Annual Report

2024

KONČAR D&ST

Content

Zagreb, April 2025

Končar – Distribution and Special Transformers Inc. for manufacturing

2024

A year of outstanding accomplishments: Results that shift boundaries!

1 | Management Report for 2024

1. Introductory Word by the Management Board

The dynamic global environment, with war in the Ukraine and conflict in the Middle East, dictated the rhythm of daily business again this year. Well-tuned and ready for the market challenges, the Company made further progress in 2024, once again significantly surpassing the set business plans.

Total sales in goods and services in 2024 was EUR 403 million, amounting to 25% growth year-on-year (EUR 323.1 million in 2023). Exports rang in at EUR 382.9 million (EUR 291.8 million in 2023), accounting for 95% of all sales, and up 31% overachieved exports one year earlier.

High global demand for transformers, and recognition of the quality and competitiveness of KONČAR – D&ST products, resulted in new contracts valued at EUR 579.5 million, primarily on the demanding EU markets. Backlog at the end of 2024 was higher by 30% over one year earlier, amounting to EUR 763.3 million.

The exceptional sales results positively affected the profitability of operations. Profit before tax in 2024 was at EUR 129 million, up 109% over one year earlier when it was EUR 61.7 million.

During 2024, a total of EUR 14.6 million was invested (as opposed to EUR 7.3 million in 2023). The majority of investments were part of the investment project "Sustainable SETup for the development of socially and environmentally responsible production" (Sustainable SETup), in which a new phase was launched in Zagreb in the middle of the year. This project will partly contribute to increasing capacities, but is primarily focused on standardising production on site and ensuring more appropriate flow of materials, raw materials, equipment, and finished products, which in turn further increases efficiency and operational stability. The main activities within the project are expected to unfold during 2024 and 2025.

Again this year, the Company actively supported the company PET in Poland in achieving its goals of further growth, and strengthening and improving overall operations.

At the start of the year, the Company employed 766 people, and this figure grew by 27 over the course of the year, to the final total of 793 employees at year's end.

In its operations, the Company operates in compliance with the internationally recognised standards and requirements of corporate social responsibility. The Company is compliant with the certificates and integrated quality management system ISO 9001:2015, environmental protection ISO 14001:2015 and occupational health & safety ISO 45001:2019.

On the Zagreb Stock Exchange, trading on the regular market in 2024 included common and preferred shares of Končar – D&ST. At the end of 2023, the regular share price of KONČAR – D&ST was EUR 850, growing by 129% to EUR 1950 by the end of 2024.

Given the above, we can consider the overall business results of KONČAR – D&ST Inc. in 2024 to be exceptionally successful, and the Company is even stronger and more prepared for future business challenges. The alignment of interests of and mutual trust among all stakeholders—owners, management, employees, customers, suppliers and banks—has been of the utmost importance in achieved these good business results. The KONČAR – D&ST Management Board expresses its gratitude for this support and confidence, and it is with great pleasure that we present this Report on the State of the Company for 2024.

For the KONČAR – D&ST Inc. for production

Vanja Burul
Board President

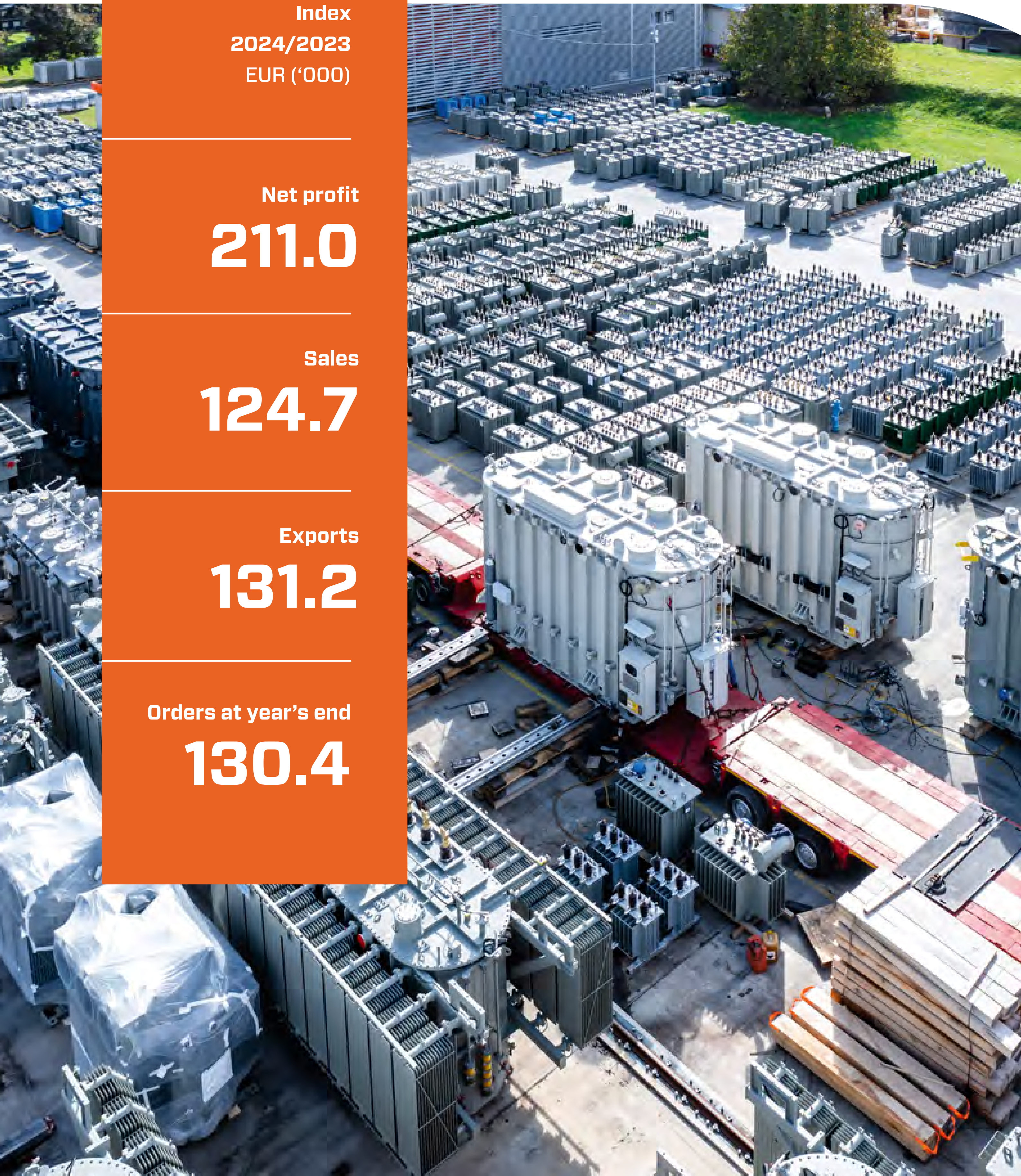
Martina Mikulić
Board Member

Dominik Trstoglavec
Board Member

Mario Ljubić
Board Member

Kristina Dimitrov
Board Member

2. Major Figures for 2024 Compared to 2023, 2022 and 2021



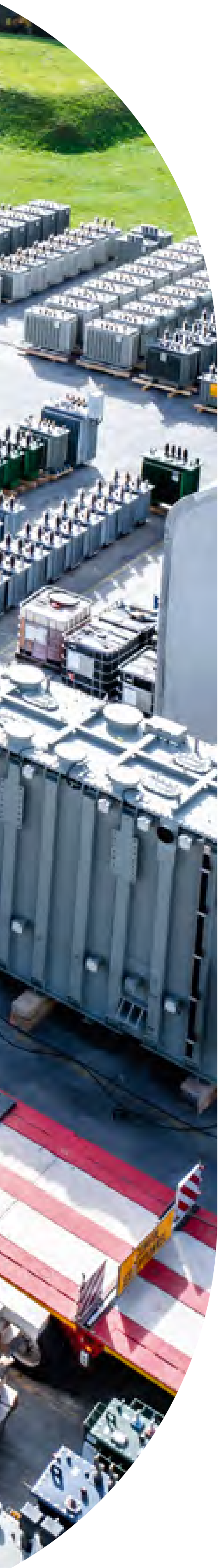
Index 2024/2023
EUR ('000)

Net profit
211.0

Sales
124.7

Exports
131.2

Orders at year's end
130.4



in 000 EUR						Index
Indicator	**2024**	**2023**	**2022**	**2021**	**Δ**	**24/23**
Operating revenues	**403,927**	**324,583**	**242,475**	**187,536**	**79,344**	**124.4**
Sales - total	403,003	323,118	241,668	182,769	79,885	124.7
Sales - exports	382,938	291,784	215,817	158,878	91,154	131.2
Operating expenses	**278,424**	**263,103**	**219,948**	**171,014**	**15,321**	**105.8**
Operating profit	125,503	61,480	22,527	16,522	64,023	204.1
Operating margin	31.1%	19.0%	9.3%	9.0%		+1210 bps
Pre-tax profit	128,968	61,674	23,841	14,433	67,294	209.1
% profit pre-tax	32.0%	19.1%	9.9%	7.9%		+1290 bps
Net profit (after tax)	107,014	50,713	22,296	11,738	56,301	211.0
% profit after tax	26.6%	15.7%	9.2%	6.4%		+1090 bps
Depreciation and Amortisation	3,946	3,894	3,821	3,686	52	101.3
EBITDA	**129,450**	**65,374**	**26,348**	**20,208**	**64,076**	**198.0**
EBITDA margin	32.1%	20.2%	10.9%	11.1%		+1190 bps
EBITDA normalised*	120,102	72,874	25,276	19,981	47,228	164.8
EBITDA margin normalised*	29.8%	22.6%	10.5%	10.9%		+720 bps
Contracts	**579,500**	**629,663**	**338,495**	**243,712**	**-50,163**	**92.0**
Backlog on 31 Dec	763,268	585,409	271,621	173,403	177,859	130.4
Book to bill ratio	1.44	1.95	1.40	1.33		
Annual sales per employee	516	429	332	276	87	120.4
Dividend per share (EUR)	*	31.75	13.74	9.18		
Investments	14,620	7,270	7,381	2,555	7,350	201.1
Employees (average)	781	754	727	663	27	103.6
Employees (on 31 Dec)	793	766	744	678	27	103.5

