in part upon completion, upon fulfilment of the performance obligation.

With respect to the manufacturing and sale of products such as transformers, small motors and small generators, revenue is generally recognized at a point in time when control of goods passes to the buyer, usually after the delivery of the goods. Typically, the contracts with customers that the Group enters into in relation to the sale of transformers, small motors and small generators contain multiple performance obligations that include the sale of the product itself and, depending on the contract, related services of transportation or installation. The Group recognizes each of the aforementioned performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of products is recognized at a point in time, while revenue from related services is recognized over time. It is worth noting that the performance of the aforementioned services is brief in duration and generally coincides with and does not deviate significantly from delivery of the product itself and the recognition of related revenue. The point in time at which revenue from the sale of these products is recognized is mainly upon delivery and installation, given the comprehensive technical conditions that must be met and confirmed by the customers for the products to be considered accepted. In addition, the Group also has a smaller number of contracts with customers related to the sale of materials where revenue is recognized at the time of delivery.

The transaction price that the Group contracts for the sale of transformers, small motors and small generators is generally a base price that, due to price volatility (in relation to the prices of key materials and the instability associated with the inflation of labour costs, energy cost and consequently cost of equipment), is defined by an index formula and is ultimately determined at the time of revenue recognition (subsequent possible corrections are generally not significant). Also, manufactured and designed transformers, small motors and small generators have an alternative use because they can be sold on the market in the area of the same or similar energy power network.

When one of the parties to the contract with the customer fulfils its obligation, the contracts with the customers are presented in the statement of financial position as a contractual obligation, contractual assets or as a receivable, depending on the relationship between the Group's performance and the customer's payment. Contractual assets and liabilities are stated as current, as they arose within the normal operating period.

*- Revenue from the manufacturing and sale of rail vehicles and related services*

Part of the Group's operations include the manufacture and sale of rail vehicles and related maintenance services. Revenues from sale of rail vehicles are recognized over time in accordance with the fulfilment of the performance obligation by measuring the costs incurred up to a certain date in relation to the total expected costs required to perform the obligations under the contract. Typically, customer arrangements for sale of rail vehicles will either include maintenance services as a component of the main customer contract or such services would be contracted for separately. In either case, maintenance services are treated by the Group as a separate performance obligation and recognised over time as they are rendered.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.4 Revenue recognition (continued)

#### *- Revenue from construction projects for plant and equipment in the energy sector*

Revenue from construction projects for plant and equipment in the energy sector is generally recognized over time as the performance obligation is satisfied, given that the nature of such projects involves a series of integrated activities (design, engineering, manufacturing, installation, etc.) and results in a specialized type of asset that can generally only be used by a specific customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the duration of the contract. Contract costs are recognized as incurred.

The Group estimates the 'progress to satisfaction' of the performance obligation to determine the appropriate amount of revenue and costs to recognize in a given period. The 'progress to satisfaction' is calculated using the 'cost-to-cost' input method which measures the proportion of contracts costs incurred up to the reporting date compared to total estimated contract costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the 'progress to satisfaction' and are presented as inventories, prepayments or other assets, depending on their nature. The Group recognises as a contract asset the gross amount due from customers for contract work on all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade receivables. The Group presents a contract liability when the gross amount due to customers for contract work for all contracts in progress for which progress billings exceeds costs incurred plus recognised profits (less recognised losses).

When contractual terms of a contracts with customers do not give the Group an enforceable right to payment for performance completed to date, revenue from such project is recognised on completion and full satisfaction of the performance obligation until which time costs related to such projects are recognised within inventory.

#### *- Sales of services*

The Group generates revenue from services such as engineering, design and maintenance which may be contracted for separately or within a wider customer arrangement as described in more details in revenue from construction projects for power plant and equipment policy. Revenue from these services is generally recognised over time on a straight-line basis or as services are rendered, i.e. according to the measurement of expenses incurred up to a certain date in relation to the total expected costs required for the performance of the contract obligations.

### 2.5 Finance income and costs

Finance income and costs comprise interest on loans and borrowings calculated using the effective interest method, receivables for interest on investments, dividend income, foreign exchange gains and losses, gains and losses from financial assets at fair value through profit or loss.

Foreign exchange gains and losses are included in the Statement of comprehensive income and are presented in notes in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences from financing activities).

Finance costs comprise interest on loans, changes in fair value of financial assets at fair value through profit or loss, impairment losses from financial assets and foreign exchange losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time for its intended use or sale, is added to the cost of that asset until the asset is substantially ready for its intended use or sale.

Other borrowing costs are charged to the income statement in the period in which they are incurred.

#### 2.7 Foreign currency transactions

Foreign currency transactions are initially converted into euros by applying the exchange rates prevailing on the transaction date. Cash, receivables and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the current year.

On consolidation, assets and liabilities of the Group's foreign operations are translated into the Group's presentation currency at the exchange rates prevailing at the reporting date. Income and expenses are translated at the foreign exchange rates ruling at the dates of the transactions and the exchange differences are recognized in other comprehensive income. All foreign exchange gains and losses are recognised in the period in which the transaction occurred.

#### 2.8 Income tax

The parent company as well as domestic Group companies account for their tax liabilities in accordance with Croatian law. Income tax for the year comprises of current and deferred tax.

##### *Global minimum tax*

The Group adopted the International Tax Reform - Pillar 2 model rules (amendments to IAS 12). The aim of the Pillar 2 rule is to ensure that large corporations are subject to a minimum tax rate of 15% in each jurisdiction in which they operate.

Amendments to the standard IAS 12 - Income tax introduce a mandatory temporary exemption in IAS 12, prohibiting the recognition and disclosure of deferred tax assets and deferred tax liabilities resulting from the application of the OECD Pillar 2 rules. A mandatory temporary exemption from the requirements of IAS 12 was applied, according to which the Company is not required to recognize or disclose information on deferred tax assets and liabilities related to the proposed Pillar 2 rules.

The estimated tax cost (or revenue) associated with the Pillar 2 rules for 2024 is published separately.

##### *Tax benefits for investments*

Tax benefits for investments are considered to be benefits derived from state incentive measures that enable the Group to reduce the tax liability of income tax or other specified taxes in future periods, and are related to the construction or acquisition of certain assets and/or the implementation of certain activities and/or the satisfaction of certain specific conditions prescribed by the relevant regulation for investment incentives by competent authorities. Tax benefits for investments are initially recognized as deferred tax assets and tax income/benefit in the amount lower than the maximum allowed amount of the benefit and the amount of benefit that the Group is estimated to be able to achieve during the period of the related incentive measure. Deferred tax assets recognized as a result of the tax credit for investments are cancelled during the period of the incentive measure, that is, until the end of the credit (if specified) in accordance with the availability of tax liabilities in the following years that can be reduced as a result of using the benefit.

#### 2.9 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period decreased by treasury shares. Diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period decreased by treasury shares and potential shares arising from realised options.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.10 Segment information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The Management/Supervisory Board that makes strategic decisions has been identified as the chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments.

In identifying operating segments, Management mostly considers the sale of goods and provision of services within a certain economic area. Each of these operating segments are separately managed since they are determined on the basis of specific market needs. During the year the Group re-presented segment under a new structure to enhance transparency.

Policies of valuation/measurement used by the Group for segment reporting are the same as those used during the preparation of the financial statements.

Furthermore, assets which cannot be directly attributable to certain business segments remain unallocated.

There were no changes in the valuation methods used when determining the profit/loss of an operating segment compared to previous periods.

### 2.11 Non-current intangible and tangible assets (property, plant and equipment)

Non-current intangible assets and property, plant and equipment are initially carried at cost. It includes the following types of assets: development costs, concessions, licenses, software and other rights, brand, customer relationships, and other.

After initial recognition, assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Brand acquired in the business combination is recognized at fair value on the date of acquisition. It has an unlimited lifespan because analyses performed by all relevant factors on the reporting date show that there is no predictable limit for the period during which it is expected to generate net cash inflows. Intangible assets with an unlimited lifetime are analysed annually for impairment.

Customer relationships acquired in a business combination are recognized at fair value on the acquisition date. After initial recognition, they are reduced by amortization and impairment losses. Amortisation and depreciation are charged so as to write off the cost of each asset, other than land, advances and non-current intangible and tangible assets under construction, over their estimated useful lives, using the straight-line method, as follows:

	Amortisation and depreciation rates (from – to %)
Customer relationships	20% - 33,33%
Development expenditure	20%
Concessions, patents, licences, software etc	20%-25%
Other intangible assets	20%
Buildings	1,2% - 7,7%
Plant and equipment	2,9% - 25%
Tools and equipment, transport vehicles	3,4% - 25%
Other tangible assets	20%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.12 Investment property

Investment property is property (land, buildings or a part of a building, or both) held to earn rentals or for capital appreciation (or both). Investment property is treated as long-term investments. Investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Land is not depreciated. Depreciation of other investment property (buildings) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and when necessary. The estimated useful life of the majority of investment properties, as assessed by management, is 5 years.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred. If the Group starts using the investment property, it is reclassified to property, plant and equipment. The Group discloses the fair value of investment property on the basis of periodical independent valuations by expert valuers. Based on these estimates, the Group has estimated that the residual value of these properties is higher than its carrying amount and, accordingly, depreciation is not calculated until this residual value is reduced to a value lower than its carrying amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.13 Financial assets and liabilities

#### Classification and measurement of financial assets

Assets are classified and measured as shown in Note 33.

The business model for managing financial assets depends on how the Group manages the financial assets for the purpose of generating cash flows. A reclassification of debt instruments is required if the business model changes. Business models for managing financial assets include:

- amortised cost model - business model whose objective is to hold financial assets in order to collect contractual cash flows (principal and interest),
- fair value through other comprehensive income - business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- fair value through profit or loss - business model whose objective is to hold the financial assets for trading or for managing the financial asset on a fair value basis.

#### Impairment of financial assets

Provisions for impairment of receivables on customers and contract assets are measured in the amount equal to expected credit losses over the lifetime, i.e. using a simplified approach to expected credit losses.

In measuring expected credit losses, the Group uses historical observations (over a minimum period of 3 years) on days past due adjusted for estimated future expectations relating to the collection of receivables. Trade receivables are divided into portfolios depending on the country rating of the customer's registered office and maturity.

In addition to the above assets to which a simplified approach is applied, at subsequent measurement of financial assets, when assessing credit loss, a general impairment approach is applied consisting of three stages.

For the amount of expected credit losses, the value of the financial asset is impaired and the gain or loss on the impairment is recognised in profit or loss, except for debt instruments where the credit losses are recognised in profit or loss but the carrying amount is not impaired, instead revaluation reserves are recognised.

Objective evidence of impairment of financial assets for expected credit losses includes:

- significant financial difficulty of the issuer or debtor and/or
- breach of a contract, such as a default or delinquency in interest or principal payments; and/or
- probability that the borrower will enter bankruptcy or financial restructuring

The past due presumption itself is not an absolute indicator that credit risk has increased after initial recognition. The presumption that there has been a significant increase in credit risk after initial recognition due to default may be rebutted by the Company if it has reasonable and supportable information that there has been no significant increase in credit risk, but this may be an indicator of an increase in credit risk unless there is no other information available.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.13 Financial assets and liabilities (continued)

##### Financial guarantee contracts

A financial guarantee contract is a financial liability measured initially at fair value and subsequently measured at the higher of:

- the amount determined under the expected credit loss model in accordance with IFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative effect recognised in accordance with the revenue recognition policies.

#### 2.14 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale when their carrying value will be recovered principally through a sale transaction rather than through continuing use.

This condition is satisfied only if the sale is highly probable and the asset is ready for sale in its current condition. Assets which are once classified as held for sale are no longer depreciated.

#### 2.15 Inventories

Group inventories include the following categories: raw materials, including small inventory and spare parts, work in progress and semi-finished products, as well as finished goods.

The cost is determined using the weighted average cost method.

Costs of conversion comprise costs that are specifically attributable to units of production such as direct labour and similar. They also comprise a systematic allocation of fixed and variable production overheads incurred in converting raw materials into finished goods. Fixed production overheads are indirect costs of production that remain relatively constant regardless of the level of production, such as depreciation, maintenance of factory buildings, the costs of factory management and similar. Variable production overheads are those that vary directly with the volume of production such as indirect materials and indirect labour.

The allocation of fixed production overheads is based on the normal level of productive capacity. The normal level of capacity is the average production expected to be achieved over a number of periods in normal circumstances, taking into account a production loss due to planned maintenance. Unallocated overheads are expensed in the period in which they are incurred.

Slow-moving and obsolete inventories are written off to its net realisable value by using value adjustment for these inventories.

#### 2.16 Receivables

Receivables are initially measured at fair value. At each balance sheet date, receivables, whose collection is expected within a period of more than one year, are stated at amortised cost using the effective interest method, less any impairment loss. Current receivables are stated at the initially recognised nominal amount less the corresponding allowance for the estimated uncollectible amounts and impairment losses.

#### 2.17 Cash and cash equivalents

Cash consists of bank demand deposits, cash on hand and deposits and securities payable on demand or collectible within three months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.18 Trade payables

Trade payables are liabilities to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less, or in the regular operating cycle of the business if longer. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In future periods, borrowings are stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

### 2.20 Leases

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

The right-of-use assets are presented separately in the statement of financial position.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortization periods for the right-of-use assets are as follows:

- right of use for the vehicles	2 - 5 years
- right of use commercial buildings	5 years
- right of use for land	1 - 3 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Group applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognized with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognized as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise printers, small items of office furniture, business premises, tents and gas bottles.

The weighted average marginal lending rate used to measure lease liabilities is 2% to 5.2%.

#### *Lease activities*

The Group leases various properties cars, other small equipment (e.g. printers). Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). The main lease features are summarized below:

- Cars are leased for a fixed period of 4 – 5 years
- A building facility is rented for a specified period of 5 years with the possibility of renewing the contract. The lease payments are fixed.
- The land is rented for a certain period of 3 years with the possibility of renewing the contract. The lease payments are fixed.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

### **2 Material accounting policy information (continued)**

#### **2.20 Leases (continued)**

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The future cash outflows to which the Group as a lessee is potentially exposed that are not reflected in the measurement of the lease liability are not significant.

The Group does not provide any residual value guarantees.

#### **2.21 Supplier factoring**

Under supplier factoring arrangements, the Group enters into agreements with a factoring service provider whereby the provider settles the Group's outstanding payables to suppliers, and subsequently collects payment from the Group after a certain time delay. The factoring provider charges contractual interest and certain additional fees, and may also require collateral arrangements (e.g. guarantee deposits or similar).

The Group classifies factoring transactions based on the nature of the new liability, on an individual basis according to contractually defined terms, and presents them as either current or non-current liabilities based on their maturity to the factoring provider. Furthermore, based on the preceding analysis, the Group classifies such transactions as either financing or operating activities in the Statement of Cash Flows.

#### **2.22 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets, are recognised as deferred income in the balance sheet and released in the income statement on a systematic and appropriate basis in accordance with the useful life of that asset. Government grants are recognised as income over the periods necessary to match them with the costs (for which they are intended to compensate), on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

#### **2.23 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Increases in provisions are recognized within other operating expenses, as well as the reversal of provisions, which is recognized net of the cost of new provisions, as it represents a change in estimate by nature, rather than income from sales or other income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.24 Employee benefits

#### *i. Pension obligations and post-employment benefits*

In the normal course of business through salary deductions, the Group makes payments to privately operated mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes.

#### *ii. Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as expenses when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### *iii. Regular retirement benefits*

Retirement benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

#### *iv. Long-term employee benefits*

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

#### *v. Short-term employee benefits*

The Group recognises a liability for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.25 Events after the balance sheet date (subsequent events)

Events after the balance sheet date, which provide additional information on the Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements, if material.

### 2.26 Reclassifications and comparative information

The Group has made reclassifications of certain items within the consolidated statement of financial position for a more adequate presentation. As a result, advances for inventories and capitalised costs to obtain a contract (agent commissions) have been reclassified into a separate line item category Other assets.

Furthermore, for a more detailed segmentation of business activities, the Group has reclassified part of its operations from the "other" category to specific segments which are separately disclosed. Comparative information has been reclassified to ensure comparability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.27 Key accounting estimates and judgments

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Group makes estimates related to the future. The resulting accounting estimates could, by definition, rarely equal the actual results. Below are the most significant estimates and assumptions that could pose a significant risk of adjusting the carrying amounts of assets and liabilities in the next financial year, as determined by the Management:

##### *a) Revenue recognition*

International Financial Reporting Standard 15 – Revenue from Contracts with Customers (IFRS 15) requires Management to estimate and determine the methodology for revenue recognition for the Group's main activities, which relate to the assessment of the timing of revenue recognition, the number of performance obligations, and the existence of a significant financing component of extended warranties, as described below:

The Group recognises revenue both over time and at a point in time, depending on the specifics of a customer arrangement as described in accounting policy 2.4.

The Group recognises significant part of its revenue at a point in time for the delivery of goods (transformers) since the relevant asset has an alternative use because it can be sold on the market in the area of the same or similar energy power network. Revenue is recognised when the customer obtains control of a particular item, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unsatisfied obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The contracts with customers that the Group enters into related to the sale of transformers may contain multiple performance obligations that include the sale of the transformer itself and, depending on the contract, related services for the transport or installation of the transformer. The Group recognises each of the performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of transformers is recognised at a point in time while revenue from services is recognised over time. Worth noting is that the performance of the services is short-term and generally coincides with and does not deviate significantly from delivery of the transformer itself and the recognition of related sales revenue.

When recognising revenue over time (revenue from services and revenue from construction projects of plant and equipment in the energy sector), the method for measuring progress in fulfilment of the performance obligation highlights the importance of accurate estimation regarding the scope of delivery and the services required to fulfil the obligations defined in the contract. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political, and regulatory risks, and other management judgements. The Group has determined that the input method is the most appropriate for measuring progress in service delivery, as it reflects a direct relationship between the Group's efforts (i.e. total costs incurred on a project) and the transfer of services to the customer. Where revenue is recognised over time, it is measured based on the costs incurred to date relative to the total expected costs required to fulfil the performance obligations under the contract.

Furthermore, the execution of certain contracts may take longer than one year. Considering that the Group generally receives advances from customers, the period from customer payment to the transfer of promised goods or services to the customer may be longer than one year. In such cases, the amount of the advance received is considered as a discounted transaction price. The Company has conducted an analysis of contracts with customers and has not identified contracts with a significant financing component.

The Company also provides warranties for its products with a warranty period that typically ranges from 2 to 5 years. The Company analyses whether these extended warranties have the characteristics of a non-standard warranty and significantly deviate from industry practice. Based on the conducted analysis, the Company has concluded that the portfolio of existing contracts with customers does not include significant non-standard warranties that could be considered a separate performance obligation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.27 Key accounting estimates and judgments (continued)

#### a) Revenue recognition (continued)

The Group recognises revenue from sale of other goods and products when the customer gains control over the specific goods, which is usually after the delivery of the goods when the customer has full discretionary rights over the goods and when there are no unfulfilled obligations that could affect the acceptance of the goods by the customer. Delivery typically occurs when the goods are delivered to the agreed location, the risk of loss is transferred to the customer, and the customer has accepted the goods in accordance with the contractual terms, or the acceptance terms have expired, or if the Group has objective evidence that all acceptance criteria have been met.

Based on the above, the Management Board believes that the revenue recognition methodology presented in these consolidated financial statements is in accordance with the provisions of IFRS 15 and that the risk of a possible subsequent adjustment of the amount of sales revenue is not significant.

#### b) Warranty provisions

The Group provides warranties for its products and completed projects for an average period of up to 5 years. In certain cases where warranties extend past this range, the Group analysed and concluded that such contracts did not include significant non-standard guarantees which could be considered a separate performance obligation and recognition under IFRS 15. Given the small number of contracts where the warranty period deviates from the average duration and given that the aforementioned deviations are generally not significant compared to industry practice, which shows a general trend of extending warranties on such products, the Group concluded that the portfolio of existing customer contracts does not include significant non-standard warranties that could be considered a separate performance obligation. Management estimates a provision for warranty repairs based on historical information on warranty utilisation costs of warranty repairs as well as industry statistics (such as those related to incidence of major failure of certain equipment, primarily transformers and generators). Additionally, where circumstances are identified which carry increased risk of defects and failures, warranty provisions for such contracts are individually assessed based on those specific circumstances. Provisions are then based on current and future estimated costs of rectification of defects and/or replacement of products as a result of technical analyses and correspondence with customers. Factors which affect the amount of such provisions include information as to the success of product quality initiatives and rectifications thus far, likelihood of product replacement, as well as cost of spare parts and labour costs.

#### c) Recoverability of non-financial assets

At the end of each reporting period, the Group assesses whether there are any indications that the value of non-financial assets should be impaired and estimates the recoverable amount of non-financial assets. The impairment is based on many factors such as change in expected industry growth, increase in capital expense, changes in market conditions, changes in future funding possibilities, technological obsolescence, termination of provision of services or sale of goods, exchange costs, amounts paid in comparable transactions and other changes in circumstances that indicate the existence of impairment. The calculation of fair value less costs to sell is based on the data available from related arm's length transactions for similar assets or observable market prices less any additional costs of asset disposal. The calculation of value in use is based on the discounted cash model, which is derived from the medium-term financial plan, and after that planning period they are extrapolated by using appropriate growth rates. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflow and the rate used to extrapolate the data.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.27 Key accounting estimates and judgments (continued)

##### *d) Recoverability of goodwill and intangible assets with indefinite useful life*

The Group conducts annual impairment testing of intangible assets with indefinite useful life, in accordance with the policy stated in note 2.11 and note 2.3 regarding goodwill impairment testing. Intangible assets with indefinite useful lives and goodwill are tested for impairment on an individual basis.

##### *Goodwill*

The Group allocates goodwill to business segments in accordance with the allocation of relevant cash-generating units (to which goodwill is allocated to) into segments reported by the Group. The allocation of goodwill to segments is shown in note 12.

The calculation of the recoverable amount of goodwill is carried out using the discounted cash flow method (DCF method), during which the Group calculates the present value of the future cash flows of the cash-generating units to which the goodwill in question is allocated to. The DCF method also implies a terminal growth rate of cash flows after a five-year period of 2 %. Cash flows created from such business plans are discounted using a discount rate that reflects the risk of the asset in question, which is approximated by the weighted average cost of capital for the relevant market and industry and ranged from 10.3% to 12.3%. As a result of the conducted impairment tests, the Group had no goodwill impairment charges during 2024 and 2023. The sensitivity analysis of the key assumptions in the impairment test (discount rate and terminal growth rate) to reasonable changes (defined as 50 basis points) does not indicate any material changes in the outcome of the impairment tests.

##### *Brand*

Brand refers to the acquired rights to use trademarks, trademarks and brand names that the Group allocates to business segments in accordance with the allocation of products/services to which a specific brand refers. The brand is entirely allocated to the electricity transmission and distribution segment.

The Group annually conducts a brand impairment test to assess whether its recoverable amount indicates a potential impairment. The calculation of the recoverable amount is based on five-year sales plans of the products/services that make up the brand, which the Group developed taking into account the corporate sales and marketing strategy, trends in the markets where relevant revenues are generated etc.

Cash flows generated from such plans are discounted using a discount rate that reflects the risk of the subject asset and which, for purposes of calculating the impairment test, is approximated by the weighted average cost of capital (WACC) related to the brand's primary sales market and industry.

To calculate the recoverable value of the brand, the Group applies the income approach - the method of non-payment of royalties. The basis of the non-payment of royalties method states that the value of an intangible asset is equal to the amount that the owner would pay for a license over that asset if he did not own it, that is, the value is equal to the discounted after-tax savings in a situation of non-payment of royalties, i.e. fees for the use of trademarks.

When calculating the recoverable value of the brand, rate equal to the weighted average cost of capital after tax (WACC) for each market and industry to which the brand relates to amounted to 10.7% (2023: 12.3%) while the applied terminal growth rate for brand is 2% (2% in 2023).

As a result of the brand impairment test, the Group had no brand impairment costs during 2024. The sensitivity analysis of the key assumptions in the impairment test (discount rate and terminal growth rate) to reasonable changes (defined as 50 basis points) does not indicate any material changes in the outcome of the impairment tests.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 2 Material accounting policy information (continued)

### 2.28 Subsidiaries

	Country	31 Dec 2024		31 Dec 2023	
		Ownership share (%)	Effective % of Group	Ownership share (%)	Effective % of Group
KONČAR - Motors and electrical systems Ltd, Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Engineering Co. Ltd., Zagreb	Croatia	-	-	100.00	100.00
Telenerg – Engineering Co Ltd, Zagreb	Croatia	100.00	100.00	100.00	100.00
INK PROJECT Ltd. For construction and services	Croatia	100.00	100.00	100.00	100.00
KONČAR – Infrastructure and Services Ltd., Zagreb	Croatia	-	-	100.00	100.00
KONČAR – Electrical Engineering Institute Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Generators and Motors Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Steel Structures Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Switchgear Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Renewable Energy Sources Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
Wind farm Rust Ltd.	Croatia	100.00	100.00	100.00	100.00
Solar power plant Deponija fosfogipsa Ltd., Zagreb	Croatia	51.00	51.00	51.00	51.00
Liburnia Solar Ltd. for electricity production, Zagreb	Croatia	76.00	76.00	-	-
South East Energy Ltd. For services, Zagreb	Croatia	75.20	75.20	-	-
Energetic parkk Pometeno brdo Ltd. For production, Zagreb	Croatia	100.00	100.00	-	-
KONČAR – Electric Vehicles Inc., Zagreb	Croatia	84.71	84.71	77.74	77.74
Konell Ltd., Sofia, Bulgaria *	Bulgaria	85.00	72.00	85.00	72.00
KONČAR – Electronics and Informatics Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
ENAKON MOBILITY Ltd. For services, Zagreb	Croatia	100.00	100.00	-	-
KONČAR – Instrument Transformers, Inc., Zagreb	Croatia	99.77	99.77	99.77	99.77
KONČAR – Distribution and Special Transformers, Inc., Zagreb	Croatia	67.90	67.90	67.90	67.90
FEROKOTAO Ltd.	Croatia	51.00	34.63	51.00	34.63
Power Engineering Transformatory Sp. z o.o. (PET), Poznan, Poland	Poland	100.00	67.90	100.00	67.90
KONČAR – Digital Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR - Sistemske integracije Ltd, Zagreb	Croatia	75.00	75.00	75.00	75.00
ADNET Ltd. For engineering, manufacturing and trade, Zagreb	Croatia	26.00	26.00	-	-
KREANCA SUSTAVI Ltd. For business and management consulting, Zagreb	Croatia	52.00	52.00	-	-
ADNET Ltd. For engineering, manufacturing and trade, Zagreb	Croatia	50.00	26.00	-	-
KONČAR – Transformer Tanks Ltd for production, Sesvete (Zagreb)	Croatia	100.00	100.00	100.00	100.00
KONČAR - Hydro Turbine Ltd. za proizvodnju i usluge	Croatia	100.00	100.00	-	-
KONČAR – Investments Ltd., Zagreb	Croatia	-	-	100.00	100.00
Advanced energy solutions Ltd., Zagreb	Croatia	-	-	51.00	51.00
Dalekovod Inc., Zagreb	Croatia	75.16	75.16	75.16	38.33
DALEKOVOD MK Ltd., Velika Gorica	Croatia	100.00	75.16	100.00	38.33
DALEKOVOD OSO Ltd., Velika Gorica	Croatia	100.00	75.16	100.00	38.33
Dalekovod Projekt Ltd., Zagreb	Croatia	100.00	75.16	100.00	38.33
Dalekovod EMU Ltd., Vela Luka	Croatia	100.00	75.16	100.00	38.33
EL-RA Ltd., Vela Luka	Croatia	100.00	75.16	100.00	38.33
Cinčaonica usluge Ltd. u likvidaciji, Velika Gorica	Croatia	-	-	100.00	38.33
Dalekovod Mostar Ltd., Mostar, Bosnia and Herzegovina	BiH	100.00	75.16	100.00	38.33
Dalekovod Ljubljana Ltd., Ljubljana, Slovenia	Slovenia	100.00	75.16	100.00	38.33
Dalekovod Norge AS, Oslo, Norway	Norway	100.00	75.16	100.00	38.33
Dalekovod Ukrajina Ltd., Kijev, Ukraine	Ukraine	100.00	75.16	100.00	38.33

\* the company is not consolidated due to immateriality

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 2 Material accounting policy information (continued)

#### 2.28 Subsidiaries (continued)

In several subsidiaries, the Group has control through the majority of voting rights. However, the ownership share in these companies does not correspond to the share in voting rights since these companies also have preference shares that have all the rights as the ordinary shares have, except for voting rights. The share in the ownership of these companies is as follows:

	31 Dec 2024	31 Dec 2023
	Ownership share (%)	Ownership share (%)
KONČAR - Instrument Transformers Inc., Zagreb	61.97	61.97
KONČAR - Distribution and Special Transformers Inc., Zagreb	52.73	52.73

In accordance with previously made decisions, on July 1, 2024, a status change took place involving the merger of the subsidiary KONČAR - Engineering Ltd. for production and services and KONČAR – Infrastructure and Service Ltd. for services, into the company KONČAR Inc., as the acquiring company. The merged companies continued their regular operations within KONČAR Inc.

Additionally, during 2024, the company acquired KONČAR – Investments Ltd. for business services (on 11 November 2024) and Advanced energy solutions Ltd. for investments (on 31 December 2024) were merged into acquiring company KONČAR Inc.

Furthermore, on 1 July 2024, a status change took place involving the spin-off and establishment of KONČAR – Renewable Energy Sources Ltd. for production, Zagreb, resulting in the establishment of the company Energetics Park Pometeno brdo Ltd., for production, Zagreb.

In 2024, the liquidation of the company Cinčaonica Ltd. in liquidation was completed.

*During 2024, the Group acquired control over the following companies:*

- Liburnia Solar Ltd. for electricity production, Zagreb (indirect ownership through KONČAR – Renewable Energy Sources Ltd. for production, Zagreb)
- South East Energy Ltd. for services, Zagreb (indirect ownership through KONČAR – Renewable Energy Sources Ltd. for production, Zagreb)
- KREANCA SUSTAVI Ltd. for business and management consulting, Zagreb (indirect ownership through KONČAR – Digital Ltd. for digital services, Zagreb)
- ADNET Ltd. for engineering, manufacturing, and trade, Zagreb (indirect ownership through KONČAR – Digital Ltd. for digital services, Zagreb)

In 2024, the parent company established KONČAR - Hydro Turbine Ltd. for production and services, while the affiliated company KONČAR – Electronics and Informatics Ltd. for production and services, Zagreb, established ENAKON MOBILITY Ltd. for services, Zagreb.

*During 2023, the Group acquired control in the following companies:*

- KONČAR – Electrical appliances Ltd., Dicmo (indirect ownership through the subsidiary company KONČAR - Switchgear Ltd.),
- Telenerg – Engineering Ltd., Zagreb (indirect ownership through the subsidiary company KONČAR - Engineering Co. Ltd.)
- INK PROJECT Ltd., for construction and services (indirect ownership through the subsidiary company KONČAR - Engineering Co. Ltd.)
- Kodeks sistemske integracije Ltd., Zagreb (indirect ownership through subsidiary company KONČAR – Digital Ltd.)
- EXA Globe Ltd., (indirect ownership through the subsidiary company KONČAR – Digital Ltd.),
- FEROKOTAO Ltd. for the production of transformer boilers and other metal constructions (indirectly owned through the subsidiary company KONČAR - Distribution and Special Transformers Inc.).