*EBITDA normalised: EBITDA reduced by other business revenues and increased by the value alignment, reservations, and other business expenditures

Conversion rate: 1EUR = 7.5345 HRK

* Amount of dividend to be disclosed following the regular Company General Assembly

3. Organisational Chart for 2024

GENERAL ASSEMBLY

SUPERVISORY BOARD

MANAGEMENT BOARD

President of the Management board
Vanja Burul

MANAGEMENT BOARD OFFICE:

Management Board Advisor
Business Secretary
Marketing

Profit centre MEDIUM POWER TRANSFORMERS

dir. **Mario Ljubić**

Business Secretary

- SALES & MARKETING
  - Sales I
  - Sales II
  - After sales service
- TECHNICAL DEPARTMENT
  - Electrical Design I
  - Electrical Design II
  - Mechanical Design I
  - Mechanical Design II
  - Mechanical Design Development
- PRODUCTION PLANNING
  - Production planning
  - Warehouses
- PRODUCTION
  - Insulation I
  - Insulation II
  - Core stacking Machining workshop
  - Winding workshop I
  - Winding workshop II
  - Asembly I A
  - Asembly I B
  - Asembly II A
  - Asembly II B
- QUALITY
  - Test station
  - Final Inspection
- DISPATCHING &PACKING
  - Packing

Profit centrer DISTRIBUTION TRANSFORMERS

dir. **Martina Mikulić**

Business Secretary

- SALES & MARKETING
  - Sales North
  - Sales South
  - After sales service
- TECHNICAL DEPARTMENT
  - Electrical Design DT
  - Electrical Design ST
  - Mechanical Design DT
  - Mechanical Design Development
- PRODUCTION PLANNING
  - Production Planning
  - Warehouses
- CORE CUTTING CENTER & PRODUCTION ST
  - Core cutting
  - Core production I
  - Core production II
  - Production ST
- PRODUCTION
  - Windings I
  - Windings II
  - Assembly I
  - Assembly II
  - Final Assembly
- QUALITY
  - Test Station
  - Final Inspection

Auditors

FINANCE, ACCOUNTING, PURCHASING

dir. **Kristina Dimitrov**

- FINANCE & ACCOUNTING
  - Finance Accounting
  - Controlling
- STRATEGIC PURCHASING
- OPERATIONAL PURCHASING

PRODUCT & BUSINESS DEVELOPMENT

dir. **Dominik Trstoglavec**

- STRATEGIC INVESTMENT
  - Strategic Investment
  - Maintenance
- PRODUCT DEVELOPMENT & STANDARDISATION
- PRODUCTION DEVELOPMENT
- BUSINESS EXCELLENCE

- LEGAL AFAIRS & HR
- MANAGEMENT SYSTEM DEVELOPMENT
  - ISO 9001
  - ISO 14001
  - ISO 45001
  - Safety at work
- INCOMING INSPECTION
- IT DEPARTMENT
- BUSINESS IT

4. General Position of the Company

The impressive business results for 2024 confirm the stable and successful operations of KONČAR – D&ST Inc., with continuing growth of revenues, profits and contract values, testifying to Company sustainability and its competitiveness on the market.

The significant backlog ensures full use of production capacities in the forthcoming period, thereby ensuring stable growth and full operational efficiency.

Through ongoing organisational adjustments in response to the new external and internal circumstances, both in the distribution transformer segment and in the medium power transformer segment, the Company has successfully raised its competitive edge, securing adaptability under dynamic market conditions.

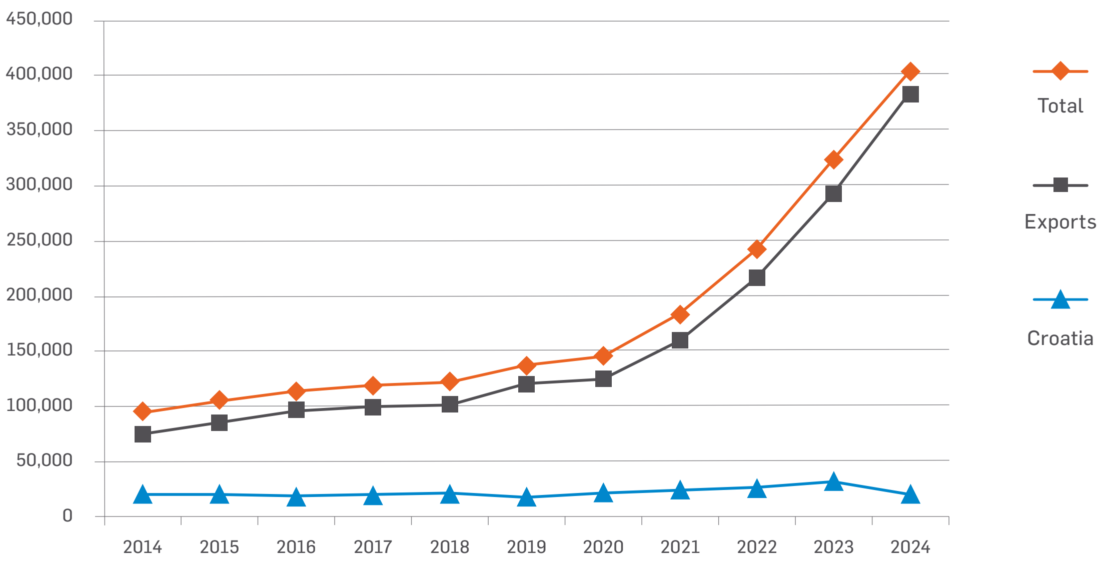
The Company places priority on sales and development activities, active recruitment, systematic inclusion of young experts, and stimulating and motivating employees. Through ongoing investments in IT technology, advancing product development, and modernising business processes, the Company is prepared to respond to the challenges of complex future market conditions.

The current investment (Sustainable SETup) has contributed to increasing capacities, but will primarily enable the standardisation of operations on site, thereby further increasing efficiency and operational stability.

In line with the global guidelines for a sustainable and circular economy, and digitalisation of internal processes, the Company will continue to proactively participate in energy transition and decarbonisation processes, thereby confirming its commitment to sustainable development.

Overall, the general position of KONČAR – D&ST Inc. can be assessed as highly stable and promising, with a clear strategy focused on further growth and development on the global market, thus confirming the Company's position as a regional industry leader.

Sales trends (EUR '000)



5. Company Organisation and Management in 2024

During 2024, KONČAR – D&ST Inc. was managed by the Management Board in the following composition:

Vanja Burul, Board President

Petar Bobek, Board Member (to 20 January 2024)

Kristina Dimitrov, Board Member (from 1 May 2024)

Mario Ljubić, Board Member (from 1 April 2024)

Martina Mikulić, Board Member

Dominik Trstoglavec, Board Member

Petar Vlaić, Board Member (to 31 March 2024))

In 2024, business processes were organised through two profit centres (PC) - PC Distribution Transformers and PC Medium Power Transformers, with shared services for the entire Company. The profit centres were managed by a board of directors consisting of the PC director and the directors of sales, technical affairs, and production.

In 2024, **KONČAR – D&ST Inc**. performed its activities at a single location in the Republic of Croatia: Josipa Mokrovića 8, 10090 Zagreb.

The company **PET Sp. z o.o.** (100% owned by Koncar D&ST Inc.) operates at the location: Czerwonak, Gdinjska 83, Poland.

The company **Ferokotao d.o.o.** (51% owned by KONČAR – D&ST Inc.) operates in Gornji Kraljevec, Kolodvorska 78/a, Croatia.

6. Subsidiaries - PET (Poland) and Ferokotao (Croatia)

The company **Power Engineering Transformatory Sp. z o.o. Czerwonak (PET)** in Poland is under 100% ownership of the company KONČAR – D&ST Inc. The company performs the activities of sale, development, production, and servicing of medium power transformers from 5 to 63 MVA and 145 kV.

Though predominantly focused on the Polish market, PET is increasingly achieving significant results on foreign markets. The general conjuncture on the transformer market has enabled a stabilisation of its operations, and with sales and technical support from Zagreb, in 2024, PET achieved long awaited positive business results. It is expected that these positive results will contribute to further stabilisation and strengthening of operations, further investments in infrastructure, equipment and machinery, and creating better financial conditions for existing employees and attracting new experts. As of 31 December 2024, the company PET employed 109 people.

Ferokotao d.o.o. is one of the largest tank producers for distribution, power and special transformers in the region. It is seated at Donji Kraljevec and is an important and long-term supplier for KONČAR – D&ST . With the acquisition of a majority share in Ferokotao d.o.o., the reliable supply of transformer tanks has been secured, further strengthening the competitive edge of KONČAR – D&ST on the market. As of 31 December 2024, the company Ferokotao employed 310 people.

7. Market Position and Sales by Country and Product Group

The strong demand for transformers that marked 2023 continued in part through 2024. The expansion of the global transformer market, with particular emphasis on renewable energy and smart grids, and policies and regulations that stimulate network modernisation and the integration of energy efficiency systems had a positive impact on the transformer market. European Union Member States, as the largest market for KONČAR – D&ST Inc., focused numerous projects towards increasing their independence from natural gas and their dedication to green transition, which drove increased demand for all components in the energy sector, including transformers. High prices of raw materials, equipment and production costs, alongside high demand, resulted in a lengthening of delivery periods for power transformers, while distribution transformers saw a slight decline in demand.

In 2024, transformer prices remained stable with a downward tendency in comparison with the record 2023 prices, primarily in the distribution transformer segment. In 2024, bookings were made for 2025 in the distribution programme, while bookings for the medium power programme were for two and more years in advance. High market activity spurred manufacturers from non-European countries to take a more aggressive stance and take a part of the European market with lower prices and shorter delivery periods. Meanwhile, many European producers increased their production capacities, acquiring smaller producers, and taking a more aggressive approach on the market.

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Maintaining the previously won market position has become a priority, as this high market conjuncture will have a limited duration. The Company invested extraordinary efforts throughout the year on virtually all markets, with a fair business and partnership approach towards buyers, offering high quality products with better properties and reduced carbon footprint certificates, with reliability and quality of supply to strengthen its market position. This resulted in exceptional business results in 2024.