In 2023, the parent company founded KONČAR – Transformer Tanks Ltd. for production, Zagreb.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 3 Sales revenue

	2024 EUR'000	2023 EUR'000
<i>Major products/service lines</i>		
<b>Production of electricity</b>	<b>89,858</b>	<b>80,430</b>
<b>Transmission and distribution of electricity</b>	<b>803,383</b>	<b>641,526</b>
- transmission	288,958	251,040
- distribution	514,425	390,486
<b>Urban mobility and infrastructure</b>	<b>105,538</b>	<b>107,076</b>
- mobility	67,644	77,567
- infrastructure	37,894	29,509
<b>Digital solutions</b>	<b>25,543</b>	<b>23,328</b>
<b>Total reportable segments</b>	<b>1,024,322</b>	<b>852,360</b>
Other	30,055	41,719
<b>Revenue from contract with customers</b>	<b>1,054,377</b>	<b>894,079</b>
Related parties	12,663	20,639
Unrelated parties	1,041,714	873,440
<b>Revenue from contract with customers</b>	<b>1,054,377</b>	<b>894,079</b>
<i>Timing of revenue recognition</i>		
Point in time	679,469	679,046
Over time recognition	374,908	215,033
<b>Revenue from contract with customers</b>	<b>1,054,377</b>	<b>894,079</b>

### Revenue by regions:

	2024		2023	
	EUR'000	%	EUR'000	%
<b>Croatia</b>	<b>312,163</b>	<b>29.61%</b>	<b>314,930</b>	<b>35.22%</b>
Other countries in the European Union	551,721	52.33%	418,759	46.84%
	<b>863,884</b>	<b>81.93%</b>	<b>733,689</b>	<b>82.06%</b>
Asia and Africa	53,838	5.11%	54,309	6.07%
Neighboring countries*	38,475	3.65%	32,562	3.64%
America and Australia	20,107	1.91%	18,173	2.03%
Europe countries not part of European Union	78,073	7.40%	55,346	6.19%
	<b>190,493</b>	<b>18.07%</b>	<b>160,390</b>	<b>17.94%</b>
	<b>1,054,377</b>	<b>100.00%</b>	<b>894,079</b>	<b>100.00%</b>

\*Neighbouring countries refer to Serbia, Montenegro, Albania, Bosnia and Herzegovina and Macedonia



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 4 Other operating income

	2024 EUR'000	2023 EUR'000
Revenues from project co-financing	809	663
Profit from the sale of property	721	3,732
Compensation for damages	1,142	1,895
Revenue from subsequent use of inventories	792	1,140
Collected written-off receivables	2,239	286
Sales of materials	592	705
Government grants	188	454
Rental income	780	553
Subsequent discounts, rebates	609	243
Inventory surplus	589	968
Unrealized gains	109	-
Other	3,206	2,534
	<b>11,776</b>	<b>13,173</b>

### 5 Raw materials, products, consumables and services used

	2024. EUR'000	2023. EUR'000
Cost of raw materials and supplies	441,706	466,646
External product design and selling services	69,433	53,594
Cost of goods sold	47,063	43,395
Energy cost	9,879	10,915
Maintenance services (servicing)	9,775	8,282
Transport, freight forwarding	18,398	14,839
Agent commission costs	6,665	4,151
Postal, telephone, and internet costs	546	570
Exhibition, advertising, and promotion costs	1,723	874
Lease costs	7,369	8,564
Research and development costs	1,866	1,629
Utility costs	1,573	1,191
Other external costs	9,243	4,697
	<b>625,239</b>	<b>619,347</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 6 Staff costs

	2024 EUR'000	2023 EUR'000
Net salaries and wages	116,718	93,058
Taxes and contributions from salaries	47,163	37,590
Contributions on salaries	22,621	18,125
Reimbursements of costs to employees, gifts and support	21,077	12,605
Compensations to members of the Supervisory Board (gross)	472	453
Other	322	36
	<b>208,373</b>	<b>161,867</b>

In 2024, pension fund contributions amounted to EUR 33,018 thousand (2023: EUR 26,878 thousand). During 2024 termination benefits and severances amounted to EUR 933 thousand (2023: EUR 844 thousand).

Average number of employees during 2024 was 5,382 (2023: 4,888 employees).

During the year, the Group capitalized salaries in the total amount of EUR 2,205 thousand (2023: EUR 3,487 thousand).

### 7 Reversal / (cost) of impairment losses

	2024 EUR'000	2023 EUR'000
<i>Non-financial assets:</i>		
<i>Non-current assets:</i>		
Impairment loss on property, plant and equipment	1,732	1,217
<i>Current assets:</i>		
Reversal / (cost) of impairment losses of inventories	(2,618)	3,722
	<b>(886)</b>	<b>4,939</b>
<i>Reversal / (cost) of impairment losses on financial assets</i>	3,867	7,526
<b>Total reversal / (cost) of impairment losses</b>	<b>2,981</b>	<b>12,465</b>

The Group recognized the positive effects of the reversal of the above-mentioned previously recognized value adjustments in the earlier period in 2024, based on a change in estimate. Impairment cost of financial assets in 2024 mainly relates to expected credit losses recognized for financial assets at amortized cost.

Impairment cost of financial assets relates mostly to the impairment allowance for receivables from the Ministry of Finance where the subsidiary initiated the collection of the receivable in accordance with contractual terms. However, in November 2023 the subsidiary received a first instance ruling from the Commercial Court in Zagreb which rejected the subsidiary's request for collection and payment of the receivable. The subsidiary appealed this ruling and on 25 March 2024 received a decision of the High Commercial Court of the Republic of Croatia which annulled the first-instance ruling. However, this has not resulted in the collection of the receivable as the court instead returned the case to the Commercial Court in Zagreb for a new ruling. Management assessed, after consultation with legal counsel, that the circumstances following the initial ruling against the Company indicate that uncertainties with respect to the collection of the receivable have significantly increased and has therefore recognised an impairment in full amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 8 Other operating expenses

	2024 EUR'000	2023 EUR'000
Daily allowances for business trips and travel expenses	10,591	12,552
Net release of provisions (note 28)	7,182	13,179
Intellectual and similar services	5,625	4,021
Insurance premiums	5,072	3,898
Bank charges and payment transactions	5,271	2,705
Entertainment	3,487	2,976
Professional training costs	1,369	1,212
Compensations for temporary service contracts and fees	1,396	1,059
Contributions, membership fees and similar charges	696	807
Non-production related services	2,506	2,894
Sponsorships and donations	515	369
Taxes irrespective of result and fees	332	469
Accrued expenses	562	560
Shortages	1,373	509
Penalties, fines	352	1,497
Other costs	6,603	3,824
	<b>52,932</b>	<b>52,531</b>

### 9 Net financial result

	2024 EUR'000	2023 EUR'000
<b>Finance income</b>		
Interest income	4,716	2,062
Net foreign exchange gains	-	727
Income from dividends and shares in profit	42	136
Other finance income	175	178
Unrealised gains (income)	403	195
	<b>5,336</b>	<b>3,298</b>
<b>Finance cost</b>		
Interest expense	3,583	3,293
Loss from exchange rate differences	1,228	-
Other finance costs	445	252
	<b>5,256</b>	<b>3,545</b>
<b>Net financial result</b>	<b>80</b>	<b>(247)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 10 Income tax

	2024 EUR'000	2023 EUR'000
Current tax	30,202	15,664
Deferred tax	(694)	(1,211)
<b>Income tax expense</b>	<b>29,508</b>	<b>14,453</b>

The Group's current income tax differs from the theoretical amount that would arise using the actual tax rate applicable to profits of the Group as follows:

	2024 EUR'000	2023 EUR'000
Consolidated profit before tax	193,861	81,958
<b>Tax at applicable tax rate of 18%</b>	<b>34,895</b>	<b>14,752</b>
<i>Tax effect:</i>		
Non-deductible expenses	3,311	2,835
Income not subject to tax	(7,953)	(3,195)
Utilisation of previously unrecognised tax losses	(60)	(1,008)
Tax losses for which no deferred tax asset is recognised	382	2,431
Change in recognised temporary differences	613	(1,135)
Recognition of deferred tax asset on investment tax credit	(749)	(10)
Income tax paid abroad	4	(11)
Investment tax credit utilisation	(935)	(206)
<b>Income tax</b>	<b>29,508</b>	<b>14,453</b>

### Investment incentives

Investment incentives relate mainly to tax reliefs for investments of the Group companies.

Pursuant to the Investment Promotion Act, the Group received the status of beneficiary of investment support related to the "LAVESP" project. The Group was thus granted the use of incentive measures as support for eligible costs of job creation related to the investment project and tax benefits for capital costs of the investment project in the allowed amount of tax relief for investments of EUR 1,729 thousand. For this amount, the Group has the option of reducing future income tax liabilities on the basis of income tax for the years ended 31 December 2030 to a maximum amount of reduction of the tax rate of 100% per annum. The Group recognized the entire amount of the approved relief as deferred tax assets and tax income, of which 656 thousand euros has already been used to reduce the tax liability for the current year (2023: 399 thousand euros).

The application for obtaining the status of incentive holder for the new project was submitted on 23 December 2021, under the abbreviated name "Sustainable SETup." On 2 March 2024, MINGO issued a decision granting the Group the status of incentive holder for this project in the amount of 5,464 thousand euros, for which the Group has the opportunity to reduce future tax liabilities based on income tax for the future years ending on 24 December 2031.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 10 Income tax (continued)

#### *Investment incentives (continued)*

In the financial statements for 2024, the Group did not further use incentives for this project, while in previous periods, it used EUR 5,237 thousand for the same reason (part was used to reduce current income tax, while the remainder was used to reduce additional income tax).

Additionally, through business combinations during 2023, the Group acquired the right to use an additional tax incentive for investment benefits by reducing the tax liability in the full 100% amount, and the available framework for this incentive was EUR 1.3 million. The Group recognized deferred tax assets for this amount, as it is expected that the full framework will be utilized. The company KONCAR – Metal Structures Ltd. used an amount of EUR 536 thousand for this incentive in 2024.

The Group has the status of a support beneficiary under the Investment Promotion Act, which entitles it to reduce the income tax rate by 75%-100% of the prescribed income tax rate during the period from 2015 to 2025. Since 2017, the Group has met the conditions to reduce its tax liability by 100%. The remaining unused relief as of 31 December 2024 amounts to EUR 352 thousand.

In February 2020, the Group was granted a tax relief under which it applied a reduced income tax rate of 50% in 2024 and 2023, in accordance with the provisions of the Investment Promotion Act, based on confirmation from the Ministry of Economy. As of 31 December 2024, the Group has no unused tax relief.

The Group has the status of a support beneficiary under the Investment Promotion Act, which entitles it to reduce the income tax rate by 75%-100% of the legal income tax rate. Since 2024, it has met the conditions to reduce its tax liability by 100%. The remaining unused relief as of 31 December 2024 amounts to EUR 271 thousand.

#### *Tax losses carried forward*

The Group can carry forward tax losses for companies which incurred losses and are not subject to taxation and for subsidiaries that realised a profit but are not subject to taxation due to tax losses carried forward from previous periods. The Group can carry forward tax losses into future periods in order to reduce taxable income within the following 5-year period. As at 31 December 2024, unrecognised deferred tax assets on tax losses carried forward amount to EUR 6,838 thousand (31 December 2023: EUR 8,877 thousand). Tax losses relate to Group entities for which it was assessed that there will not be sufficient future taxable profits to utilise these losses.

Gross tax losses expire as follows:

	<b>31 December 2024 EUR'000</b>	<b>31 December 2023 EUR'000</b>
Within 1 year	9,028	5,853
Within 2 years	6,497	12,619
Within 3 years	9,305	7,321
Within 4 years	15,652	8,902
Within 5 years	8,625	14,622
	<b>49,107</b>	<b>49,317</b>

In accordance with the regulations of the Republic of Croatia, the Tax Administration may at any time inspect the individual Group companies' books and records within 3 years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 10 Income tax (continued)

The components and movements of deferred tax assets and liabilities are as follows:

	31 Decem- ber 2024 EUR'000	Recog- nized in PnL EUR'000	Acquired through business combina- tions EUR'000	31 Decem- ber 2023 EUR'000	Recog- nized in PnL EUR'000	Acquired through business combina- tions EUR'000	31 Decem- ber 2022 EUR'000
<b>Deferred tax asset:</b>							
Impairment of receiv- ables	154	33	-	121	44	-	77
Impairment of fixed assets	58	(1)	-	59	-	-	59
Impairment of inventory	1,402	(371)	-	1,773	931	-	842
Tax losses carried for- ward	1,739	(136)	425	1,450	934	-	516
Non-deductible provi- sions	630	167	-	463	272	-	191
Unused amount of relief under the Investment Incentive Act	582	(638)	-	1,220	(1,376)	-	2,596
Leases	426	24	-	402	402	-	-
Unrealised profits (sale o PPE within the Group)	1,792	-	-	1,792	-	-	1,792
Other	3,034	1,397	-	1,637	4	1,479	154
<b>Deferred tax asset</b>	<b>9,817</b>	<b>475</b>	<b>425</b>	<b>8,917</b>	<b>1,211</b>	<b>1,479</b>	<b>6,227</b>
	31 Decem- ber 2024 EUR'000	Recog- nized in PnL EUR'000	Acquired through business combina- tions EUR'000	31 Decem- ber 2023 EUR'000	Recog- nized in PnL EUR'000	Acquired through business combina- tions EUR'000	31 Decem- ber 2022 EUR'000
<b>Deferred tax liability:</b>							
Acquisition of subsidiaries	2,996	-	259	2,737	-	1,331	1,406
Leases	(35)	-	24	(59)	(59)	-	-
Other	559	-	(550)	1,109	89	-	1,020
<b>Deferred tax liability</b>	<b>3,520</b>	<b>-</b>	<b>(267)</b>	<b>3,787</b>	<b>30</b>	<b>1,331</b>	<b>2,426</b>

The Group is subject to the Pillar 2 rules. The legislation has been adopted in Croatia, the jurisdiction in which the parent company is registered, and it came into effect on 31 December 2023. The Group applies the exemption from recognizing and disclosing information on deferred tax assets and liabilities related to income tax under the Pillar 2 rules, as provided by the amendments to IAS 12 standards adopted in May 2023.

The Group estimates that the current tax expense related to the Pillar 2 rules for the second pillar in 2024 amounts to EUR 447 thousand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 11 Earnings per share

	2024	2023
Net profit attributed to the owners (EUR'000)	102,600	46,328
Weighted average number of shares	2,546,603	2,546,256
<b>Basic and diluted earnings per share (EUR)</b>	<b>40,29</b>	<b>18,19</b>

Diluted earnings per share for 2024 and 2023 are the same as basic since the Group had no convertible instruments or options outstanding during either period.

Weighted average number of shares is as follows:

	2024	2023
Issued ordinary shares at 1 January	2,572,119	2,572,119
Effect of treasury shares held	(25,516)	(25,863)
<b>Average number of shares</b>	<b>2,546,603</b>	<b>2,546,256</b>

### 12 Goodwill

Goodwill was recognised in the course of gaining control over the companies as shown below.