Sales of goods and services in 2024 recorded growth of 25% over 2023, and totalled EUR 403 million. Changes by product groups in 2024 in relation to 2023 were:

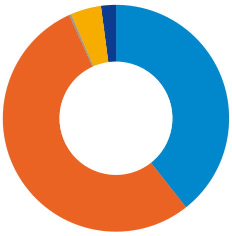
- **DISTRIBUTION TRANSFORMERS: 20% GROWTH**
- **MEDIUM POWER TRANSFORMERS: 41% GROWTH**
- **DRY AND SPECIAL TRANSFORMERS: 7% GROWTH.**

Sales by main markets were as follows:

- **CROATIA - in 2024, deliveries were values at EUR 20.1 million, or a drop of 36% compared to 2023 (EUR 31.3 million)**
- **NEIGHBOURING EUROPEAN COUNTRIES – deliveries in 2024 were valued at EUR 94.3 million, up 29% over 2023 (EUR 73.3 million)**
- **OTHER EUROPEAN COUNTRIES – deliveries in 2024 were valued at EUR 283.1 million, up 34% over 2023 (EUR 210.8 million)**
- **ASIA, AFRICA AND THE AMERICAS – deliveries in 2024 were valued at EUR 5.6 million, a 27% drop from 2023 (EUR 7.7 million).**

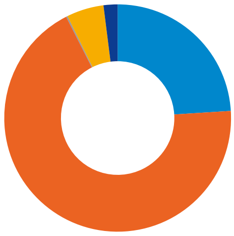
Sales activities in 2024 resulted in a total contract value of EUR 579.5 million, down 8% compared to 2023. The state of transactions at the end of the year was EUR 763.3 million, up 30.4% over the end of 2023.

Sales structure
by product line in 2024

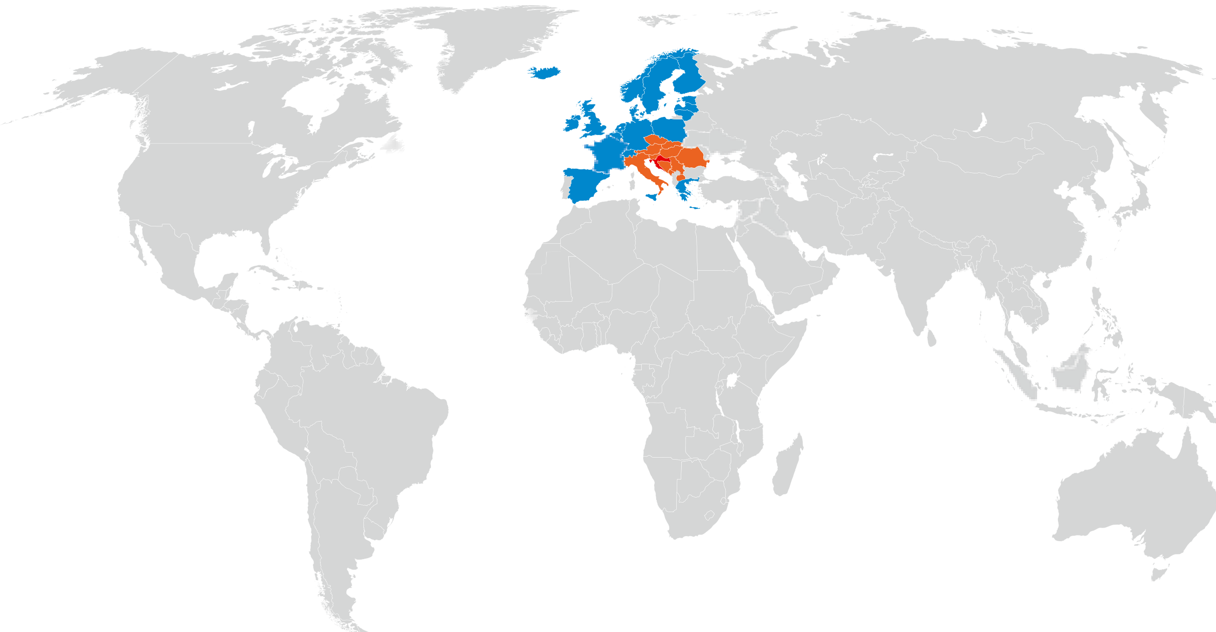


Medium power transformers	54 %
Distribution transformers	39 %
Dry and special transformers	5 %
Services	2 %
Supplies	0 %

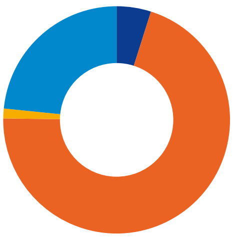
Structure of new contracts
by product line in 2024



Medium power transformers	69 %
Distribution transformers	24 %
Dry and special transformers	5 %
Services	2 %
Supplies	0 %

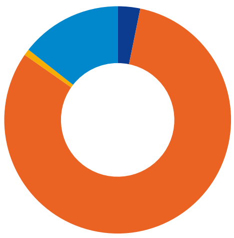


Sales structure
by markets in 2024



Neighbouring European countries	24 %
Other European countries	70 %
Asia, Africa, and the Americas	1 %
Croatia	5 %

New contracts
by markets in 2024



Neighbouring European countries	14 %
Other European countries	82 %
Asia, Africa, and the Americas	1 %
Croatia	3 %

8. Company's Financial Position (Balance Sheet)

On 31 December 2024, the assets of KONČAR – D&ST Inc. totalled EUR 427 million, up 56.1% over one year earlier. In total assets, the relative growth of short-term and long-term assets remained constant, and their ratios in total assets remained at similar levels from the beginning of the year. Long-term assets were valued at EUR 60.4 million, accounting for 14.1% of total assets. In comparison with the end of 2023, this marked a 43.8% increase or EUR 18.4 million. This increase was due to growth in the most significant components of this asset class: property, plant and equipment, as described in detail below.

Property, plant and equipment was valued at EUR 47.6 million on 31 December 2024, up 45.9% or EUR 15 million from one year earlier. This increase is the result of the investment cycle launched in 2023 under the project title "Sustainable SET-UP", which continued into 2024 at high intensity. In the middle of the year, a corporate building and accompanying lands were acquired in Strmec Samoborski, which had previously been leased by the Company for use as a warehouse and logistics centre.

Investments into the subsidiaries Ferokotao Ltd., Donji Kraljevec and Power Engineering Transformatory Sp. Z.o.o. (PET) in Poland totalled EUR 10.9 million on 31 December 2024. In the year-on-year comparison, this value is EUR 4.2 million greater, as a result of the reversal of impairment of PET from previous periods . The reason for this increase in value is the significant progress made in operations of PET in the past two years, and generally positive trends of operation in this subsidiary.

Current assets account for 85.9% of total assets, with a value of EUR 367.1 million. Inventory increased slightly over the previous period to EUR 111.2 million, accounting for 26% of total assets. Cash and cash equivalents amounted to EUR 64.5 million, up 21.5% year-on-year, an increase of EUR 11.4 million. Furthermore, the remaining available liquidity was placed in bank deposits, used to purchase Treasury bills of the Republic of Croatia, and for loans to companies within the KONČAR Group, and all together totalled EUR 98.9 million (23.1% of total assets).

In terms of sources of financing assets, capital and reserves accounted for more than half of the total amount. With a value of EUR 222.9 million of own financing sources, this accounted for 52.1% of total capital and liabilities. The growth in capital and reserves was 68.7% (EUR 90.8 million) in comparison with the standing at the end of 2023. The reasons for this increase were the profit in the current year (2024) which was EUR 56.3 million higher than the profit in 2023, and the retention of profits from the previous period in the amount of EUR 34.5 million.

Group liabilities totalled EUR 205 million (47.9% of total capital and liabilities), up EUR 63 million in comparison with the end of 2023 (EUR 141.7 million, 51.7% of total capital and liabilities). The most significant line item in this category were liabilities for received advance payments from customers, reported as contracted liabilities for the delivery of transformers in the forthcoming period. These liabilities totalled EUR 122.3 million, or 28.6% of the total capital and liabilities. This increase in received advances of EUR 52.4 million year-on-year significantly contributed to improving the most liquid assets as outlined above.

Trade payables on 31 December 2024 totalled EUR 36.1 million, accounting for 8.5% of total capital and liabilities. Warranty provisionstotalled EUR 17.1 million or 4% of total capital and liabilities. Interest-bearing liabilities totalled EUR 4.5 million on 31 December 2024, and pertain to long-term loans in repayment and other loans.

Comparing the changes in the structure of the financial position (balance sheet) on 31 December 2024 with one year earlier, it can be concluded that the significant growth (56.1%) recorded was accompanied with an increased share in highly liquid assets, thereby improving all liquidity indicators, whilst also improving financial stability indicators and reducing indebtedness.

9. Operating Results (Income Statement) and Share Price Movements

increase sales revenues in relation to 2023 **24.7%**

The 2024 business year was another consecutive year with a strong growth of revenues. The year concluded with sales revenues totalled EUR 403 million. This marks an increase of 24.7% (EUR 79.9 million) in relation to sales in 2023. Of the sales revenues, 95% were achieved on export markets, which represent the sole driver of growth. Export sales totalled EUR 382.9 million, up 31.2% year-on-year (EUR 91.1 million). In 2024, the Company sold its products in over 30 countries worldwide, and the top five markets accounted for 61% of all sales. In terms of product group, the profit centre for medium power transformers achieved sales in the amount of EUR 222.3 million or 55.2%, while the profit centre for distribution transformers accounted for sales of EUR 180.7 million or 44.8%.

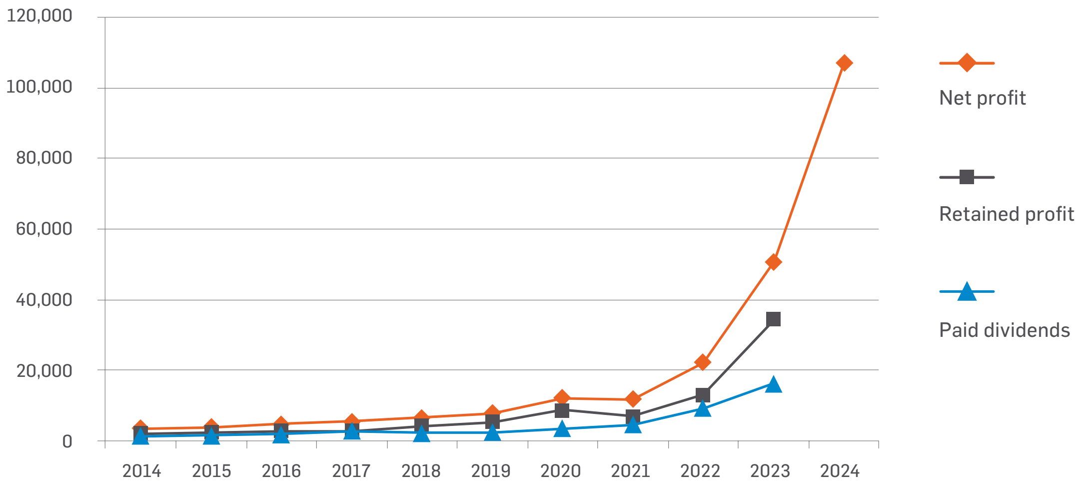
Financial revenues totalled EUR 4.3 million, and primarily encompassed revenues from interest of EUR 3.1 million and revenues from dividends of EUR 1.2 million. Together with other business revenues amounting to EUR 1 million, the total revenues achieved in 2024 were EUR 408.2 million, a 25.5% increase year-on-year (EUR 325.1 million).

On the expenditure side, the dominant group of costs were costs of materials, energy, goods and services, corrected for changes in inventory of unfinished production and finished products, and totalled EUR 230.8 million. These costs account for 57.2% of 2024 sales revenues, as compared to 64.1% one year earlier, reflecting positive changes in profitability. The second highest expenditure was personnel costs at EUR 42.9 million, up 22.5% over the year before, with the aim of aligning with the growing costs of living and inflation. On 31 December 2024, the Company had 793 employees, up 3.5% year-on-year (766 employees). Expenditures of value alignments had a positive impact on the overall result due to the recognition of revenues from corrected values for the subsidiary PET Poland in the amount of EUR 6.0 million, and the recognition of revenues from corrected inventory values in the amount of EUR 3.7 million.

Group profitability indicators grew significantly in 2024. Pre-tax profit in 2024 totalled EUR 129 million, or 31.6% of total revenues. This profit was up 109.1% (EUR 67.3 million) in comparison with the previous year. Net profits totalled EUR 107 million, and the EBITDA was EUR 129.5 million, giving an EBITDA margin of 32.1%. Trading of KONČAR – D&ST shares on the Zagreb Stock Exchange in 2024 recorded highly significant share price growth and increased volume of trading. At the end of 2023, the price of the KODT-R-A was EUR 850, while at the end of 2024, the share price was 1950 EUR, marking an increase of 129%. At the end of 2023, the price of the KODT-P-A was EUR 860, rising to EUR 1980 or up by 130% by the end of 2024. Based on the price of ordinary shares, the P/E ratio was 9.3 on the final day of 2024. During 2024, total trading of both company shares (KODT-R-A and KODT-P-A) was valued at EUR 40 million, as opposed to EUR 9.7 million one year earlier, which is a growth in volume of 312%. In view of rising prices of KODT shares, market capitalisation was also increased to EUR 1000.6 million on 31 December 2024, up 130% over the same date one year earlier, when it was EUR 435.8 million. Since 6 September 2023, the stock KODT-P-A has been listed in the CROBEX index on the Zagreb Stock Exchange.

During 2024, the Company did not acquire any of its own shares.

NET PROFIT AND PROFIT ALLOCATION (EUR '000)



10. Main Operating Risks

In 2024, KONČAR – D&ST Inc. revised its Rulebook on Risk Management and Risk Management Policy, which is in compliance with standard ISO 31000:2018 (Risk Management — Guidelines) and with the ERM (Enterprise Risk Management) principles. In accordance with this policy, risk management in the Company is:

- integrated in all business processes and decision-making processes in the Company. It is structured and comprehensive, taking into consideration both the external and internal context in which the Company operates, and is based on the best information available;
- inclusive, and it encompasses a wide circle of persons starting with the Management Board and the Supervisory Board, sector and field directors, managers and heads of departments and workshops, and finally all employees and external stakeholders;
- dynamic because new risks may appear, change, or disappear in line with changes to the internal or external context;
- based on continued improvements to management that is founded on learning and acquisition of new experiences.

In full acknowledgement of the business strategy and business goals, the Company determines that there is a moderate (average) propensity to take risks.

The lowest propensity for risk-taking is in the field of goals related to safety and compliance, including employee health and safety. A slightly greater propensity to take risks is in the field of strategic and operative goals. This means that reducing risk arising from our systems, equipment, products, and work settings to reasonable and feasible levels and compliance with our legal obligations will have priority over other business goals.

In line with the defined risk management methodology, the Risk Catalogue was revised in late 2024. It identifies, analyses, and evaluates the main strategic, operational, and financial risks and specific risk reduction measures, as well as the persons responsible for risk management (risk owners). Risks have been identified in all organisational units of the Company.

The 2024 business year was marked by growing interest rates, high inflation, the continued Russian aggression against the Ukraine, war in Israel/Palestine and further unrest in the Middle East, with numerous consequences on the European and global economies.

The Company responded adequately to these risks, mitigating them with the available measures and actions, and the 2024 business year ended without significant impacts on Company operating results.

Demand for transformers on target markets of KONČAR – D&ST Inc. is one of the main risk factors for Company operation. The 2024 business year was characterised by an increased demand for transformers for a number of reasons, of which the most significant were investments into renewable energy sources and electromobility in the EU, the forecasts of further growth of prices of energy, raw and other materials, and uncertainty in view of supply chain disturbances. Also, initial signs of recession appeared in Germany and the EU in 2024, and if this trend continued, it could have a long-term negative impact on demand for transformers.

Supply of transformers by other manufacturers — competitive pressure — is another very important risk factor for Company operations. The behavioural patterns of existing competitors and entry of new ones (particularly from Turkey, but other countries also) onto target markets of KONČAR – D&ST Inc. create a very strong competitive pressure on most target markets.

The entire transformer industry has experienced considerable changes in recent years, with numerous restructurings, spin-offs and/or sales of the energy business segment in large corporations, takeovers and mergers (consolidations), and these trends will continue.

Risks on the procurement market were also present in the 2024 business year, with a stabilisation of prices of the main raw and other materials (copper, aluminium, transformer sheet metal, transformer oil, steel) at a high level, with a further rise in prices of raw material processing. Increased demand led to a lengthening of delivery periods of materials and equipment, resulting in the need to adjust planning processes, reservations of production capacities at suppliers, and ordering. Unrest in the Red Sea caused by attacks of the Houthia on vessels forced shippers to reroute ships around Africa, which significantly increased both transport times and shipping costs. With this, logistic issues in procuring raw materials from Asia were again prominent. Geopolitical instability brought with it new uncertainties and a need to strengthen the resilience of the supply chain by introducing alternative supply sources.

In view of the options available, the Company protects itself against the risks of sudden changes to the prices of strategic raw materials in several ways. The most important manner in the past few years has been the introduction of sliding formulas for materials in sales contracts with customers. In the case of copper, the risk mitigation policy for contracts in which there is not a sliding formula is such that, since it is a raw material listed on commodity exchanges (London Metal Exchange), quantities and prices are negotiated with copper suppliers, and the price is determined according to the LME averages months prior to delivery, with additional costs of premiums and associated costs, and processing costs. In terms of transformer sheet and other important procurement parts, semi-annual contracts with suppliers aim to mitigate this risk and secure the required quantities. Changing prices for materials are included in calculations when drafting new product offers.

Technological and development risks. The Company currently uses modern technologies in the manufacture of transformers and offers appropriate technical solutions for most products in its programme, and therefore is able to keep up with technical and technological development at an enviable level. In the future, it is not expected that the company will lag behind its main competitors in terms of technical and technological development.

Strategic investment and acquisition risks. In 2024, work at KONČAR – D&ST Inc. intensified on the strategic investment project "Sustainable SETup for the development of environmentally and socially responsible production", and intensive support continued for the development of the company PET, Poland and for the integration of the newly acquired company Ferokotao Ltd., Donji Kraljevec, that produces transformer tanks. This group of risks is mitigated through appropriate analyses and evaluation of potential risks, taking adequate measures to mitigate risks, and active involvement of the Management Board and key managers and employees in the process.

In terms of **financial risks**, the most pronounced are the foreign exchange risk, credit risk, and liquidity risk.

Foreign exchange risk is quite pronounced in Company operations in view of the high percentage of exports and import in revenues and in view of the fact that certain monetary assets and sources of financing are denominated in foreign currencies. The Company protects itself from foreign exchange risk through forward contracts with banks and internal incoming and outgoing currency adjustment techniques, as well as the alignment of the state of monetary items in foreign currencies in the balance sheet.

Credit risk arises as the danger that a particular debtor of the Company (e.g., customer to whom delivery is made without sufficient payment security) will not be able or willing to make payments to the Group in accordance with the contract and that the Company will therefore have losses in write-offs or diminished accounts receivable. The Company protects itself from credit risks through payment security instruments (letters of credit, guarantees, promissory notes, etc.) and an assessment of customer solvency in co-operation with external agencies that assess solvency and creditworthiness. Further, it also seeks security for accounts receivable from certain customers to be issued by specialised institutions.

Liquidity risk arises as the danger that the Company will not be able to perform its obligations towards creditors within the agreed terms. The Company has a contractual relationship with commercial banks for framework loans, which enables it to quickly overcome the current need for liquid funds, subject to known terms. In 2024, financial advances from customers increased significantly, which favourably affected the state of Company liquidity.

Management and personnel risks. The usual fluctuations and changes in management, leading experts, and employees do not affect significantly the operation of the Company, while sudden and more extensive fluctuations in the management, key and other employees might affect the Company's business results. The Company actively manages these risks.

In addition to the foregoing, there are also IT risks, design-construction risks, production risks, political risks, and other risk groups that are adequately managed by the Company.

11. Investments and Technology Modernisation

During 2024, a total of EUR 14.62 million was invested (as opposed to EUR 7.27 million in 2023).