Goodwill recognized per each company amounts to:

	Allocated to segment:	31 December 2024	31 December 2023
		EUR'000	EUR'000
KONČAR - Instrument Transformers Inc.	Production, Transmission and distribution of electricity, Urban mobility and infrastructure	157	157
KONČAR - Distribution and Special Transformers Inc.	Transmission and distribution of energy, Urban mobility and infrastructure	808	808
KONČAR - Engineering Co. for Plant Installation & Commissioning Inc.	Other	-	9
Dalekovod Group	Production, Transmission and distribution of electricity, Urban mobility and infrastructure	161	161
KONČAR - Sistemske integracije Ltd.	Digital solutions	6,697	6,697
Telenerg – Engineering Ltd.	Production, Transmission and distribution of energy, Other	421	421
INK Project Ltd.	Other	99	99
Adnet	Digital solutions	1,065	-
Liburnia Solar	Production of electricity	68	-
South East Energy	Production of electricity	74	-
Solar power plant Landfill Phosphogips Ltd.	Production of electricity	1	1
		<b>9,551</b>	<b>8,353</b>

The Group tests goodwill for impairment on an annual basis. No impairment losses were recognised in this respect as the amount is assessed as recoverable as discussed in note 2.27.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 13 Intangible assets

Cost	Development expenditure EUR'000	Software and other rights EUR'000	Brand EUR'000	Other EUR'000	Assets under construction and advances EUR'000	Total EUR'000
<b>At 1 January 2023</b>	<b>19,013</b>	<b>8,205</b>	<b>1,861</b>	<b>200</b>	<b>4,560</b>	<b>33,839</b>
The effect of acquisition of subsidiaries	-	4,408	-	-	-	4,408
Additions	45	570	-	-	4,279	4,894
Transfer from assets under construction	3,988	1,271	-	15	(5,274)	-
Disposals	(28)	(245)	-	-	(27)	(300)
<b>At 31 December 2023</b>	<b>23,018</b>	<b>14,209</b>	<b>1,861</b>	<b>215</b>	<b>3,538</b>	<b>42,841</b>
Transfer from tangible assets	-	-	-	-	605	605
The effect of acquisition of subsidiaries	100	1,408	-	-	-	1,508
Additions	-	-	-	8	4,912	4,920
Transfer from assets under construction	1,658	1,407	-	-	(3,065)	-
Disposals	-	(14)	-	-	(9)	(23)
<b>At 31 December 2024</b>	<b>24,776</b>	<b>17,010</b>	<b>1,861</b>	<b>223</b>	<b>5,981</b>	<b>49,851</b>
<b>Accumulated amortisation</b>						
<b>At 1 January 2023</b>	<b>16,082</b>	<b>6,608</b>	<b>-</b>	<b>200</b>	<b>290</b>	<b>23,180</b>
Amortisation for the year	1,469	803	-	-	-	2,272
<b>At 31 December 2023</b>	<b>17,551</b>	<b>7,711</b>	<b>-</b>	<b>200</b>	<b>290</b>	<b>25,452</b>
Amortisation for the year	1,764	3,541	-	-	-	5,305
Disposals	-	(13)	-	-	-	(13)
<b>At 31 December 2024</b>	<b>19,315</b>	<b>10,939</b>	<b>-</b>	<b>200</b>	<b>290</b>	<b>30,744</b>
<b>Net book amount</b>						
31 December 2023	5,467	6,798	1,861	15	3,248	17,389
<b>31 December 2024</b>	<b>5,461</b>	<b>6,071</b>	<b>1,861</b>	<b>23</b>	<b>5,691</b>	<b>19,107</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 14 Property, plant and equipment

<i>(in EUR thousand)</i>	Land	Buildings	Plant and equipment	Tools and office in- ventory	Other	Assets under construc- tion and advances	Total
<b>Cost</b>							
<b>As at 1 January 2023</b>	<b>39,460</b>	<b>151,878</b>	<b>165,391</b>	<b>43,647</b>	<b>342</b>	<b>18,308</b>	<b>419,026</b>
Reclassifications	-	33	(33)	222	(222)	-	-
The effect of acquisition of subsidiaries	1,959	7,748	4,927	415	1	386	<b>15,393</b>
Additions	-	929	1,293	3,499	4	32,831	38,599
Transfer from assets under construction	10	9,591	16,400	3,539	-	(29,540)	-
Transfer to Intangibles	-	-	-	-	-	(20)	<b>(20)</b>
Transfer to/from investment property	-	(453)	(249)	-	-	-	<b>(702)</b>
Disposals	(14)	(390)	(2,156)	(1,788)	-	(8,315)	<b>(12,663)</b>
<b>As at 31 December 2023</b>	<b>41,415</b>	<b>169,336</b>	<b>185,573</b>	<b>49,534</b>	<b>125</b>	<b>13,650</b>	<b>459,633</b>
Reclassifications	-	-	2,915	1,446	239	(2,892)	<b>1,708</b>
The effect of acquisition of subsidiaries	-	-	-	16	-	4	<b>20</b>
Additions	790	172	1,160	1,155	357	46,761	<b>50,395</b>
Transfer from assets under construction	731	7,714	15,617	3,310	39	(27,411)	-
Transfer to Intangibles	-	-	-	-	-	1,402	<b>1,402</b>
Disposals	(15)	(830)	(2,342)	(1,676)	(8)	(2,910)	<b>(7,781)</b>
<b>As at 31 December 2024</b>	<b>42,921</b>	<b>176,392</b>	<b>202,923</b>	<b>53,785</b>	<b>752</b>	<b>28,604</b>	<b>505,377</b>
<b>Accumulated amortisation</b>							
<b>As at 1 January 2023</b>	<b>2</b>	<b>89,084</b>	<b>111,804</b>	<b>32,282</b>	<b>26</b>	<b>554</b>	<b>233,752</b>
Depreciation for the year	-	4,127	6,681	3,546	1	-	14,355
Impairment	-	-	234	-	-	874	1,108
Disposals and write offs	16	(40)	(1,556)	(1,341)	-	-	(2,921)
<b>As at 31 December 2023</b>	<b>18</b>	<b>93,171</b>	<b>117,163</b>	<b>34,487</b>	<b>27</b>	<b>1,428</b>	<b>246,294</b>
Reclassifications	-	-	(1,588)	1,369	219	-	-
Depreciation for the year	2	4,330	10,481	3,726	77	-	18,616
Impairment	-	-	882	-	-	-	882
Disposals and write offs	-	(187)	(2,097)	(1,264)	(8)	-	(3,556)
<b>As at 31 December 2024</b>	<b>20</b>	<b>97,314</b>	<b>124,841</b>	<b>38,318</b>	<b>315</b>	<b>1,428</b>	<b>262,236</b>
<b>Net book amount</b>							
31 December 2023	41,397	76,165	68,410	15,047	98	12,222	213,339
<b>31 December 2024</b>	<b>42,901</b>	<b>79,078</b>	<b>78,082</b>	<b>15,467</b>	<b>437</b>	<b>27,176</b>	<b>243,141</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 15 Investment property

	Land EUR'000	Buildings EUR'000	Assets under construction EUR'000	Total EUR'000
<b>Cost</b>				
<b>At 1 January 2023</b>	<b>7,997</b>	<b>21,484</b>	<b>554</b>	<b>30,035</b>
Additions	-	-	2,656	2,656
Transfer from assets under construction	-	1,857	(1,857)	-
Transfer to/from non-current tangible assets	-	453	249	702
Transfer to/from non-current tangible assets	343	2,580	-	2,923
Disposals	(504)	(606)	(53)	(1,163)
<b>At 31 December 2023</b>	<b>7,836</b>	<b>25,768</b>	<b>1,549</b>	<b>35,153</b>
Reclassification / merger effect	-	259	139	398
Additions	355	610	2,781	3,746
Transfer from assets under construction	153	5,697	(5,850)	-
Transfer to/from non-current tangible assets	-	(4,637)	3,642	(995)
Disposals	(3)	(76)	(376)	(455)
<b>At 31 December 2024</b>	<b>8,341</b>	<b>27,621</b>	<b>1,885</b>	<b>37,847</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2023</b>	<b>1,891</b>	<b>11,908</b>	<b>-</b>	<b>13,799</b>
Depreciation for the year	-	1,371	249	1,620
Transfer to assets held for sale	-	1,731	-	1,731
<b>At 31 December 2023</b>	<b>1,891</b>	<b>15,010</b>	<b>249</b>	<b>17,150</b>
Reclassification / merger effect	-	206	-	206
Depreciation for the year	-	954	-	954
Impairment	577	-	-	577
Disposals	-	(57)	-	(57)
<b>At 31 December 2024</b>	<b>2,468</b>	<b>16,113</b>	<b>249</b>	<b>18,830</b>
<b>Net book amount</b>				
31 December 2023	5,945	10,758	1,300	18,003
<b>31 December 2024</b>	<b>5,873</b>	<b>11,508</b>	<b>1,636</b>	<b>19,017</b>

The fair value of investment property amounts to a total of EUR 23.3 million and relates to land amounting to EUR 10 million (2023: EUR 8.2 million) and buildings amounting to EUR 13.3 million (2023: EUR 11.5 million). Fair value estimates are designated as fair value level 3 since the input variables are not based on observable market data.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 16 Investments accounted for using the equity method

	31 December 2024 Ownership share (in %)	31 December 2023 Ownership share (in %)
<b>Associates accounted for by using the equity method:</b>		
Končar - Power Transformers Ltd., Zagreb	49.00	49.00
Elkakon Ltd., Zagreb*	50.00	50.00
<b>Joint ventures accounted for using the equity method:</b>		
Members of TLM Group*	22.00-25.00	22.00-25.00
TBEA Končar Instrument Transformers Ltd., China *	27.00	27.00
Male hidre d.o.o.*	51.00	51.00
* company in indirect ownership by the Company		

The company Končar-Power Transformers Ltd. is primarily engaged in the production of all types of high efficiency power transformers intended for the production, transmission and distribution of electricity. This company is in majority ownership of Siemens and represents a strategic partnership for the Group. Associate Končar - Power Transformers Ltd., Zagreb has a financial year end as at 30 September each year. The Group presented the financial position of the associate as at 31 December while the share in profit is recognised based on the financial performance of the associate for period 1.1.2024 – 31.12.2024, as presented further.

The company Elkakon d.o.o. produces industrial conductors and is primarily a strategic partner to the subsidiary Končar Distribution and Special Transformers Ltd.

The company TBEA Končar Instrument Transformers, China produces electric transformers, power transformers, combined instrument transformers and their components and represents strategic partnership for the Group that enables access to new customers and eastern markets.

The company Male hidre d.o.o. is primarily engaged in electricity generation from hydro potentials.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 16 Investments accounted for using the equity method (continued)

Movements in investments in associates and joint ventures are as follows:

#### Associates accounted for using the equity method

	Power Trans- formers Ltd. EUR'000	Elkakon Ltd. EUR'000	Total EUR'000
<b>1 January 2023</b>	<b>27,942</b>	<b>1,080</b>	<b>29,022</b>
Profit/(Loss)	12,290	138	12,428
Dividend payment	(8,017)	(100)	(8,117)
<b>31 December 2023</b>	<b>32,215</b>	<b>1,118</b>	<b>33,333</b>
Profit/(Loss)	32,740	135	32,875
Dividend payment	(21,294)	(65)	(21,359)
<b>31 December 2024</b>	<b>43,661</b>	<b>1,188</b>	<b>44,849</b>

Dividends declared by the associate reduce the equity accounted investment and are presented as dividends receivable within note 21 "Financial assets at amortised cost". The total dividend paid in 2024 amounts to EUR 8,381 thousand while in 2023 the total cash inflow from dividends amounted to EUR 5,302 thousand.

#### Joint ventures accounted for using the equity method

	TBEA Končar Instrument trans- formers Ltd EUR'000	Members of TLM Group EUR'000	Male hidre Ltd. EUR'000	Total EUR'000
<b>1 January 2023</b>	<b>2,704</b>	<b>1</b>	<b>396</b>	<b>3,101</b>
Profit/(Loss)	895	-	(12)	883
Dividend payment	(135)	-	-	(135)
<b>31 December 2023</b>	<b>3,464</b>	<b>1</b>	<b>384</b>	<b>3,849</b>
Profit/(Loss)	1,305	-	(6)	1,299
Dividend payment	(299)	-	-	(299)
<b>31 December 2024</b>	<b>4,470</b>	<b>1</b>	<b>378</b>	<b>4,849</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 16 Investments accounted for using the equity method (continued)

Information on the financial position of associates and joint ventures as at 31 December 2024 is shown in the following table:

#### Associates accounted for using the equity method

	Power Trans- formers Ltd. 2024 EUR'000	Elkakon Ltd. 2024 EUR'000	Total 2024 EUR'000
Non-current assets	61,929	1,250	63,179
Current assets	246,294	3,006	249,300
<b>Total assets</b>	<b>308,223</b>	<b>4,256</b>	<b>312,479</b>
<b>Total liabilities</b>	<b>219,119</b>	<b>1,872</b>	<b>220,991</b>
Revenues	294,529	16,433	310,962
Expenses	(224,260)	(16,101)	(240,361)
Profit/(loss) before tax	70,269	332	70,601
Income tax	(3,453)	(62)	(3,515)
<b>Profit/(loss) after tax</b>	<b>66,816</b>	<b>270</b>	<b>67,086</b>
Ownership share (in %)	49%	50%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>32,740</b>	<b>135</b>	<b>32,875</b>

\*The Group has aligned the recognition of its share in the profit of this associate with its (calendar) financial year.

#### Joint ventures accounted for using the equity method

	TBEA Končar Instrument transformers Ltd. 2024 EUR'000	Male hidre Ltd. 2024 EUR'000	Total 2024 EUR'000
Non-current assets	1,711	22,003	23,714
Current assets	33,144	1,716	34,860
<b>Total assets</b>	<b>34,855</b>	<b>23,719</b>	<b>58,574</b>
<b>Total liabilities</b>	<b>18,283</b>	<b>22,980</b>	<b>41,263</b>
Revenues	28,871	347	29,218
Expenses	(23,958)	(360)	(24,318)
Profit/(loss) before tax	4,913	(13)	4,900
Income tax	(78)	-	(78)
<b>Profit/(loss) after tax</b>	<b>4,835</b>	<b>(13)</b>	<b>4,822</b>
Ownership share (in %)	27%	51%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>1,305</b>	<b>(6)</b>	<b>1,299</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 16 Investments accounted for using the equity method (continued)

Summary information on the financial position of associates and joint ventures as at 31 December 2023 is shown in the following table:

#### Associates accounted for using the equity method

	Power Trans- formers Ltd. 2023* EUR'000	Elkakon Ltd. 2023 EUR'000	Total 2023 EUR'000
Non-current assets	26,080	1,340	27,420
Current assets	168,710	3,550	172,260
<b>Total assets</b>	<b>194,790</b>	<b>4,890</b>	<b>199,680</b>
<b>Total liabilities</b>	<b>128,791</b>	<b>2,653</b>	<b>131,444</b>
			-
Revenues	198,229	17,628	215,857
Expenses	(169,400)	(17,287)	(186,687)
Profit/(loss) before tax	28,829	341	29,170
Income tax	(8,107)	(63)	(8,170)
<b>Profit/(loss) after tax</b>	<b>20,722</b>	<b>278</b>	<b>21,000</b>
Ownership share (in %)	49%	50%	
<b>Share in profit/(loss) for equity accounted invest- ments</b>	<b>10,154*</b>	<b>139</b>	<b>10,293</b>

\*the calculated share of profit differs from the recognised amount because during 2023 the Group recognised a previously unrecognised share of profit arising from a different financial year of this associate (EUR 2,236 thousand). As of 31 December 2023, the Group has adjusted the recognition of the share of profit of this associate to its (calendar) financial year

#### Joint ventures accounted for using the equity method

	TBEA Končar Instrument transformers Ltd. 2023 EUR'000	Male hidre Ltd. 2023 EUR'000	Total 2023 EUR'000
Non-current assets	2,205	6,066	8,271
Current assets	25,810	2,060	27,870
<b>Total assets</b>	<b>28,015</b>	<b>8,126</b>	<b>36,141</b>
<b>Total liabilities</b>	<b>14,928</b>	<b>7,374</b>	<b>22,302</b>
Revenues	26,708	-	26,708
Expenses	(23,262)	(24)	(23,286)
Profit/(loss) before tax	3,446	(24)	3,422
Income tax	(130)	-	(130)
<b>Profit/(loss) after tax</b>	<b>3,316</b>	<b>(24)</b>	<b>3,292</b>
Ownership share (in %)	27%	51%	
<b>Share in profit/(loss) for equity accounted invest- ments</b>	<b>895</b>	<b>(12)</b>	<b>883</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 17 Other investments

	31 December 2024 EUR'000	31 December 2023 EUR'000
<i>Financial assets at FVOCI</i>	240	240
<i>Financial assets at FVTPL</i>		
Debentures	131	131
Investments in shares	755	357
<b><i>Financial assets at FVOCI</i></b>	886	488
	<b>1,126</b>	<b>728</b>

### 18 Financial assets at amortised cost

	31 December 2024 EUR'000	31 December 2023 EUR'000
Receivables for shares sold	913	1,269
Loans, deposits and similar assets	6,921	1,275
Long-term guarantee deposits – retentions /i/	4,901	5,124
Receivables for flats sold	12	26
Other	226	271
	<b>12,973</b>	<b>7,965</b>

/i/ Long-term guarantee deposits relate to retentions, i.e. amounts withheld on each issued invoice/interim certificate, with amounts defined in accordance with the provisions of the contract. Retention amounts for individual projects vary between 5% and 10% and are accumulated up to a certain contract value.