Activities continued in 2024 on the project "Sustainable SETup for the development of socially and environmentally responsible production" (Sustainable SETup). The aim of the Sustainable SETup project, implemented in the four-year period 2022–2025, is to standardise the existing level of production by increasing warehouse, production and administrative space, so as to achieve better flow of materials and finished projects and more efficient organisation of production processes. During 2024, contracting was completed for key production equipment needed for project implementation, which will be delivered and installed through 2024 and 2025 in line with the investment and technological plan. The first part of construction works, included erecting a new building and reconstruction and expansion of the existing hall, began in June 2024, and they are expected to be fully operational by the end of Q1 2025. Parallel with the final phases of construction, the new equipment will be installed and once operational, should ensure complete standardisation of production.

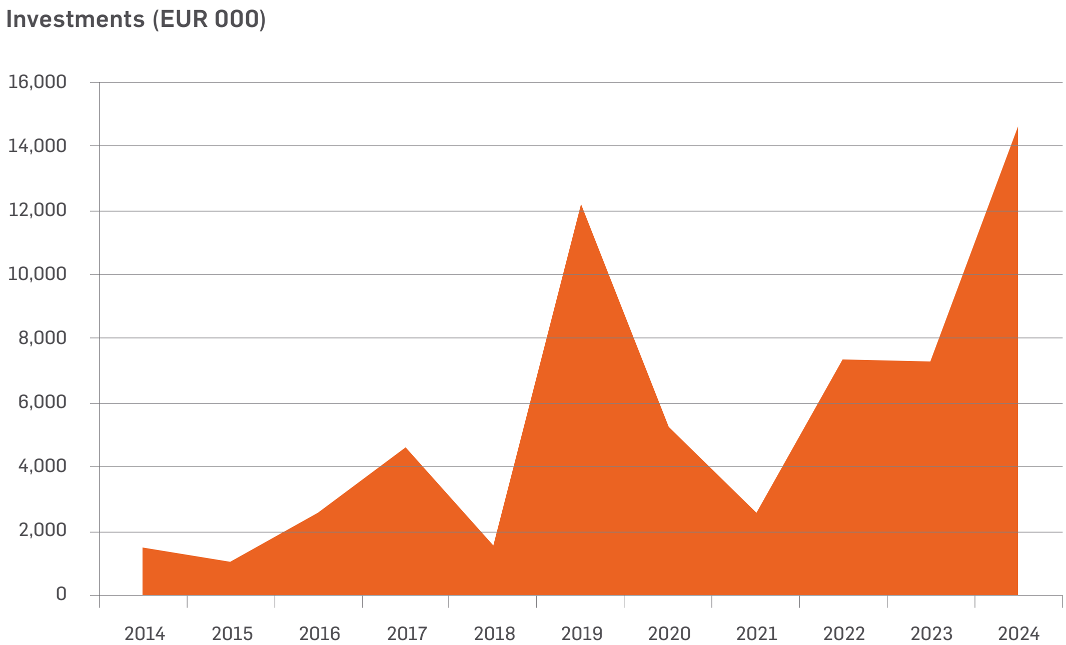
At the end of 2024, construction began on the second phase of the project. The completion of works and installation of equipment in those premises is expected by the end of 2025.

The 1.1 MW solar plant produced 1420 MWh of electricity during 2024, resulting in the in-house generation of 35% of the company's energy needs. In mid-2025, additional solar plant capacities are planned to be operational. The installation of an additional 375 kW plant will be co-financed by the Modernisation fund, and is expected to be operational in Q3 2025.

In line with the 2024 annual plan, special machinery and devices in production were modernised or procured.

Investments in 2024 focused on advancing the production process of medium power transformers, thanks to a contracted series of assembly platforms that will further improve the ergonomics and working conditions in the process of transformer assembly.

IT equipment was modernised, with the aim of reducing electricity consumption while improving ergonomics and mobility. Training was continued on Security Awareness.



12. Technical Development and Product Innovation

The technical development departments (Product Development and Production Development) employ 22 highly-educated experts in the fields of electrical engineering, mechanical engineering, and computer science, of whom three have completed doctoral studies at the Faculty of Electrical Engineering and Computing, University of Zagreb. Two employees are currently enrolled in doctoral studies at the same Faculty.

Due to the application of the new European Regulations on Losses (Tier 2) and the increasingly strict customer requirements concerning transformer noise, the development of new vibroacoustic models helped to further optimise transformer design. Improvements were made in the charge calculations, with research conducted on the effects of biodegradable mineral oils, and thermal calculations were further optimised.

Experts in technical development and other departments actively participated in the work of the study committee SO A2 for transformers, and in the work of technical committees HZN/TO E15 Rigid electrical and technical insulating materials, HZN/TO E36 Insulators, HZN/TO E55 Winding wires, HZN/TO E112 Assessment and characteristics of insulating materials and systems, and HZN/TO E10 Fluids for use in electrical engineering.

Cooperation with institutes and faculties continues (KONČAR — Electrical Engineering Institute Ltd.; Faculty of Electrical Engineering and Computing, University of Zagreb; Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb).

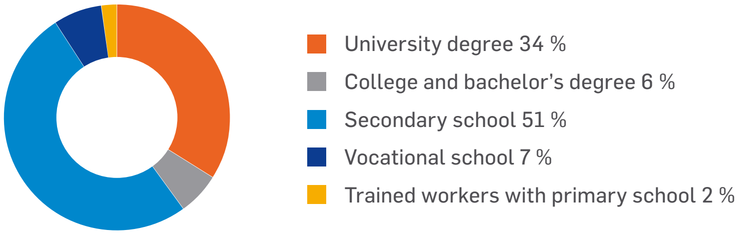
13. Human Resources at KONČAR – D&ST Inc.

At the start of 2024, KONČAR-D&ST had 766 employees. By the end of the year, 65 new employees were recruited and 38 left the company, closing the year with 793 employees. The age structure of employees is diverse, with ages of new recruits ranging from 19 to 57 years. The average age at KONČAR – D&ST is 39 years.

KONČAR – D&ST systematically plans and continuously implements employee training, professional development and education, with the aim of enabling employees to acquire expert knowledge, technical knowledge, foreign language knowledge, IT knowledge, managerial skills, development of personal competencies, and knowledge in the field of occupational health and safety, environmental protection, and quality systems. The Company encourages and financially supports enrolment in graduate, postgraduate and doctoral studies, active and passive participation and seminars in Croatia and abroad, attending foreign language and computer skills courses, participation in workshops for leadership skills and manager development programmes, participation in workshops for soft skills and personal development, education for auditors in quality management systems, and other training programmes.

Structure of employee education levels at year-end:	2023	2024
University degree (16+ years of education)	253	266
College and bachelor's degree (14–15 years of education)	39	47
Secondary school (12 years of education)	427	404
Vocational school (11–13 years of education)	33	58
Trained workers with primary school (8 years of education)	14	18
Total	**766**	**793**

Structure of employee education levels at year-end

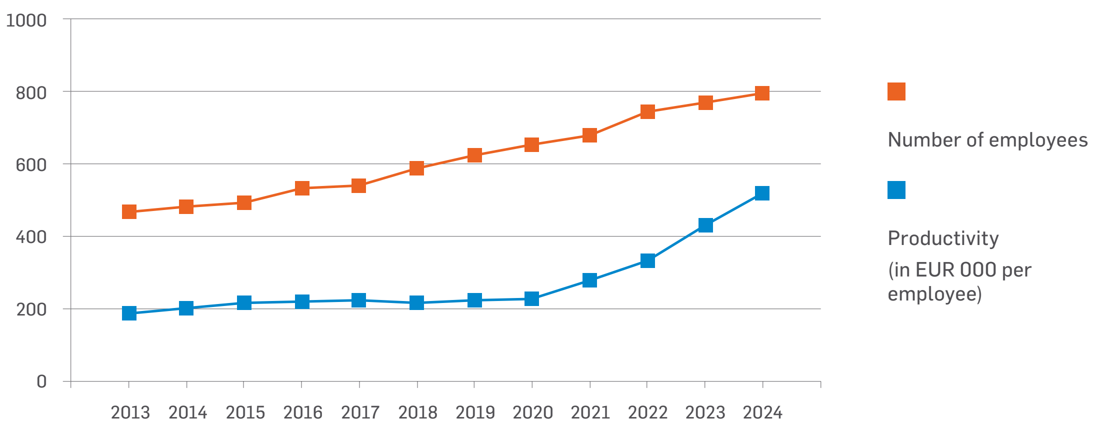


793
employees at year-end

20%

Productivity measured as sales per employee in 2024 was EUR 516,000, which is an increase of 20% in comparison with the previous year.

Number of employees and productivity



14. Quality Management, Environmental Management, and OH&S Management

Conformity certification cycles for all three certified management systems (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018) are conducted twice a year by the international certification company Bureau Veritas. The six-month cycle of audits, both external and internal audits, remains a good practice of ongoing supervision and continuous improvements to the management systems. Internal audits are conducted by in-house employees who are regularly trained in the field through internal and external education. During 2024, there was a total of 27 internal auditors.

In 2024, intensive efforts were put into the digitalisation of the process of internal audits through the introduction of the BabtecQ software, and at the end of the year, this software solution was tested with a launch date in early 2025. Throughout the year, all other legal requirements adhered to, according to the line ministries, Environmental Protection and Energy Efficiency Fund, Bureau of Statistics, and other bodies; requirements associated with standard ISO 14001, and sustainability requirements adopted by KONČAR – D&ST.

In the profit centre for distribution and special transformers, there are increasing customer environmental requirements that include the calculation of the carbon footprint of our products, such as the Life Cycle Assessment (LCA), Environmental Product Declaration (EPD), Carbon Footprint of Product (CFP) and/or Product Environmental Profile (PEP) studies.

For the first time, it was necessary to draft a study for a special grounded transformer. In 2024, several Raw Material Passports (RMP) were prepared for a number of customers for distribution transformers of varying power and for one special transformer.

In addition to these increasingly frequent environmental requirements for the product itself, there is an increasing emphasis on the sustainability of the actual factory to ensure it meets requirements. The Transformer Magazine conference entitled "Investments, Artificial Intelligence, and Sustainability" was held in Madrid from 11-13 June 2024, and KONČAR – D&ST added for the third year in a row, presenting the lecture "The building blocks towards a green business", successfully presenting its work on environmental projects and sustainability, and proving its high level of competency in this field.

Given the strong increase of additional environmental requirements, for the purpose of education on these topics, presentations entitled "Projects in the field of environmental protection at the customer's request" and "Sustainability at KONČAR – D&ST" were held for all employees in July. The purpose of this presentation was to inform all employees for whom these topics are important for the current and future work, and to provide basic information on sustainability, which has already become deeply engrained in every facet of the business.

15. Sustainability

In 2024, the Company released its first Sustainability Strategy 2024–2025, proving its ongoing commitment to sustainability issues. The Strategy was developed in line with the eight priority areas of KONČAR – D&ST: product decarbonisation, effective resource use, circular economy, occupational health and safety, diversity and equal opportunities, attracting and developing youth, investing in the quality of life of the community, and ethical and responsible governance that pertains both to company operations and to the supply chain.

In June 2024, the fourth Sustainability Compliance Report in line with the GRI guidelines was released, giving additional information on sustainability and continuing the trend of improving tracking and reporting on these activities. In the third quarter, the first verification of the Scope 1 and 2 calculations of the Company's carbon footprint was performed. This step verifies that operations are aligned with customer requirements, and the process indicated the best practices and further improved the process of tracking emissions. During 2024, activities were launched to determine the dual significance of KONČAR – D&ST in line with the requirements of the new European sustainability reporting standards. Significant topics covered during this process were then used in the sustainability reporting of the KONČAR – D&ST Group.

During 2024, KONČAR – D&ST supported a wide range of socially responsible initiatives and projects.

We have an ongoing commitment to investments in development, professional employee development, and caring for our community.

We carry out numerous activities that illustrate our dedication to corporate social responsibility, and are actively involved in the life of the local community. Considering our sensitivity towards the needs of children, in 2024 we showed our support through donations to a wide number of societies and organisations that help children with special needs and developmental challenges.

In 2024, KONČAR – D&ST was awarded the MAMFORCE GROW certificate and Inc.Q BEST Inclusive Employer Awards 2024 in the categories of Best Technology Company for Diversity and Inclusion, Best Technology Company for Well-being, and Best Technology Company for Women, thereby confirming our dedication to creating a supportive, inclusive, and adaptive workplace. We believe that projects such as these benefit our employees, especially parents, and the community as a whole, by promoting equality, improving the work-life balance, and employee well-being.

In its operations and daily activities, KONČAR – D&ST and its employees abide by the principles of the Corporate Code of Governance and the manuals on Corporate Culture and Communications. A zero tolerance policy is in place for corruption and other impermissible practices. Members of management, employees and business partners are familiar with the zero tolerance policy for corruption, and abide by this principle in their work and activities.

16. Further Strategy Development

The core business activities of KONČAR – D&ST will continue to be development, sales, and production of distribution oil transformers up to 8 MVA and 36 kV, special transformers, and medium power transformers up to 160 MVA and 170 kV.

At the current location at Zagreb's Jankomir, the investment project entitled "Sustainable SETup for the development of socially and environmentally responsible production" ("Sustainable SETup") is underway. This project is aimed primarily at standardising the existing level of production and increasing warehouse space, so as to enable optimisation of several business processes and a more adequate flow of materials, raw materials, equipment and finished products.

Given the high global demand for transformers, the Company has launched two initiatives and investments as part of the KONČAR Group strategy entitled "People, technology, investments - KONČAR 2030". The planned investments are aimed at expanding the current production capacities in both Poland and Croatia.

KONČAR – D&ST Inc. is strongly positioned among the leading European producers of distribution, special and medium power transformers, achieving business excellence by recognising and fulfilling customer needs, building partnership relations with suppliers, its commitment to quality and sustainable development, and through further technical and organisational development, in combination with ongoing employee training and motivation, and a strong recognition of the values of togetherness and teamwork.

Final remark: After the end of the 2024 business year, and up to the drafting of this report, negative implications are possible due to the instability of the supply chain, which is reflected in lengthened delivery periods for procurement of certain components. Other than this, there were no other unusual or significant business events that would significantly alter the overall operations and state of the Company as outlined in this report.

2 | Report on the Application of the Corporate Governance Code

The Company implements most of the provisions of the Corporate Governance Code drafted by the Zagreb Stock Exchange and HANFA, and published on the website of the Zagreb Stock Exchange (www.zse.hr). The only exceptions are certain provisions that the Company deems do not have to be implemented in the prescribed form, in particular:

– the Supervisory Board and the Review Committee consist primarily of members who are not independent, which is considered to be appropriate in this situation where the Company exists within the KONČAR Group.

The Company holds that the fact it does not implement some of the provisions of the Code does not undermine the high level of transparency of Company operations and that this will not substantially influence either current or potential investors in making investment decisions.

The compliance questionnaire includes precise answers to questions as to which provisions of the Code the Company implements and which it does not, and this is publicly available on the official website of the Zagreb Stock Exchange (www.zse.hr) and the Company website (www.koncar.hr).

As part of its organisational model, which serves as the basis for its operations and all business processes, the Company has developed internal control systems at all important levels. These systems also enable objective and correct presentation of financial and business reports.

Data on significant shareholders are available at all times on the official website of the Central Depository and Clearing Company (www.skdd.hr) and are also published in the revised annual financial statements as at 31 December 2024 and 2023. Shareholders can vote electronically with attendance at the Shareholders' Assembly. Preferred shares do not carry the right to vote.

In 2024, the Management Board conducted a self-evaluation of its performance and of the profile and competences of individual members of the Management Board. The evaluation was conducted by the Board President.

The Management Board found that its work is efficient, its composition balanced, and that its members have the knowledge, abilities, experience, and expertise required to run the affairs of the Company. The Management Board informed the Supervisory Board of the results.

Supervisory Board

The Company Supervisory Board consists of five members. Four are elected by shareholders at the Shareholders' Assembly and one is the employee representative in the Supervisory Board. The Company secretary is Mr. Ervin Filipčić.

In 2024, members of the Supervisory Board were:

Gordan Kolak, President
Ivan Bahun, Member (to 29 January 2024)
Miki Huljić, Member
Josip Lasić, Member (from 30 January 2024)
Josip Ljulj, Member (to 29 January 2024)
Ana Marija Markoč, member - employee representative
Ivan Paić, Member (from 30 January 2024).

In 2024, the Supervisory Board held 43 sessions, of which three were regular sessions and 40 in correspondence. All members of the Supervisory Board participated.

The Supervisory Board conducted a self-evaluation of its performance and of the profile and competences of individual members of the Supervisory Board in 2024. The evaluation was conducted by the President of the Supervisory Board. External assessors did not participate in the evaluation.

The Supervisory Board found that its work is efficient, its composition balanced, and that its members have the knowledge, abilities, experience, and the expertise required to supervise the affairs of the Company.

The Supervisory Board set a goal of at least 20% female members of the Supervisory Board and of the Management Board, which can be considered adequate representation as this corresponds to the share of women in the total number of employees in the Company. In 2024, the percentage of female members of the Management Board was 40%, and of the Supervisory Board was 20%.

The Supervisory Board appraised the efficiency of co-operation arrangements between the Supervisory Board and the Management Board and the adequacy of support and information received from the Management Board.

The Supervisory Board found that this co-operation was successful and that the Management Board delivered timely and full information and provided adequate support to the work of the Supervisory Board.

Supervisory Board Committees

There are three committees operating within the Supervisory Board: Audit Committee, Remuneration Committee, and Nomination Committee. Each committee has three members.

Audit Committee

During 2024, the members of the Audit Committee were:

Josip Lasić - Chairperson (from 7 February 2024)
Miki Huljić – Member,
Gordan Kolak - Member,
Ivan Bahun – Member (to 7 February 2024).

In 2024, the Audit Committee held a session on 15 April 2024, attended by all its members.

Remuneration Committee

During 2024, the members of the Remuneration Committee were:

Josip Ljulj – Chairperson (to 7 February 2024)
Ivan Paić – Chairperson (from 8 February 2024)
Miki Huljić – Member (from 8 February 2024)
Božidar Poldrugač - Member (to 7 February 2024)
Josip Lasić - Member.

In 2024, the Remuneration Committee held a session on 12 April 2024, attended by all its members.

Nomination Committee

During 2024, the members of the Nomination Committee were:

Gordan Kolak - Chairperson,
Ivan Bahun - Member (do 7 February 2024)
Josip Lasić – Member (from 8 February 2024)
Ivan Paić - Member (from 8 February 2024)
Božidar Poldrugač – Member (to 7 February).

In 2024, the Nomination Committee held a session on 1 March 2024, which was attended by all its members.

3 | Independent Auditor's Report and Separate Financial Statements, Including Notes

KONČAR
D&ST

KONČAR – Distribution and Special Transformers Inc. for manufacturing

Statement of Management's Responsibility

The Management Board is required to prepare the separate financial statements for each financial year which give a true and fair view of the financial position of the Company 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 Company 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 separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Company 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 separate 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;
- Corporate Governance Report; and
- Annual separate financial statements in single electronic reporting format.

The consolidated annual report of the Company and its subsidiaries ("the Group") is published separately and issued simultaneously with the separate annual report.

The Management report and the Corporate Governance Report, as well as the annual separate financial statements in single electronic reporting format were approved and signed by the Management Board on 14 April 2025 for submission to the Supervisory Board.

Vanja Burul
President of the Management Board

Martina Mikulić
Member of the Management Board

Dominik Trstoglavec
Member of the Management Board

Mario Ljubić
Member of the Management Board

Kristina Dimitrov
Member of the Management Board

KONČAR – Distribution and Special Transformers Inc. for manufacturing
Josipa Mokrovića 8
10 090 Zagreb, Croatia

Independent Auditors’ Report to the shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of KONČAR - Distribution And Special Transformers Inc. for manufacturing (“the Company”), which comprise the separate statement of financial position of the Company as at 31 December 2024, and the separate statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as “the financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2024, and of its unconsolidated financial performance and unconsolidated 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 Company 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.

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.

Independent Auditor's Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(continued)*

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Revenue from customer contracts for the sale of transformers recognized in profit or loss in 2024 amounts to EUR 403,003 thousand (2023: EUR 323,118 thousand). Please refer to the notes: Material accounting policy information 2a) Revenue recognition, Key accounting estimates 3a) Revenue recognition and note 4 Revenue in the financial statements.</td></tr>
<tr><th>Key audit matter</th><th>How we addressed the matter</th></tr>
<tr><td>The Company's principal business activities involve the manufacturing and sale of distribution and special transformers. These contracts 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 Revenue from Contracts with Customers.