For the Norwegian market, it is specific that a 10% retention is accumulated on each issued invoice, while at the same time the total amount is limited to a maximum of 5% of the total contract value. For the Swedish market, it is specific that a 5% retention is accumulated on each issued invoice, while at the same time the amount is limited to a maximum of 5% of the total contract value.

For other retentions, it is characteristic that the accumulation in percentage is defined by the contract for the entire duration of the contract execution. In all cases, the retention is released upon the takeover of the facility by the Investor after the construction period, and, if allowed by the contracts, after partial takeover of parts of the facility with the Investor's consent.

### 19 Inventories

	31 December 2024 EUR'000	31 December 2023 EUR'000
Raw materials and supplies	119,165	107,996
Work in progress	70,717	62,825
Finished goods	32,585	36,842
Trade goods and goods in transit	4,514	3,815
Small inventory and packaging	2,725	1,036
	<b>229,706</b>	<b>212,514</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 20 Other assets

	31 December 2024 EUR'000	31 December 2023 EUR'000
Advances for inventories	6,220	7,255
Assets recognized based on costs to obtain a contract	13,171	8,994
	<b>19,391</b>	<b>16,249</b>

### 21 Financial assets at amortized cost

	31 December 2024 EUR'000	31 December 2023 EUR'000
Trade receivables	228,931	195,395
Receivables from related parties /i/	24,159	12,507
Short-term guarantee deposits – retentions	3,364	1,855
Receivables for value added tax	12,946	11,139
Receivables on recognized claims	121	760
Receivables for advances given for services	15,171	8,787
Prepaid expenses and accrued income	9,570	9,203
Other /ii/	6,222	3,004
	<b>300,484</b>	<b>242,650</b>

/i/ Receivables from related parties include receivables for the dividend declared by the associate in the total amount of EUR 21,294 thousand (31 December 2023: EUR 8,017 thousand).

/ii/ Other receivables mostly relate to receivables from the state and receivables from employees.

	31 December 2024 EUR'000	31 December 2023 EUR'000
Trade receivables – domestic, gross	85,017	76,596
Trade receivables – foreign, gross	150,748	122,798
Impairment	(6,834)	(3,999)
	<b>228,931</b>	<b>195,395</b>

As at 31 December, the ageing structure of trade receivables was as follows:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Not yet due	171,527	147,800
< 60 days	42,027	33,463
60-90 days	3,545	4,162
90-180 days	4,674	2,650
180-365 days	3,111	5,741
> 365 days	4,047	1,579
	<b>228,931</b>	<b>195,395</b>

Maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 21 Financial assets at amortised cost (continued)

The following table explains the changes in the expected credit loss for trade receivables between the beginning and the end of the period:

	EUR'000
<b>As at 1 January 2023</b>	<b>3,804</b>
The effect of acquisition of subsidiaries	975
Increase in expected credit loss	73
Collected during the year	(383)
Impaired during the year	(406)
<i>Total changes in expected credit loss through profit or loss</i>	<i>(716)</i>
Written off during the year	(67)
Foreign exchange differences	5
<b>As at 31 December 2023</b>	<b>3,999</b>
The effect of acquisition of subsidiaries	(3)
Increase in expected credit loss	1,874
Collected during the year	(409)
Impaired during the year	1,675
<i>Total changes in expected credit loss through profit or loss</i>	<i>3,140</i>
Written off during the year	(303)
Foreign exchange differences	1
<b>As at 31 December 2024</b>	<b>6,834</b>

### 22 Contract assets and contract liabilities

The Group has recognized the following assets and liabilities from contracts with customers:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Contract assets from contract with customers	100,824	77,966
Expected credit loss	200	-
<b>Total current assets from contract with customers</b>	<b>101,024</b>	<b>77,966</b>
Contractual obligation from contracts with customers	8,152	13,146
Contractual obligation - advances received from the customers	226,003	131,231
<b>Total contract liabilities</b>	<b>234,155</b>	<b>144,377</b>

Revenue recognized in the reporting period that was a part of the contract liabilities at the beginning of the period amounted to EUR 13,146 thousand (2023: EUR 11,119 thousand).

Contractual obligations at the reporting date relate to contracts with customers with a total value of EUR 952,614 thousand (31 December 2023: EUR 431,716 thousand), and for which performance obligations are to be met in the next reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 23 Current financial assets

	31 December 2024 EUR'000	31 December 2023 EUR'000
Deposits over 3 months	65,236	378
Republic of Croatia treasury notes	14,916	-
Other financial assets	11	60
	<b>80,163</b>	<b>438</b>

The Group earns interest on deposits over 3 months at rates ranging from 0.001% to 2.68% per annum, while the Republic of Croatia treasury notes bear interest at a rate of 2.60% p.a. (in 2023, contracted interest rates on deposits with commercial banks over 3 months ranged from 0.001% to 4.5% p.a.).

### 24 Cash and cash equivalents

	31 December 2024 EUR'000	31 December 2023 EUR'000
Cash in bank, domestic and foreign currency	77,523	113,583
Cash on hand	3	10
Deposits up to 3 months	70,438	40,230
	<b>147,964</b>	<b>153,823</b>

Interest rate on the Group's cash in bank and deposits up to 3 months is 0.001% - 3,8% p.a. (2023:0.001% - 3.7% p.a.).

Disclosures related to credit risk are presented in note 31 Financial risk management and financial instruments.

The Group deposits money with banks that, according to the S&P agency's assessment, have the following credit rating:

	31 December 2024 EUR'000	31 December 2023 EUR'000
A+	3,990	9,108
A-	16,248	17,214
AAA	305	-
B+	1,056	8
B-	2	-
BB+	-	33
BB	16,055	24,648
BB-	699	-
BBB+	29,033	9,417
BBB	40,872	86,543
BBB-	18,876	1,824
Not rated	20,828	5,028
	<b>147,964</b>	<b>153,823</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 25 Non-current assets held for sale

The Management Board and the Supervisory Board adopted a new business strategy , which defines the sale of non-operating assets of the Group. Accordingly, the Management Board started the process of selling several locations owned by the Group, and these locations were presented as assets held for sale. Actions regarding the sale of the property have been started by the Management, and the sale is expected by the end of 2025.

	<b>31 December 2024</b> <b>EUR'000</b>	<b>31 December 2023</b> <b>EUR'000</b>
Land	180	180
Buildings	577	577
Other	-	6
	<b>757</b>	<b>763</b>

The fair value of non-current assets held for sale at the balance sheet date refers to level 3 of fair value as the input variables for its determination are not based on observable market data. The fair value of non-current assets held for sale at the balance sheet date is EUR 1,2 million (31 December 2023: EUR 1 million), of which:

- the amount of EUR 220 thousand euros relates to land (31 December 2023.: EUR 220 thousand ),
- and the amount of EUR 960 thousand relates to buildings. (31 December 2023.: EUR 870 thousand )

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 26 Capital and reserves

Share capital is determined in the nominal amount of EUR 159,471 thousand (31 December 2023: EUR 159,471 thousand) and comprises 2,572,119 shares with a nominal value of EUR 62 per share. By the decision of the Company's Assembly on 13 June 2023, the Company's share capital was aligned with euros, and this was published in the Commercial Register on 28 September 2023.

The ownership structure of the Parent company is as follows:

	Shareholder	31 December 2024		31 December 2023	
		Number of shares	Ownership share %	Number of shares	Ownership share %
1	HPB d.d. (Kapitalni fond d.d.)	724,515	28.17	724,515	28.17
2	Erste & Steiermarkische bank D.D./ PBZ CO OMF - Category B	463,067	18.00	463,067	18.00
3	OTP Banka d.d./ Erste Plavi obligatorny pension fund	381,660	14.84	398,402	15.49
4	OTP Banka d.d. / AZ OMF	373,065	14.50	373,065	14.5
5	Restructuring and Sale Center / Croatia	60,000	2.33	60,000	2.33
6	Privredna banka Zagreb d.d./ Raiffeisen OMF - Category B	47,636	1.85	47,636	1.85
7	Zagrebačka banka d.d. /AZ Profit DMF	35,817	1.39	35,869	1.39
8	Privredna banka Zagreb d.d./ custody account	-	-	22,658	0.88
9	AGRAM BROKERI D.D./Zec Branislav	22,222	0.86	22,222	0.86
10	Erste & Steiermarkische bank D.D./ PBZ CO OMF - Category A	20,284	0.79	-	-
11	Other shareholders	418,547	16.27	398,953	15.53
12	KONČAR Inc. (reasury shares))	25,306	1.00	25,732	1.00
		<b>2,572,119</b>	<b>100</b>	<b>2,572,119</b>	<b>100</b>

Ordinary shares of the Company are listed on the Official market at the Zagreb Stock Exchange under the name KOEI-R-A from 21 December 2010, in accordance with the resolution of the Zagreb Stock Exchange Management from 20 December 2010.

In 2024, the Management Board is authorized to acquire treasury shares for a period of 5 years, based on a decision of the General Assembly. Part of other reserves in the amount of EUR 4 million, in accordance with the decision of the General Assembly, will be used for the purpose of acquiring treasury shares, thus forming reserves for the purchase of treasury shares. During 2024 and 2023, there was no redemption of shares, and at 31 December 2024 the Company owns 25,306 of its own shares (31 December 2023: 25,732 shares).

In 2024, the General Assembly adopted a decision to pay dividends to shareholders of EUR 6,366 thousand (in 2023: EUR 14,252 thousand).

The Company has established legal, statutory and other reserves in accordance with the Companies Act that are formed on the basis of profit distribution according to the General Assembly's decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 27 Non-controlling interests

Non-controlling interest refers to as follows:

	31 December 2024 EUR'000	31 December 2023 EUR'000
D&ST Group	120,225	68,183
KONČAR - Instrument transformers Inc. Group	10,401	7,513
KONČAR - Electric vehicles Inc.	3,490	4,327
Advanced Energy Solutions Ltd	-	(977)
Dalekovod Group	17,272	44,232
Solar power plant Landfill phosphogips Ltd.	63	63
KONČAR - Sistemske integracije Ltd.	1,234	1,414
Liburnia Solar d.o.o.	(6)	-
South East Energy d.o.o.	(1)	-
	<b>152,678</b>	<b>124,755</b>

The following are the companies in which the Parent company has a significant non-controlling interest:

- D&ST Group
- Instrument Transformers Inc. Zagreb Group
- KONČAR - Electric Vehicles Inc., Zagreb (KONČAR EV Inc.)
- Dalekovod Group

These four compaines/Groups represent 99% of the total amount of the Group's positive non-controlling interest at the balance sheet date.

In 2024, the Group repurchased 36.83% of the non-controlling interest in the company Dalekovod d.d. for EUR 32 million, and as of 31 December 2024, holds 75.16% of the shares of Dalekovod. The acquisition of the non-controlling interest resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 4,347 thousand.

Additionally, during 2024, the Group acquired additional 7.27% of the non-controlling interest in the company KONČAR – Electric Vehicles Inc. The acquisition of the non-controlling interest resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 583 thousand. Payments in the amount of EUR 746 thousand relate to the acquisition in 2024 and also the acquisitions carried out at the end of 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 27 Non-controlling interests (continued)

The following are summary financial information of the companies with a significant non-controlling interest:

	KONČAR D&ST Inc, consolidated		KONČAR MT Inc, consolidated		KONČAR KEV Inc, consolidated		DALEKOVOD Inc, consolidated	
	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
<b>Statement of comprehensive income</b>								
Income	472,888	344,359	54,254	40,909	66,448	78,892	196,007	168,759
Expenses	(328,951)	(279,120)	(44,365)	(38,101)	(63,288)	(75,721)	(188,580)	(171,434)
Profit before tax	143,937	65,239	9,889	2,808	3,160	3,171	7,427	(2,675)
Income tax	(26,225)	(11,232)	(1,585)	(404)	252	(679)	(1,360)	(1,169)
<b>Profit after tax</b>	<b>117,712</b>	<b>54,007</b>	<b>8,304</b>	<b>2,404</b>	<b>3,412</b>	<b>2,492</b>	<b>6,067</b>	<b>(3,844)</b>
<b>Statement of financial position</b>								
Non-current assets	69,848	53,532	15,591	14,058	14,500	12,506	42,568	38,041
Current assets	420,462	258,600	41,691	33,025	77,166	55,434	113,872	99,301
<b>Total assets</b>	<b>490,310</b>	<b>312,132</b>	<b>57,282</b>	<b>47,083</b>	<b>91,666</b>	<b>67,940</b>	<b>156,440</b>	<b>137,342</b>
<b>Total liabilities</b>	<b>(243,585)</b>	<b>(167,061)</b>	<b>(29,933)</b>	<b>(27,323)</b>	<b>(68,811)</b>	<b>(48,501)</b>	<b>(88,130)</b>	<b>(75,778)</b>
<b>Adjustments of net assets upon acquisition</b>	<b>7,636</b>	<b>(3,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,223</b>	<b>10,159</b>
<b>Cash flow</b>								
Cash flow from operating activities	161,997	82,892	9,772	674	(3,404)	45,972	8,562	10,178
Cash flow from investing activities	(115,255)	(6,957)	(1,406)	(1,166)	(2,407)	(1,919)	(3,654)	(1,532)
Cash flow from financing activities	(19,068)	(24,101)	(8,405)	2,548	10,000	(38,757)	(4,926)	(85)
<b>Net increase/(decrease) in cash</b>	<b>27,674</b>	<b>51,834</b>	<b>(39)</b>	<b>2,056</b>	<b>4,189</b>	<b>5,296</b>	<b>(18)</b>	<b>8,561</b>
Cash at beginning of period	60,418	8,584	1,811	(245)	8,284	2,988	12,345	3,789
<b>Cash at end of period</b>	<b>88,092</b>	<b>60,418</b>	<b>1,772</b>	<b>1,811</b>	<b>12,473</b>	<b>8,284</b>	<b>12,327</b>	<b>12,345</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 28 Provisions

	Warranty provisions EUR'000	Provisions for legal disputes EUR'000	Jubilee awards and retirement benefits EUR'000	Other provisions EUR'000	Total EUR'000
<b>1 January 2023</b>	<b>22,177</b>	<b>3,419</b>	<b>4,999</b>	<b>2,283</b>	<b>32,878</b>
Effect of business combinations	509	-	-	186	695
Additional provisions	13,213	2,248	2,683	1,709	19,853
Usage of provisions	(4,572)	(23)	(69)	(57)	(4,721)
Release of provision	(2,322)	(577)	(721)	(3,054)	(6,674)
Foreign exchange differences and similar	6	-	4	6	16
<b>31 December 2023</b>	<b>29,011</b>	<b>5,067</b>	<b>6,896</b>	<b>1,073</b>	<b>42,047</b>
<i>Current provisions</i>	<i>7,380</i>	<i>2,001</i>	<i>829</i>	<i>423</i>	<i>10,633</i>
<i>Non-current provisions</i>	<i>21,631</i>	<i>3,066</i>	<i>6,067</i>	<i>650</i>	<i>31,414</i>
	<b>29,011</b>	<b>5,067</b>	<b>6,896</b>	<b>1,073</b>	<b>42,047</b>
Reclassifications	(723)	(184)	17	890	-
Additional provisions	9,312	2,578	3,062	1,051	16,003
Usage of provisions	(3,937)	-	(862)	(21)	(4,820)
Release of provision	(5,086)	(1,508)	(921)	(1,306)	(8,821)
Foreign exchange differences and similar	17	-	4	2	23
<b>31 December 2024</b>	<b>28,594</b>	<b>5,953</b>	<b>8,196</b>	<b>1,689</b>	<b>44,432</b>
<i>Current provisions</i>	<i>8,868</i>	<i>5,282</i>	<i>1,600</i>	<i>741</i>	<i>16,491</i>
<i>Non-current provisions</i>	<i>19,726</i>	<i>671</i>	<i>6,596</i>	<i>948</i>	<i>27,941</i>
	<b>28,594</b>	<b>5,953</b>	<b>8,196</b>	<b>1,689</b>	<b>44,432</b>

#### Warranty provisions

Warranty provisions are made based on the Management's best estimate. The provision is created based on the Group's estimate and historical experience as well as by comparison other similar equipment manufacturers' (most of the provision relates to transformers and rail vehicles). The Group provides long-term warranties for delivered products, typically lasting up to 5 years, and in exceptional cases up to 10 years. Based on historical data on costs of repairs during the warranty period and the number of products sold, as well as the prevailing warranty period, the Management estimates and creates a provision for repairs under warranty. The amount of provisions has increased due to the rise in the number of products sold and delivered to customers and specifically identified customers' complaints during 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 28 Provisions

#### *Provisions for legal disputes*

Non-current provisions for legal disputes in the amount of EUR 5,953 thousand (2022: EUR 5,067 thousand) relate to legal disputes in progress initiated against the companies within the Group and estimated costs of these disputes.