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. Revenue is typically recognised at a point in time, when control over the goods transfers to the customer, generally upon delivery, as described in note 2(e). The Company also receives advance payments from customers, which are presented as contract liabilities until the related performance obligations are fulfilled.

The application of IFRS 15 requires significant management judgement, particularly in identifying performance obligations, determining the appropriate timing of revenue recognition, and assessing the existence of significant financing components or extended warranties.

Given the complexity and volume of transactions, this area required increased audit attention and was determined to be a key audit matter</td>
<td>Our procedures performed in this area included:

• Evaluating the design and implementation of selected controls over the revenue cycle;

• Assessing the Company's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard;

• For a sample of contracts or contract equivalents with key customers in force during the reporting period:

- challenging the Company's identification of performance obligations included therein;

- critically assessing the Company'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;

- 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;

• 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 Company's accounting records, and inspecting the underlying documentation;

• Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items.

• Assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for customer contracts.</td></tr>
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Independent Auditor's Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(continued)*

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Warranty provisions</th></tr>
<tr><td colspan="2">Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2024 amounted to EUR 17,057 thousand (31 December 2023: EUR 14,305 thousand). Please refer to notes: Material accounting policy information 2p) Provisions, Key accounting estimate 3b) Warranty provisions and note 26 Provisions in the financial statements.</td></tr>
<tr><th>Key audit matter</th><th>How we addressed the matter</th></tr>
<tr><td>The Company's customer arrangements include long term product warranties given to customers.

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.

As disclosed in note 3(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. 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.

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.</td><td>Our procedures performed in this area included:

• Obtaining an understanding of the process for assessing and recording warranty provisions and evaluating the design and implementation of selected relevant internal controls.

• Assessing the methodologies and assumptions applied by management in determining the valuation of provisions, including:
o warranty terms and durations as outlined in customer contracts;
o historical trends in product warranty claims and associated costs;
o available industry data on statistical failure rates, where relevant;
o market experience from other manufacturers of comparable products;.

• On a sample basis, evaluating the utilisation of warranty provisions by:
o obtaining an understanding of the nature of actual product warranty repairs incurred during the year, through inquiries with operational and technical personnel;
o inspecting relevant customer contracts and warranty terms as well as source documentation such as correspondence with customers with respect to warranty claims, where applicable;
o comparing actual warranty repair costs to supporting documentation, considering the nature, timing and magnitude of such claims.

• Assessing whether the disclosures in the financial statements adequately describe the estimation uncertainty and judgements associated with the measurement of warranty provisions.</td></tr>
</table>

Independent Auditor's Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(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 and Corporate Governance Report included in the Annual Report of the Company, 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 and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;

If, based on the work we have performed above, we conclude that there is a material misstatement in Other information, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

THIS AUDITOR'S REPORT IS SIGNED ELECTRONICALLY BY THE AUDITOR ON THE ABOVE DATE.

Independent Auditor’s Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(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 Company’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 Company’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 Company 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.

THIS AUDITOR'S REPORT IS SIGNED ELECTRONICALLY BY THE AUDITOR ON THE ABOVE DATE.

Independent Auditor’s Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(continued)*

Report on the Audit of the Financial Statements (continued)

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

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.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 5 June 2024 to audit the separate financial statements of KONČAR - Distribution And Special Transformers Inc. for manufacturing for the year ended 31 December 2024. Our total uninterrupted period of engagement is five years, covering the periods ending 31 December 2020 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 audit of the statutory financial statements 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 partner on the audit resulting in this independent auditors’ report is Igor Gošek.

THIS AUDITOR'S REPORT IS SIGNED ELECTRONICALLY BY THE AUDITOR ON THE ABOVE DATE.

KPMG

Independent Auditor's Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(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 separate financial statements of the Company as at and for the year ended 31 December 2024, as included in the attached electronic file „549300DOZHZICNEMG593-2024-12-31-0-hr-Nekonsolidirano.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 separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate 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 separate 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 Company's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the separate 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.

THIS AUDITOR'S REPORT IS SIGNED ELECTRONICALLY BY THE AUDITOR ON THE ABOVE DATE.

Independent Auditor's Report to the Shareholders of KONČAR - Distribution And Special Transformers Inc. for manufacturing *(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 separate financial statements of the Company presented in human-readable format;
- evaluating the completeness of the Company's tagging of the separate 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 separate 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 separate financial statements of the Company 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 conclusion 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.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

14 April 2025

THIS AUDITOR'S REPORT IS SIGNED ELECTRONICALLY BY THE AUDITOR ON THE ABOVE DATE.

Separate Statement of Comprehensive Income

for the year ended 31 December 2024

	Note	2024 EUR'000	2023 EUR'000
Revenue	4	403,003	323,118
Other operating income	5	924	1,465
Operating income		**403,927**	**324,583**
Change in inventories of work in progress and finished goods		(130)	23,782
Materials, consumables, goods and services used	6	(230,633)	(230,797)
Personnel costs	7	(42,865)	(35,003)
Depreciation and amortisation		(3,946)	(3,894)
Reversal/(cost) of impairment	9	9,671	(2,570)
Other operating expenses	8	(10,521)	(14,621)
Operating expenses		**(278,424)**	**(263,103)**
Operating profit		**125,503**	**61,480**
Financial income		4,268	545
Financial expenses		(803)	(351)
Net financial result	**10**	**3,465**	**194**
Profit before tax		**128,968**	**61,674**
Corporate income tax	11	(21,954)	(10,961)
PROFIT FOR THE YEAR		**107,014**	**50,713**
Other comprehensive income			
Gain on revaluation of the financial assets	17	-	1,574
Other comprehensive income		**-**	**1,574**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**107,014**	**52,287**
Earnings per share (basic and diluted) in EUR	12	**209,33**	**99,20**

The accompanying notes form an integral part of these consolidated financial statements.

Separate Statement of Financial Position

As at 31 December 2024

	Note	31.12.2024 EUR'000	31.12.2023 EUR'000
ASSETS			
Non-current assets			
Intangible assets	13	375	468
Property, plant and equipment	14	47,626	32,654
Right-of-use assets	15	268	292
Investment property	16	304	327
Investments in subsidiary	17	10,850	6,624
Investments in associates	18	230	230
Financial assets at FVOCI	19	233	233
Deferred tax assets	11	499	1,174
		60,385	**42,002**
Current assets			
Inventories	20	111,183	106.942
Trade and other receivables	21	79,468	60.315
Other assets	22	13,045	11.438
Loans to related companies	23	19,000	-
Financial assets at FVTPL	24	79,916	-
Cash and cash equivalents	25	64,460	53,056
		367,072	**231,751**
TOTAL ASSETS		**427,457**	**273,753**
EQUITY AND LIABILITIES			
Share capital		20,449	20,449
Legal reserves		1,018	1,018
Statutory reserves		32,865	32,865
Other reserves		6,103	6,103
Fair value reserve		1,574	1,574
Retained earnings		160,875	70,093
- from which profit for the year		*107,014*	*50,713*
EQUITY	**26**	**222,884**	**132,102**
Borrowings	27	3,420	4,411
Financial liabilities at FVTPL	28	109	89
Provisions for warranties	29	9,500	10,806
Provisions for employee benefits and other provisions	29	1,567	1,807
Non-current liabilities		**14,596**	**17,113**
Borrowings	27	1,104	1,134
Financial liabilities at FVTPL	28	432	386
Income tax liability		3,363	10,584
Trade and other payables	30	55,252	38,889
Contract liabilities	31	122,269	69,861
Provisions for warranties	29	7,557	3,499
Provisions for onerous contracts	29	-	185
Current liabilities		**189,977**	**124,538**
Total liabilities		**204,573**	**141,651**
TOTAL EQUITY AND LIABILITIES		**427,457**	**273,753**

The accompanying notes form an integral part of these consolidated financial statements.

Separate Statement of Cash Flows

for the year ended 31 December 2024

	Note	2024 EUR'000	2023 EUR'000
Cash flows from operating activities			
Cash proceeds from trade receivables		436,096	345,952
Cash proceeds from insurance reimbursements		-	613
Cash proceeds from tax returns		14,251	9,813
Cash paid to trade payables		(238,382)	(243,074)
Cash paid to employees		(41,103)	(34,307)
Taxes paid		(28,503)	(1,860)
Cash paid for insurance related to reimbursements		(410)	(399)
Other cash proceeds and payments		(1,613)	(1,095)
Cash from operations		**140,336**	**75,643**
Interest paid		(103)	(233)
Net cash flows from operating activities		**140,233**	**75,410**
Cash flows from investment activities			
Cash proceeds from sale of non-current tangible and intangible assets		48	17
Cash proceeds from dividend	10	1,145	193
Cash proceeds from interest		2,988	311
Cash proceeds from deposit maturity		3,744	2,900
Cash proceeds from loan repayments		9,800	-
Cash payments for purchase of non-current tangible and intangible assets		(17,878)	(4,418)
Cash payments for purchase of financial instruments		(14,903)	(4,410)
Cash outflows used for term deposits		(68,738)	-
Cash outflows for loans given		(27,000)	(2,450)
Net cash used in investing activities		**(110,794)**	**(7,857)**
Cash flows from financing activities			
Repayment of borrowings	27	(1,000)	(16,977)
Principal portion of lease payments	27	(244)	(110)
Dividends paid		(16,232)	(7,024)
Other cash proceeds and payments		(559)	1,512
Net cash used in financing activities		**(18,035)**	**(22,599)**
Net increase in cash and cash equivalents		**11,404**	**44,954**
Cash and cash equivalents at the beginning of the period		53,056	8,102
Cash and cash equivalents at the end of the period	25	**64,460**	**53,056**

The accompanying notes form an integral part of these consolidated financial statements.