Events in 2024 resulted in net additional provisions in the amount of one million euros, primarily due to new provisions related to a misdemeanour case initiated by Croatian Financial Services Supervisory Agency ("HANFA") against the company Dalekovod Inc., and the release of provisions related to the court case in Poland. In the case with HANFA, Dalekovod Inc. was found guilty in the first-instance ruling and was fined EUR 2.4 million, which was paid in full during 2025. Regarding the case in Poland with ENEA, the first-instance judgment partially accepted the claim, and provisions for the court dispute in the amount of EUR 1.4 million were released. Legal proceedings in both cases are ongoing through appeal processes, but management believes that all effects have been adequately assessed.

#### *Provisions for jubilee awards and retirement benefits*

Provisions for jubilee awards and termination benefits in the amount of EUR 8,196 thousand (2023: EUR 6,896 thousand) relate to regular employee benefits (regular termination benefits and jubilee awards), and termination benefits to the Management Board in accordance with the Collective Agreement, to which the Group's employees are entitled. The net present value of the provision is calculated on the basis of the number of employees, amount of benefit, years of service at the balance sheet date and the discount rate of 2,94% (2023: 3.67%) p.a.

#### *Other provisions – provisions for onerous contracts*

Significant inflationary trends that led to high inflation rates, as well as increases in raw material and labour costs during 2024, resulted in provisions for onerous contracts as of 31 December 2024. For the portion of contracts identified and recognized as onerous in 2024, with delivery deferred to 2025, a profitability assessment was carried out, which determined a cost amount of EUR 0.6 million exceeding the economic benefits.

### 29 Borrowings

	31 December 2024 EUR'000	31 December 2023 EUR'000
Liabilities to banks and other financial institutions /i/	50,227	59,856
Lease liabilities /ii/	8,512	5,821
Liabilities for loans	278	56
	<b>59,017</b>	<b>65,733</b>
	31 December 2024 EUR'000	31 December 2023 EUR'000
<b>/i/ Liabilities to banks and other financial institutions</b>		
Liabilities to banks	30,027	38,938
Less: Current portion	(6,392)	(7,173)
<b>Long term liabilities to banks</b>	<b>23,635</b>	<b>31,765</b>
Liabilities to banks and other financial institutions	20,200	20,918
Plus: Current portion	6,392	7,173
<b>Short term liabilities to banks and other financial institutions</b>	<b>26,592</b>	<b>28,091</b>
	<b>50,227</b>	<b>59,856</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 29 Borrowings (continued)

	31 December 2024 EUR'000	31 December 2023 EUR'000
<b>/ii/ Lease liabilities</b>		
Long term	5,870	4,119
Short term	2,642	1,702
	<b>8,512</b>	<b>5,821</b>

Changes in bank borrowings were as follows:

	EUR'000
<b>1 January 2023</b>	<b>74,868</b>
Added through business combinations	5,323
New borrowings	26,423
Foreign exchange differences	(59)
Repayment of borrowings	(49,007)
Non-cash transactions	2,308
<b>31 December 2023</b>	<b>59,856</b>
New borrowings	48,413
Foreign exchange differences	(49)
Repayment of borrowings	(58,367)
Non-cash repayment of borrowings	374
<b>31 December 2024</b>	<b>50,227</b>

Long-term bank borrowings mature as follows:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Within one year	26,592	28,091
From 1 to 2 years	10,593	10,910
Between 2 and 5 years	10,601	15,923
More than 5 years	2,441	4,932
	<b>50,227</b>	<b>59,856</b>

The Group's property and plant in the carrying amount of EUR 31,159 thousand (2023: EUR 29,937 thousand) and equipment and movables in the amount of EUR 5.1 million (2023: EUR 4,682 thousand) has been pledged as collateral for long-term and short-term bank borrowings. Lease liability are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The fixed interest rate on the Group's long-term borrowings ranges from 0.95% to 3.5% p.a. (2023: 1.1% – 4.15% p.a.), while the fixed interest rate on the Group's short-term borrowings is 1.6% p.a. (2023: 1.5% – 5.0% p.a.). The Group considers that the fair value of borrowings with fixed interest rates does not differ significantly from their carrying amount, as the Group's average weighted interest rate on variable-rate borrowings amounts to 3.2% p.a. (2023: 4.9% p.a.), which falls within the range of the stated fixed rates on borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 29 Borrowings (continued)

#### *Additional contractual obligations (debt covenants)*

Debt covenants have been agreed with certain loan providers, which the Group must adhere to. The Group has an agreement with several creditors that it must maintain the ratio of net debt/EBITDA to a certain maximum level, and the calculation is carried out at the level of the consolidated financial statements of Group parent. for each year. In case of non-compliance with contractual obligations, it is possible to declare the loan fully due by the creditor. Regarding this financial covenant at the level of the consolidated financial statements, the Group estimated, based on the available information up to the time of signing these statements, that this condition was met.

### 30 Other long-term liabilities

Deferred revenue recognition under the ENU project in the amount of EUR 2.5 million relates to non-refundable funds granted for the co-financing of the project "Increasing energy efficiency and the use of renewable energy sources," which the Group received from the Ministry of Economy and Sustainable Development. The revenue will be recognized in line with the depreciation of the related assets.

### 31 Other short-term financial liabilities

	31 December 2024 EUR'000	31 December 2023 EUR'000
Supplier factoring liabilities	12,065	21,810
Other short-term financial liabilities	60	-
	<b>12,125</b>	<b>21,810</b>

The interest rates on factoring during 2024 ranged from 2.5% to 6.49% (2023: 2.5% to 5.35%) p.a.

The movement of supplier factoring was as follows:

	EUR'000
<b>1 January 2023</b>	<b>4,628</b>
New borrowings	23,413
Repayments	(6,231)
<b>31 December 2023</b>	<b>21,810</b>
New borrowings	25,426
Repayments	(35,171)
<b>31 December 2024</b>	<b>12,065</b>

The Group treats the factoring arrangements as a financial activity within the Statement of Cash Flows. Payments made by the bank to suppliers are treated as non-monetary transactions. During 2024, the Group used supplier factoring in the amount of EUR 47,237 thousand (2023: EUR 23,413 thousand).

All liabilities to banks for supplier factoring are due within one year.

The range of payment due dates for financial liabilities owed to financing providers does not differ from comparable liabilities to suppliers that are not part of such arrangements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 32 Trade and other payables

	31 December 2024 EUR'000	31 December 2023 EUR'000
Domestic trade payables	83,717	71,428
Foreign trade payables	65,247	52,461
Liabilities to related parties	6,804	15,502
Liabilities towards employees	17,186	11,706
VAT payable	5,652	2,725
Liabilities for contributions on and from salaries and taxes and surtaxes	9,041	6,372
Advances received	1,495	1,523
Agency commissions	11,779	8,932
Accrued costs and deferred income	22,432	15,771
Other liabilities	8,658	5,441
	<b>232,011</b>	<b>191,861</b>

### 33 Financial risk management and financial instruments

#### Capital risk management

##### *Financial leverage ratio*

The finance function of the Group reviews the capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. One of the ratios monitored is the financial leverage ratio which was as follows at the reporting date:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Debt (current and non-current) = D	(59,017)	(65,733)
Bank deposits (current)	65,236	378
Cash and cash equivalents	147,964	153,824
Net cash / (debt)	154,183	88,469
Equity = E	650,053	530,973
Financial leverage ratio = D/(D+E)	<b>8%</b>	<b>11%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 33 Financial risk management and financial instruments (continued)

The Group operates with international customers and finances its operations to an extent using foreign currency denominated borrowings. The Group's operations are therefore exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. Categories of financial instruments and method for measuring fair values are as follows:

	<b>FV hierarchy</b>	<b>31 December 2024 EUR'000</b>	<b>31 December 2023 EUR'000</b>
Quoted shares	Level 1	755	357
Debt instruments		131	131
<b>Total financial assets at FVTPL</b>		<b>886</b>	<b>488</b>
Financial assets at FVOSD	Level 3	240	240
<b>Total financial assets at FVOSD</b>		<b>240</b>	<b>240</b>
Non-current financial assets	n/a	6,921	1,275
Non-current receivables	n/a	6,052	6,690
Current financial assets	n/a	80,163	438
Trade and other receivables	n/a	269,632	221,934
Cash and cash equivalents	n/a	147,964	153,824
<b>Total financial assets at amortised cost</b>		<b>510,732</b>	<b>384,161</b>
<b>Total financial assets</b>		<b>511,858</b>	<b>384,889</b>
Loans payable	n/a	50,227	59,856
Leases payable	n/a	8,512	5,821
Debentures	n/a	1,346	1,540
Factoring	n/a	12,065	21,810
Trade payables	n/a	155,769	139,391
<b>Total financial liabilities at amortised cost</b>		<b>227,918</b>	<b>228,418</b>
Derivative instruments	Level 2	541	475
<b>Total financial liabilities at FVTPL</b>		<b>541</b>	<b>475</b>
<b>Total financial liabilities</b>		<b>228,459</b>	<b>228,893</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 33 Financial risk management and financial instruments (continued)

#### A) Fair value of financial assets and liabilities

Fair value of a financial instrument is the amount at which it could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The Group uses the following hierarchy for determining the fair value of financial instruments:

- level 1: quoted prices (unadjusted) in active markets for such assets or liabilities
- level 2: other techniques where all inputs which have a significant effect on the fair value are observable on the market, directly or indirectly
- level 3: techniques where all inputs which have a significant effect on the fair value are not based on the observable market data.

The fair value of the Group's financial assets and liabilities generally approximates the carrying amount of the Group's assets and liabilities.

#### *Derivative financial instruments*

The fair value of financial instruments that are not traded in an active market presented in level 2 is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity-specific estimates.

In addition to investing in equity instruments, the Group used the following methods and assumptions in estimating the fair value of financial instruments:

#### *Receivables and bank deposits*

For assets that mature within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the contracted interest rates do not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

#### *Borrowings*

Fair value of current liabilities approximates their carrying value due to the fact that the interest rates on said loans are approximated by relevant market interest rates. The Management Board believes that their fair value is not materially different from their carrying value.

#### *Other financial instruments*

The financial instruments not carried at fair value are trade receivables, other receivables, trade payables and other current liabilities. The historical carrying value of receivables and liabilities, including provisions that are in line with the usual terms of business is approximately equal to their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

## 33 Financial risk management and financial instruments (continued)

### B) Financial instrument risks

The Group's operations are exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

#### 1 Market risk

Market risk is the fluctuation risk of fair value or future cash flows of financial instruments resulting from changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks.

There were no significant changes to the Group's exposure to market risk or the manner in which it measures and manages the risk.

#### a) Foreign currency risk and cash flow hedge accounting

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to this risk through sales, purchase and loans stated in a foreign currency which is not the Group's functional currency. Foreign currency primarily exposed to such risks is EUR. The Group is, therefore, exposed to the risk that movements in exchange rates will affect both its net income and financial position, as expressed in EUR.

The relevant exchange rates during the period were as follows:

	Spot exchange rate		Average exchange rate	
	31 Dec 2024 EUR	31 Dec 2023 EUR	31 Dec 2024 EUR	31 Dec 2023 EUR
SEK	11.49	11.10	11.43	11.48
NOK	11.84	11.24	11.63	11.42
USD	1.04	1.10	1.08	1.08
AUD	1.68	1.63	1.64	1.63
CAD	1.50	1.46	1.48	1.46
GBP	0.83	0.87	0.85	0.87

Apart from euros, as of the reporting date, the majority of the assets and liabilities of the Group were denominated in currencies as shown below.

	31.12.2024 SEK'000	31.12.2024 NOK'000	31.12.2024 USD'000	31.12.2024 AUD'000	31.12.2024 GBP'000	31.12.2024 Ostale valute'000
Trade receivables	15,115	8,010	6,994	2,380	1,827	8,160
Deposits (over 3 months)	25	-	-	-	-	34
Cash and cash equivalents	3,260	2,287	163	439	2,576	2,242
Trade and other payables	(2,674)	(1,102)	(652)	-	-	(9,132)
Derivative instruments	-	-	-	-	(541)	-
	<b>15,726</b>	<b>9,195</b>	<b>6,505</b>	<b>2,819</b>	<b>3,862</b>	<b>1,304</b>

	31.12.2023 SEK'000	31.12.2023 NOK'000	31.12.2023 USD'000	31.12.2023 AUD'000	31.12.2023 CAD'000
Trade receivables	10,667	4,571	5,096	2,363	31
Deposits (over 3 months)	-	-	-	-	1,532
Cash and cash equivalents	4,889	1,657	221	-	1
Trade and other payables	(3,273)	(893)	(1,647)	(28)	-
Borrowings	(1,834)	(3,689)	-	-	-
Derivative instruments	(388)	-	-	-	-
	<b>10,061</b>	<b>1,646</b>	<b>3,670</b>	<b>2,335</b>	<b>1,564</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 33 Financial risk management and financial instruments (continued)

#### b) Interest rate risk

The companies of the Group are mostly exposed to interest rate risk from loans and borrowings contracted at variable interest rates, while insignificant part of assets is exposed to interest rate risk.

Overview of borrowings with fixed and variable interest rates is as follows:

	<b>31 December 2024</b> <b>EUR'000</b>	<b>31 December 2023</b> <b>EUR'000</b>
Bank and other loans based on fixed interest rates	31,366	37,356
Bank and other loans based on variable interest rates	18,861	22,500
	<b>50,227</b>	<b>59,856</b>

The Group analyses the exposure to interest rates at the reporting date by taking into account the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is deemed a reasonably possible change in interest rates. The estimated effect of the reasonably possible change in variable interest rates on the result before tax is not material. The Group does not hedge against interest rate risk.

#### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss for the other party. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses data and opinions of specialised rating companies, the Chamber of Economy and other publicly available financial information on the financial positions of companies as well as its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and measured and the aggregate value of contracts concluded is spread amongst creditworthy counterparties.

A significant part of credit risk arises from the Group's operating activities (primarily trade receivables) and from the Company's financial activities, including deposits with banks and financial institutions.

#### Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables arising from the sale of goods and services
- Contract assets
- Debt instruments at amortised costs
- Debt instruments at fair value through other comprehensive income

Although cash and cash equivalents are also subject to impairment in accordance with IFRS 9 requirements, the impairment identified is immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 33 Financial risk management and financial instruments (continued)

#### Trade receivables and contract assets

The Group applies the simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics – country risk of the customer and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles over a period of 36 month before 31 December 2024 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are impaired directly if there are no reasonable expectations that they will be recovered. Indicators that there is no reasonable expectation that trade receivables and contract assets will be recovered include, inter alia, a failure to make contractual payments for a period of more than one year.

#### Other financial assets at amortised cost

Other financial assets at amortised cost include receivables for flats sold, receivables for shares sold, receivables for loans given, receivables for recognised claims, receivables for dividends from associates and receivables from foreign sales.

The analysis performed has shown that the effect of applying IFRS 9 on receivables for recognised claims, receivables for dividends and receivables from foreign sales is immaterial and as such was not recognized at 31 December 2024 and at 31 December 2023.

#### **Liquidity risk**

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. Liquidity risk management is the responsibility of the Management Boards of the Group companies, while the Company's Management Board has built a quality frame for monitoring current, middle and long-term financing, and all liquidity risk requirements. The Group manages liquidity risk by continuously monitoring the anticipated and actual cash flow based on the maturity of financial assets and liabilities.

The following table presents the maturity of financial liabilities of the Group as at 31 December in accordance with contracted undiscounted payments:

31 December 2024	Net book value EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	2 – 5 years EUR'000	over 5 years EUR'000
<b><i>Non-interest bearing liabilities</i></b>					
Current trade and other payables	155,768	155,768	155,768	-	-
<b>Interest bearing liabilities</b>	74,034	77,834	46,775	27,813	3,246
	<b>229,802</b>	<b>233,602</b>	<b>202,543</b>	<b>27,813</b>	<b>3,246</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 33 Financial risk management and financial instruments (continued)

31 December 2023	Net book value EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	2 – 5 years EUR'000	over 5 years EUR'000
<b>Non-interest bearing liabilities</b>					
Current trade and other payables	139,391	139,391	139,391	-	-
<b>Interest bearing liabilities</b>	91,016	94,644	34,855	53,268	6,521
	<b>230,407</b>	<b>234,035</b>	<b>174,246</b>	<b>53,268</b>	<b>6,521</b>

### 34 Segment reporting

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- Production of electricity - production and revitalization of generators, construction and revitalization of HE, construction of solar power plants, production of converters, production and installation of wind turbines, management, maintenance and services;
- Transmission and distribution of electricity - production and sale of distribution, special, measuring and other transformers, transformer boilers, transformer stations, equipment for primary and secondary distribution of electricity, low-voltage plants, monitoring systems, diagnostic, testing and technical supervision services;
- Urban mobility and infrastructure - includes construction and sale of rail vehicles such as trains and trams and related maintenance services in the transport sector;
- Digital solutions - digital solutions, digital services, digitization of products and production, business support systems, ICT infrastructure and services.

The reportable segments are an integral part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

Other includes the activity of renting real estate, production and sale of switches, circuit breakers and small appliances and machines and metal processing, which do not represent a separate operating segment.

The Group does not disclose the value of total assets and total liabilities of each reporting segment, since such information is not provided to the chief operating decision maker.

#### *Segment revenues and results*

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 Operating segments and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. Inter-segment revenues are eliminated on consolidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 34 Segment reporting (continued)

#### in EUR thousands

#### 2024

	Production of electricity		Transmission and distribution of electricity		Urban mobility and infrastructure		Digital solutions	Total reportable segments	Other	Total
	Renewable energy resources	Hydro	Transmission	Distribution	Urban mobility	Construction and modernization of railway infrastructure				
External revenue	19,548	67,500	286,482	519,122	68,729	38,373	25,739	1,025,493	27,997	1,053,490
Intersegment revenue	4,799	734	4,608	1,096	-	-	96	11,333	1,330	12,663
<b>Revenue</b>	<b>24,347</b>	<b>68,234</b>	<b>291,090</b>	<b>520,218</b>	<b>68,729</b>	<b>38,373</b>	<b>25,835</b>	<b>1,036,826</b>	<b>29,327</b>	<b>1,066,153</b>
Segment operating costs	23,405	63,577	268,668	377,892	64,094	40,317	26,056	864,009	42,537	906,546
<b>Segment operating profit / (loss)</b>	<b>942</b>	<b>4,657</b>	<b>22,422</b>	<b>142,326</b>	<b>4,635</b>	<b>(1,944)</b>	<b>(221)</b>	<b>172,817</b>	<b>(13,210)</b>	<b>159,607</b>
Net financial result	48	(512)	(968)	2,366	(318)	(133)	(484)	(1)	81	80
Share of result in equity accounted investee	-	(7)	1,305	32,879	-	-	-	34,177	(3)	34,174
<b>Profit / (loss) before tax</b>	<b>990</b>	<b>4,138</b>	<b>22,759</b>	<b>177,571</b>	<b>4,317</b>	<b>(2,077)</b>	<b>(705)</b>	<b>206,993</b>	<b>(13,132)</b>	<b>193,861</b>
Income tax	1	180	3,364	24,934	(36)	263	437	29,143	365	29,508
<b>Profit / (loss) after tax</b>	<b>989</b>	<b>3,958</b>	<b>19,395</b>	<b>152,637</b>	<b>4,353</b>	<b>(2,340)</b>	<b>(1,142)</b>	<b>177,850</b>	<b>(13,497)</b>	<b>164,353</b>
Non-controlling interest								-		61,753
<b>Profit attributable to the owner</b>										<b>102,600</b>

#### in EUR thousands

#### 2023

	Production of electricity		Transmission and distribution of electricity		Urban mobility and infrastructure		Digital solutions	Total reportable segments	Other	Total
			Transmission	Distribution	Urban mobility	Construction and modernization of railway infrastructure				
External revenue		78.025	251.569	392.378	78.365	29.352	24.020	853.709	33.680	887.389
Intersegment revenue		5.991	4.456	752	-	-	5	11.204	9.434	20.638
<b>Revenue</b>		<b>84.016</b>	<b>256.025</b>	<b>393.130</b>	<b>78.365</b>	<b>29.352</b>	<b>24.025</b>	<b>864.913</b>	<b>43.114</b>	<b>908.027</b>
Segment operating costs		89.010	254.046	324.833	73.360	32.080	20.917	794.246	41.493	835.739
<b>Segment operating profit / (loss)</b>		<b>(4.994)</b>	<b>1.979</b>	<b>68.297</b>	<b>5.005</b>	<b>(2.728)</b>	<b>3.108</b>	<b>70.667</b>	<b>1.621</b>	<b>72.288</b>
Net financial result		(323)	(479)	228	132	(32)	756	282	(528)	(246)
Share of result in equity accounted investee		(12)	-	13.323	-	-	-	13.311	-	13.311
<b>Profit / (loss) before tax</b>		<b>(5.329)</b>	<b>1.500</b>	<b>81.848</b>	<b>5.137</b>	<b>(2.760)</b>	<b>3.864</b>	<b>84.260</b>	<b>1.093</b>	<b>85.353</b>
Income tax		85	1.181	10.801	1.058	(125)	573	13.573	878	14.451
<b>Profit / (loss) after tax</b>		<b>(5.414)</b>	<b>319</b>	<b>71.047</b>	<b>4.079</b>	<b>(2.635)</b>	<b>3.291</b>	<b>70.687</b>	<b>215</b>	<b>70.902</b>
Non-controlling interest								-		24.574
<b>Profit attributable to the owner</b>										<b>46.328</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 35 Related party transactions

Parties are considered related if one party has the ability to control the other party, if it is under joint control or has a significant influence on the business of the other party. The Group is also in a significant part owned by the Republic of Croatia and other companies in control or under significant influence of the Republic of Croatia. In that respect, the Group is in a related party relationship with state institutions and other companies where the State is a majority owner or has a significant influence. For the purpose of related party disclosures, the Group does not consider routine transactions (such as taxes, levies, etc.) with various local communal entities (directly or indirectly owned by the State) or with other bodies to be related party transactions. More significant transactions with state-owned companies relate to supply of electricity, gas similar utilities. During 2024 the Group has realised total of EUR 205,28 million (2023: EUR 208,70 million) of sale revenues with state institutions and other companies where the State is a majority owner or has a significant influence, which mostly relate to engineering services in energy sector, rail vehicles and industry equipment.

All related party transactions are based on arm's length conditions (purchase of goods, sale of products and provision of services).

2024	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Related party</b>				
Associates	22,887	7,779	7,789	15,509
Joint venture	1,278	460	4,874	1,294
<b>Total business operations</b>	<b>24,165</b>	<b>8,239</b>	<b>12,663</b>	<b>16,803</b>

2024	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Related party</b>				
Associates	-	-	-	-
Joint venture	5,918	-	193	-
<b>Total business operations</b>	<b>5,918</b>	<b>-</b>	<b>193</b>	<b>-</b>

2023	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Related party</b>				
Associates	10,516	14,086	15,279	28,627
Joint venture	1,991	1,416	5,360	437
<b>Total business operations</b>	<b>12,507</b>	<b>15,502</b>	<b>20,639</b>	<b>29,064</b>

Dividend receivables from associates amounted to EUR 21,294 thousand as at 31 December 2024 (31 December 2023: EUR 8,017 thousand).

### Key management remuneration

Salaries include compensations to the Management Board of the Company and other related companies in the amount of EUR 5,280 thousand (2023: EUR 3,716 thousand) and accrued bonuses for the Management Board in the amount of EUR 4,161 thousand (2023: EUR 2,218 thousand), and are an integral part of staff costs. In 2024, total number of key management personnel was 52 (2023: 42).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 36 Business combinations

In 2024, the Group acquired control over several companies:

In EUR thousands	Adnet Ltd. and Kreanca sustavi Ltd.	Liburnia Solar Ltd.	South East Energy Ltd.	Total
<b>Acquisition cost</b>				
Transaction cost	<b>3,381</b>	<b>65</b>	<b>75</b>	<b>3,521</b>
<b>Fair value recognized at acquisition</b>				
<b>Assets</b>				
Intangible assets	1,508	-	-	1,508
Property, plant and equipment	9	7	4	20
Non-current financial assets	-	-	-	-
Non-current receivables	-	-	-	-
Deferred tax assets	13	-	-	13
Inventories	-	-	-	-
Trade and other receivables	825	-	1	826
Current financial assets	5	-	-	5
Cash and cash equivalents	702	5	-	707
	<b>3,062</b>	<b>12</b>	<b>5</b>	<b>3,079</b>
<b>Liabilities</b>				
Deferred tax liabilities	259	-	-	259
Total liabilities (excluding deferred tax)	486	14	5	505
	<b>745</b>	<b>14</b>	<b>5</b>	<b>764</b>
<b>Total net assets recognized at fair value</b>	<b>2,317</b>	<b>(2)</b>	<b>-</b>	<b>2,315</b>
<b>Goodwill</b>				
Adjusted acquisition cost for premium	3,381	65	75	3,521
Non-controlling interest	-	1	-	1
Total net assets recognized at fair value	(2,317)	2	-	(2,315)
<b>Goodwill</b>	<b>1,064</b>	<b>68</b>	<b>75</b>	<b>1,207</b>

During 2024, the Group paid EUR 3,388 thousand as a contingent consideration for the initially acquired shares in the company KONCAR System Integrations Ltd. (at the time of the acquisition of the companies Kodeks System Integrations and EXA Globe).

In accordance with the agreement for the acquisition of the company Adnet Ltd. and Kreanca Systems Ltd., a portion of the agreed compensation amounting to EUR 2,043 thousand was paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 36 Business combinations (continued)

Company	Scope of work	Transaction details
<b>Adnet Ltd. and Kreanca sustavi Ltd.</b>	Adnet is an operational company, while Kreanca Sustavi is a holding company. Adnet d.o.o. was founded in 1997. Throughout its existence, the company has achieved growth through the development of new products and the upgrading and maintenance of existing products, primarily in the energy sector.	On 22 March 2025, the Group acquired control with a 52% ownership stake in the companies Adnet Ltd., Zagreb, and Kreanca Sustavi Ltd. Končar - Digital Ltd. acquired a 52% stake through direct (26%) and indirect ownership (26%) in Adnet. The agreement stipulates two Call options, which grant the acquirer the right to exercise the purchase option in the years of the transaction, i.e., the following year, which management has assessed as highly probable to be exercised. The purchase price calculation was made on the payment date, i.e., the formal acquisition of control over the company on 22 March 2024. According to the calculation, the value of 100% of the equity of Adnet Ltd. as of 22 March 2024, is EUR 3.4 million. The recognized goodwill amounts to EUR 1.06 million.
<b>Liburnia Solar Ltd.</b>	The company was established in 2023 and is engaged in projects related to the production of electricity from renewable sources.	In May 2024, KONČAR – Renewable Sorces Ltd. acquired control over 76% of the ownership interest in Liburnia Solar Ltd. for an estimated purchase price of EUR 65 thousand. The payment was made in cash.
<b>South East Energy Ltd.</b>	The company was founded in 2023 and specializes in consulting related to business operations in the renewable energy sector.	In May 2024, KONČAR - Renewable Sorces Ltd. acquired control over 75.2% of the ownership stake in South East Energy Ltd. for an estimated purchase price of EUR 75 thousand. The payment was made in cash.

Had all acquisitions been completed on 1 January 2024, the total revenue and profit of the Group would be as follows:

	<b>2024. EUR'000</b>
<b>Revenue from sales up to the acquisition date</b>	
ADNET Ltd.	390
Presented consolidated revenue of the Group	1,065,721
<b>Total revenue if the acquisition had been completed on 1 January 2024</b>	<b>1,066,111</b>
<b>Profit for the period up to the acquisition date</b>	
ADNET Ltd.	54
Presented consolidated revenue of the Group	164,566
<b>Profit for the period if the acquisition had been completed on 1 January 2024</b>	<b>164,620</b>

The Group has presented the effects of the acquisition as of 1 January 2024 only for one newly acquired company, as the effects of other acquisitions are immaterial.

*Methods and assumptions used to calculate the fair value of net acquired assets:*

Item asset/liability	Valuation technique
Software	Intangible assets consist of capitalized software development costs co-financed by the EU. For the valuation, the "relief from royalty" method was used. The relief from royalty method is based on estimating the value of the software based on the licensing fees (royalties) that would be charged for the use of the software.
Customer relationships	The valuation method used is the MEEM approach. By applying the "MEEM" (multi-period excess earnings method), projected cash flows from the identified intangible assets were primarily based on the projected EBIT margin from the business plan (without adjustment for IFRS 16 effects). Since the software was identified as intangible assets, it is considered a contributory asset within the MEEM method. The return on the software was calculated as the product of the royalty rate used (5.4%) and the revenue from sales generated by the identified wholesale customers.
Short-term receivables and short-term liabilities	Receivables from customers, other receivables, payables to suppliers, and other liabilities are assessed at the present value of the amounts expected to be collected, which is determined based on appropriate interest rates, reduced by impairment allowances for uncollectibility and collection costs, if necessary. Since these receivables and liabilities are short-term in nature, they are approximately equal to their fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 36 Business combinations (continued)

During 2023, the Group acquired control over the following entities:

In EUR thousands	Ferokotao Ltd.	Končar –Elec- tric. App. Ltd.	KONČAR - Sistems. Integrac. Ltd.	EXA Globe Ltd.	Telenerg – Eng. Co Ltd.	INK Project Ltd.
<b>Acquisition cost</b>						
Consideration paid	6,426	-	5,734	1,433	1,008	105
Contingent consideration	-	-	2,376	604	-	-
<b>Total consideration</b>	<b>6,426</b>	<b>-</b>	<b>8,110</b>	<b>2,037</b>	<b>1,008</b>	<b>105</b>
<b>Fair value recognised on acquisition</b>						
<b>Assets</b>						
Intangibles	34	8	3,115	767	484	-
Property, plant and equipment	11,278	3,973	28	82	14	17
Non-current financial assets	-	12	-	-	-	-
Non-current receivables	-	8	-	-	-	-
Deferred tax assets	1,253	203	21	2	-	-
Inventory	4,524	388	131	62	-	-
Trade and other receivables	3,742	273	1,869	226	1,689	23
Current financial assets	-	12	-	-	41	-
Cash and cash equivalents	2,415	36	32	53	45	-
	<b>23,246</b>	<b>4,913</b>	<b>5,196</b>	<b>1,192</b>	<b>2,273</b>	<b>40</b>
<b>Liabilities</b>						
Deferred tax liabilities	394	149	562	139	87	-
Total other liabilities	10,852	3,987	950	137	1,599	34
	<b>11,246</b>	<b>4,136</b>	<b>1,512</b>	<b>276</b>	<b>1,686</b>	<b>34</b>
<b>Total fair value of recognised net assets</b>	<b>12,000</b>	<b>777</b>	<b>3,684</b>	<b>916</b>	<b>587</b>	<b>6</b>
<b>Bargain purchase gain / goodwill</b>						
FV of acquired net assets (adjusted for premium)	6,124	-	8,110	2,037	1,008	105
Non-controlling interest	5,876	-	921	229	-	-
Total fair value of recognised net assets	(12,000)	(777)	(3,684)	(916)	(587)	(6)
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>5,347</b>	<b>1,350</b>	<b>421</b>	<b>99</b>
<b>Bargain purchase gain</b>	<b>-</b>	<b>(777)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 36 Business combinations (continued)

Entity	Business description	Transaction Details
<b>Ferokotao</b>	Ferokotao Ltd. is a supplier of metal parts for the transformer industry. The company is oriented to foreign markets and in 2023 65.1% of sales revenue was generated abroad. The main products of the company are transformer boilers and employs about 280 workers.	On 20 December 2023, the Group acquired control of Ferokotao Ltd. from Donji Kraljevec, with a share of 51%. The group previously had a 16% stake in this company at the date of acquisition. The value of the existing ownership interest was reduced to fair value, resulting in a profit of EUR 1.57 million, which was reported within the comprehensive profit in accordance with the Group's accounting policies.
<b>Končar – Electrical appliances Ltd</b>	The main activity of the company is the design, production, installation and service of electrical devices and equipment of low and medium voltage in the production facilities located in Dicmo. The number of employees prior to the merger with Končar – Switchgear Ltd. was 76.	As of 17 January 2023, Končar-Switchgear Ltd. acquired control of a 100% ownership stake in Končar-Electrical Appliances for a total purchase price of EUR 1.0. Končar – Switchgear Ltd. have obtained a bank guarantee of EUR 1.5 million, since the company had liquidity problems at the time of the sale. When calculating goodwill, this amount was not taken into account at the purchase price, because the earlier obligation to repay the loan remained in the company's books and Končar –Switchgear Ltd. did not use their assets to settle their debt directly. On 1.6.2023. the company merged with Končar-Switchgear Ltd.
<b>KONČAR - Sistemske integracije i EXA Globe</b>	KONČAR - Sistemske integracije Ltd. is a Croatian company that operates in the segment of information technologies. In its portfolio, the company provides ICT solutions to its clients through direct cooperation with a dozen of the world's leading technology leaders in the field of computer and telecommunications technology, such as Dell, Cisco, vmware, Microsoft, etc.  EXA GLOBE Ltd. is a system integrator and supplier of end-to-end telecommunications solutions and products for public operators, service providers, telecoms, railway operators and companies looking for real-time solutions.	The companies were acquired in January 2023, when KONČAR – Digital Ltd. achieved the conditions for control over the companies. The conditional allowance is defined for an additional three instalments, each based on achieving the target of normalized EBITDA for 2023, 2024 and 2025. For example, the first instalment is defined in such a way that for each EUR 1 that generates EBITDA in 2023 lower than planned, the instalment is reduced by EUR 3.6. The next two instalments are calculated on the basis of certain % deviations of realized EBITDAe outside the range of +/-10%, according to defined criteria. On the day of the sale, the company estimated the total expected present value of the conditional allowance for all three instalments in the amount of EUR 3.1 million. Exa Globe was merged with KONČAR - Sistemske integracije d.o.o. on 31 May 2023.
<b>Telen-erg-Engineering</b>	Telenerg – Engineering Ltd. was founded in December 2021. The company specializes in the design, monitoring, testing and commissioning of low, medium and high voltage power plants and related process control and automation.	As of 4 January 2023, KONČAR – Engineering Ltd. acquired control over a 100% ownership stake in Telenerg – Engineering Ltd. for an estimated purchase price in the amount of EUR 1 million. The fee was paid in cash.
<b>INK Project</b>	The average number of employees in 2023 was 7. The company belongs to the category of micro entrepreneurs according to the Accounting Act. The main activity for which the company is registered is engineering services.	During September 2023, Končar –Engineering Ltd. acquired control over a 100% ownership stake in INK Project Ltd. for an estimated purchase price in the amount of EUR 105,000. The fee was paid in cash.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 36 Business combinations (continued)

If all acquisitions were carried out on 1 January 2023, the Group's total revenues would be as follows:

	<b>2023</b>
	<b>EUR'000</b>
<b>Proceeds from the sale to the date of acquisition</b>	
Ferokotao Ltd.	20,505
INK Project Ltd.	144
Group consolidated revenue shown	908,029
<b>Total revenue if acquired as of 1 January 2023</b>	<b>928,678</b>
<b>Profit until the date of acquisition</b>	
Ferokotao Ltd.	1,675
INK Project Ltd.	(59)
Group Net Profit	70,902
<b>Total profit if acquired as of 1.1.2023</b>	<b>72,518</b>

The Group presented the acquisition effects on 1 January 2023 only for two newly acquired companies, since all other companies acquired during 2023 had an acquisition date from the first half of January 2023 and the effects themselves are immaterial.

*Methods and assumptions of calculating the fair value of net acquired assets:*

<b>Asset/Liability Item</b>	<b>Valuation technique</b>
Property, Plant and equipment	When estimating the value of land the valuer used a market approach, the method of comparable transactions. This method is based on the assumption that the value of an asset can be determined on the basis of an analysis of recent purchase prices achieved on the market. When estimating the value of buildings, an income approach was used, the method of capitalization of earnings. This approach is based on the assumption that the value of an asset is the present value of its future cash flows belonging to the owner of the property. When estimating the value of most of the plant and equipment, a cost approach was used, the method of depreciated replacement cost. This approach is based on the assumption that the value of the asset is equal to the cost of reproducing or replacing the asset, minus depreciation. When estimating the value of vehicles and forklifts, a market approach, a method of comparable transactions, was used. This method is based on the assumption that the value of an asset can be determined on the basis of an analysis of recent purchase prices achieved on the market.
Intangible assets	Relates mostly to software. The fair value of the intangible asset corresponds to the book value.
Inventories	The fair value of inventories acquired is estimated as follows: - Raw materials – by replacement cost on the Assessment Date; - Work in progress ("WIP") – at a selling price minus completion costs, disposal costs and a reasonable fee for completion and sale; - Finished products and goods – at a selling price minus disposal costs and reasonable profit margin
Short-term receivables/liabilities	Trade receivables, other receivables, supplier liabilities and other liabilities are estimated at the present value of the amounts expected to be collected, which is determined at appropriate interest rates, less impairment allowances for non-collectability and collection costs, if applicable. Since these receivables and liabilities are short-term in nature, they are approximated by their fair value.
Financial liabilities	Financial liabilities are valued at the present value of the amount to be paid in the settlement of liabilities determined at the appropriate interest rate. The increase in non-current liabilities is the result of the recognition of deferred tax liability as a result of temporary time differences incurred at the initial recognition of acquired net assets at fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

### 37 Events after the reporting date

#### *Change in Management Board*

The Management Board member for finance, Josip Lasić, resigned effective 31 December 2024 due to taking up a new position outside the KONCAR Group. Mario Radaković has been appointed as the Management Board member for finance for the period from 1 January 2025 to 31 January 2028. He has been a member of the Supervisory Board of KONCAR d.d. since 2020.

#### *Sale Agreement for 75% ownership Stake*

KONCAR Inc. signed an agreement on 10 February 2025 for the acquisition of a 75% ownership stake in HELB d.o.o., located in Božjakovina, Industrijska ulica 1, Republic of Croatia.

#### *Acquisition of 40% ownership stake in KONCAR – Transformer Tanks Ltd. by Siemens Energy Holding B.V.*

Following the signed Joint Investment Agreement between KONCAR Inc. and Siemens Energy Holding B.V. on 12 July 2024, the conditions for completing the transaction were met on 31 March 2025, whereby Siemens Energy Holding B.V. acquired a 40% ownership stake in KONCAR – Transformer Tanks Ltd., company registered for the production of transformer tanks.

#### *Misdemeanor proceedings*

During 2025, Dalekovod Inc. fully settled the amount of EUR 2.4 million related to the dispute initiated by HANFA (Note 28).

Except for the previously mentioned events, no other events occurred after the reporting date, and up until the approval date of the financial statements, which would significantly affect the annual consolidated financial statements of the Group for 2024, which are therefore expected to be published.

# **Independent Auditors' Report to the Shareholders of KONČAR Inc.**

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## Independent Auditors' Report to the Shareholders of KONČAR Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of KONČAR Inc. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes, comprising material accounting policies and other explanatory information (hereinafter "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

## Report on the Audit of the Financial Statements (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION	
Revenue from customer contracts recognized in profit or loss for 2024 amounts to EUR 1,054,377 thousand (2023: EUR 894,079 thousand). Refer to: Material accounting policy information 2.4 <i>Revenue recognition</i> , key accounting estimate 2.27 a) <i>Revenue recognition</i> and note 3 <i>Revenue</i> in the financial statements.	
Key audit matter	How we addressed the matter
<p>The Group's principal activities include production, construction and sales of plant and equipment in the energy and transportation sector as well as related services such as design, engineering and maintenance. Contracts with customers often include terms that require management to assess whether additional components, such as extended warranties or significant financing components, exist and represent separate performance obligations under IFRS 15 <i>Revenue from Contracts with Customers</i>. IFRS 15 requires the identification of all promised goods and services in a contract and a determination of whether each should be treated as a separate performance obligation. Part of the revenue is recognised at a point in time, when control transfers to the customer, generally upon delivery. When the criteria for recognising revenue over time are met, revenue is recognised based on the stage of completion using the input method (cost-to-cost). This method requires reliable estimation of future contract costs and assessment of the stage of completion of performance obligations.</p> <p>The Group also receives advance payments from customers. These are presented as contract liabilities until the associated performance obligations are satisfied. Goods or services already transferred to customers are presented as trade receivables or contract assets, depending on whether the Group's right to payment is unconditional or subject to further conditions.</p> <p>The application of IFRS 15 involves significant judgement, especially in identifying separate performance obligations, determining the appropriate pattern of revenue recognition, and assessing whether elements such as significant financing components or extended warranties are present. Given the volume and complexity of these arrangements, this area was a focus of the audit and considered to be a key audit matter.</p>	<p>Our procedures performed in this area included:</p> <ul style="list-style-type: none"> <li>Evaluating the design and implementation of selected controls over the revenue cycle;</li> <li>Assessing the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard;</li> <li>Assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for completed contracts and contracts with a significant change in the stage of completion in the current year;</li> <li>For a sample of contracts or contract equivalents with key customers in force during the reporting period: <ul style="list-style-type: none"> <li>challenging the Group's identification of performance obligations included therein;</li> <li>critically assessing the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations;</li> <li>based on the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents with particular attention paid to cut-off procedures over amounts recognised at or around the reporting date;</li> </ul> </li> <li>For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Group's accounting records, and inspecting the underlying documentation;</li> <li>Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items;</li> <li>Assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for customer contracts.</li> </ul>

This version of the auditor's report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over this translation.

## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on the Audit of the Financial Statements (continued)

#### Key Audit Matters (continued)

WARRANTY PROVISION	
Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2024 amounted to EUR 28,594 thousand (31 December 2023: EUR 29,011 thousand). Refer to notes: Material accounting policy information 2.24 Provisions, Key accounting estimates 2.27 b) Warranty provisions and note 28 Provisions in the financial statements.	
Key audit matter	How we addressed the matter
<p>The Group's customer arrangements include long term product warranties given to customers.</p> <p>The product warranties primarily cover expected costs to repair or replace components with defects or functional and/or serial errors as well as financial losses suffered by customers in connection with unplanned suspension of operations.</p> <p>As disclosed in note 2.27 b), the valuation of these provisions is based primarily on historical warranty cost experience and incorporates available industry data relating to statistical product failure rates.</p> <p>Management applies judgement when estimating the extent of expected future claims, taking into account the nature and duration of warranties and external benchmarking data where relevant.</p> <p>The completeness and valuation of the expected outcome of warranty provisions requires a significant degree of Management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements. As a result, this area required our increased attention in the audit and was considered by us to be a key audit matter.</p>	<p>Our procedures performed in this area included:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the process for assessing and recording warranty provisions and evaluating the design and implementation of selected relevant internal controls.</li> <li>Assessing the methodologies and assumptions applied by management in determining the valuation of provisions, including: <ul style="list-style-type: none"> <li>warranty terms and durations as outlined in customer contracts;</li> <li>historical trends in product warranty claims and associated costs;</li> <li>available industry data on statistical failure rates, where relevant;</li> <li>market experience from other manufacturers of comparable products;</li> </ul> </li> <li>On a sample basis, evaluating the utilisation of warranty provisions by: <ul style="list-style-type: none"> <li>obtaining an understanding of the nature of actual product warranty repairs incurred during the year, through inquiries with operational and technical personnel;</li> <li>inspecting relevant customer contracts and warranty terms as well as source documentation such as correspondence with customers with respect to warranty claims, where applicable;</li> <li>comparing actual warranty repair costs to supporting documentation, considering the nature, timing and magnitude of such claims.</li> </ul> </li> <li>Assessing whether the disclosures in the financial statements adequately describe the estimation uncertainty and judgements associated with the measurement of warranty provisions.</li> </ul>

## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on the Audit of the Financial Statements (continued)

#### *Other Information*

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and Corporate Governance Report included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report, and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on the Audit of the Financial Statements (continued)

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit.

## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on the Audit of the Financial Statements (continued)

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Audit Act, applicable in Croatia.

### Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 12 June 2024 to audit the consolidated financial statements of KONČAR Inc. for the year ended 31 December 2024. The total uninterrupted period of engagement as auditors for KPMG Croatia d.o.o. is five years, covering the periods ending 31 December 2020 to 31 December 2024 while the total uninterrupted period of engagement as auditors for TPA Audit d.o.o. is two years covering the periods ending 31 December 2023 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 14 April 2025;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partners on the joint audit resulting in this independent auditors' report are Igor Gošek and Igor Arbutina.

## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2024, as included in the attached electronic file „xxxxxx-2024-12-31-eng.zip“, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “RTS on ESEF”).

### *Responsibilities of Management and Those Charged with Governance*

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

### *Auditors' Responsibilities*

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

## Independent Auditors' Report to the Shareholders of KONČAR Inc. (continued)

### Report on Compliance with the ESEF Regulation (continued)

#### *Auditors' Responsibilities (continued)*

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2024, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

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10000 Zagreb  
Croatia

**TPA Audit d.o.o.**  
Croatian Certified Auditors  
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**16 April 2025**



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