Separate Statement of Changes in Equity

for the year ended 31 December 2024

	Share capital EUR'000	Legal reserves EUR'000	Statutory reserves EUR'000	Other reserves EUR'000	Fair value reserve EUR'000	Retained earnings EUR'000	Total EUR'000
As at 1 January 2023	**20,356**	**1,018**	**30,635**	**6,103**	**-**	**28,727**	**86,839**
Profit for the year	-	-	-	-	-	50,713	50,713
Other comprehensive income							
Revaluation of financial assets	-	-	-	-	1,574	-	1,574
Total comprehensive income	**-**	**-**	**-**	**-**	**1,574**	**50,713**	**52,287**
Share capital adjustment	93	-	-	-	-	(93)	-
Transfers	-	-	2,230	-	-	(2,230)	-
Dividends	-	-	-	-	-	(7,024)	(7,024)
Total transactions with owners	**93**	**-**	**2,230**	**-**	**-**	**(9,347)**	**(7,024)**
As at 31 December 2023	**20,449**	**1,018**	**32,865**	**6,103**	**1,574**	**70,093**	**132,102**
Profit for the year	-	-	-	-	-	107,014	107,014
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**107,014**	**107,014**
Dividends	-	-	-	-	-	(16,232)	(16,232)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(16,232)**	**(16,232)**
As at 31 December 2024	**20,449**	**1,018**	**32,865**	**6,103**	**1,574**	**160,875**	**222,884**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

1. General Information about the Company

Končar – Distribution and special transformers, Inc. for manufacturing, Zagreb, Josipa Mokrovića 8, ("the Company") is a subsidiary of the Končar – Electrical Industry Group („the Group") where the ultimate parent company is Končar – Electrical Industry Inc., Zagreb, Fallerovo šetalište 22, and is engaged in design, production, sale and servicing of distribution, special and medium power transformers up to 160 MVA power rating and up to 170 kV voltage.

As at 31 December 2024, the Company had 793 employees, while as at 31 December 2023, there had been 766 employees in the Company.

Members of the Supervisory Board

- Gordan Kolak, President
- Josip Lasić, Vice President since 30 January 2024 until 20 December 2024
- Miki Huljić, Member until 20 December 2024
- Petar Bobek, Member since 20 December 2024
- Ivan Paić, Member until 30 January 2024
- Josip Ljulj, Member until 30 January 2024
- Ivan Bahun, Member until 30 January 2024
- Ana-Marija Markoč, employee representative

Members of the Management Board

- Vanja Burul, President
- Petar Vlaić, Member until 31 March 2024
- Martina Mikulić, Member
- Petar Bobek, Member until 20 January 2024
- Mario Ljubić, Member since 1 April 2024
- Kristina Dimitrov, Member since 1 May 2024
- Dominik Trstoglavec, Member.

Remunerations payable to members of the Management Board and Supervisory Board are presented in Notes 8 and 33 to the financial statements.

The fees paid to auditors for auditing the separate and consolidated financial statements of the Company for the year 2024 amounted to EUR 56.8 thousand (2023: 52.5 thousand euros). The audit services provided in 2024 mainly relate to the costs of audits and reviews of the annual report (including the separate financial statements and the management report containing the sustainability report), as well as audits of reports prepared for regulatory purposes. During 2024, as well as in 2023, no non-audit services were provided by the auditor.

Financial statements are stated in EUR '000. The stated amounts are rounded to the nearest thousand EUR.

2. Material accounting policy information

The basic accounting policies used for the preparation of these financial statements are explained below. These accounting policies have been consistently applied to all the years presented, unless stated otherwise.

BASIS OF PREPARATION

The Company's separate financial statements have been prepared in accordance with the applicable laws in the Republic of Croatia and the International Financial Reporting Standards adopted in the European Union (EU IFRS).

The separate financial statements have been prepared using the historical cost convention, except where otherwise stated. The unconsolidated financial statements have been prepared under the accrual principle on a going concern basis.

The preparation of separate financial statements in conformity with the International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgment in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

The seaparate financial statements are denominated in euro as the Company's functional and reporting currency and are presented in EUR thousand (EUR'000). The presented amounts are rounded to the nearest EUR thousand.

The Company has prepared these separate financial statements in accordance with the Croatian laws. The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group), which were approved by the Management Board simultaneously with these separate financial statements. In the consolidated financial statements for the current year, the subsidiary Power Engineering Transformatory Sp. z o.o. (PET), as well as the affiliate Ferokotao d.o.o., Donji Kraljevec (Note 17), is fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2024 in order to obtain complete information about the financial position, results of operations and changes in the financial position of the Group as a whole.

APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Current Standards, Amendments to Existing Standards and Implementations - Adopted in 2024

In 2024, the following standards, amendments to existing standards, and interpretations came into effect:

- 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 significant effects on the amounts recognized in the statement of financial position or in the statement of comprehensive income or on the disclosed accounting policies.

Standards, Amendments to Existing Standards, and Interpretations Issued but Not Yet Effective

Several new amendments and supplements to existing standards and interpretations have been issued but are not yet effective as of the date of the financial statements. If applicable, the Company intends to adopt these standards when they become effective.

A) REVENUE RECOGNITION

The Company recognises revenue from:

- Sales of distribution transformers
- Sales of medium power transformers
- Sales of services
- Sales of materials

The Company recognises revenue when control over particular goods or services is transferred to a customer, i.e. when a customer acquires the right to manage the transferred goods or services provided that there is an agreement that creates enforceable rights and obligations and, among other things, where collection of the consideration is probable, taking into account the credit rating of the Company's customers. The revenue is recognised in the amount of transaction price the Company expects in return for the transfer of the promised goods or services to customers. The transaction price agreed upon by the Company is generally fixed and may, in the case of contracts for the sale of transformers with longer durations, include a variable component (determined by a predefined formula) that is applicable only in the case of material deviations in the prices of input materials from those initially agreed upon.

Revenue from the sale of transformers: In general, the contracts the Company enters into related to the sale of transformers contain multiple performance obligations which include the sale of the transformer itself and, depending on the terms of the contract, accompanying services such as transportation or installation. The Company recognizes each of these performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of transformers is recognized at a point in time, while revenue from services is recognized over time. It is important to note that the execution of these services is short and typically coincides with the delivery of the transformers, with little to no significant deviation in the recognition of associated revenue from the sale. In addition, the Company has a smaller portion of contracts with customers related to the sale of materials where revenue is recognized at the point of delivery.

The moment when revenue from the sale of transformers is recognized is generally upon delivery and installation, given the comprehensive technical requirements that must be met and confirmed by the customers for the transformers to be considered accepted. Furthermore, the manufactured and designed transformers have alternative use, as they can be sold within the same or similar energy grid.

When a party to a contract with a customer meets its obligation, the contracts with customers are presented in the statement of financial position as contract liabilities, contract assets, or receivables, depending on the relationship between the Company's performance and the customer's payment. Contract assets and liabilities are presented as current, as they arise within the normal operating cycle.

Sales of services: Revenue is recognized over time on a straight-line basis or as services are provided, or based on the measurement of costs incurred to a certain date in relation to the total expected costs required to fulfill the obligations under the contract, as described in the previous paragraph.

Sales of materials: Revenue is recognized at the moment control of the goods transfers to the customer, usually after the delivery of the goods. Invoices are issued at that time and are typically paid within the terms defined by the contractual provisions.

B) FINANCIAL INCOME AND EXPENSES

Finance income and expenses 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.

Financial expenses comprise interest on loans, changes in fair value of financial assets at fair value through profit or loss, impairment losses of financial assets and foreign exchange losses.

C) TAXES

The Company accounts for taxes in accordance with Croatian law. Income tax for the year comprises current and deferred tax.

Tax benefit for investments

Tax benefits for investments are considered to be benefits derived from state incentive measures that enable the Company 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 Company 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

D) SEGMENT INFORMATION

The Company does not report segment information in terms of the requirement of IFRS 8 Operating segments as internal reporting is not based on segmental information other than revenues per type product and geography as disclosed within note 4 to the financial statements.

E) EARNINGS PER SHARE

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss of the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit or loss of the year attributable to ordinary and preference shareholders by the weighted average number of ordinary shares outstanding during the period decreased by potential shares arising from realised options.

F) DIVIDEND DISTRIBUTION

Dividends are recognised in the statement of changes in equity and recorded as liabilities in the period in which they are approved by the Company's shareholders.

G) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are initially converted into euro 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. Foreign exchange losses and gains arising on translation are included in profit or loss for the current year and are presented in Note 10 in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences on borrowings).

H) NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The position of property, plant, and equipment includes the following types of assets: land, buildings, plant and equipment, tools, operating inventory, furniture, and transportation assets, advances, and other non-current tangible assets.

Non-current intangible assets includes the following types of assets: licenses, software, advances for intangible assets, and other intangible assets.

Non-current intangible and tangible assets are initially carried at cost, which includes the purchase price, including import duties and non-refundable tax after deducting trade discounts and rebates, as well as all other costs directly attributable to bringing the assets to their location and into the working condition for their intended use.

After initial recognition, assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Maintenance and repairs, replacements and minor-scale improvements are expensed when incurred.

Amortisation and depreciation are charged so as to write off the cost of each asset, other than land and non-current intangible and tangible assets in preparation, over their estimated useful lives, using the straight-line method.

	Amortisation and depreciation rate (from - to)
Concessions, patents, licences, software, etc.	25%
Buildings	3% - 5%
Plant and equipment	5% - 25%
Tool	5% - 25%

I) FINANCIAL ASSETS AND LIABILITIES

Classification and measurement of financial assets

Financial assets are classified and measured on the way presented in Note 34 – Risk Management.

The business model for managing financial assets depends on how a company manages its financial assets for the purpose of generating cash flows. A reclassification of debt instruments is only possible if the business model changes. Business models for managing financial assets include:

- amortised cost model - business model the whose objective is achieved by holding financial assets in order to collect contractual cash flows (principal and interest),
- model of fair value through other comprehensive income - business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- model of fair value through profit or loss - business model whose objective is to hold financial assets for trading or for managing the financial asset on a fair value basis.

Impairment of financial assets

Provisions for the impairment of trade receivables and contract assets are measured in the amount of lifetime expected credit loss allowance, i.e. by applying a simplified approach to expected credit losses.

In measuring the expected credit losses, the Company uses historical observations (over a minimum period of 3 years) on days past due with regard to the collection of receivables adjusted for estimated future expectations relating to the collection of receivables. Trade receivables are divided into portfolios depending on the rating of the customer's domicile country and age structure.

In addition to the above assets to which a simplified approach is applied, at subsequent measurement of financial assets, when determining the credit loss assessment, 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 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 difficulties of the issuer or debtor and/or
- breach of 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 there is 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 other information available.

Share capital

Ordinary and preferred shares

Share capital represents the nominal value of shares issued.

Reserves are stated at nominal amounts defined in the allocation from net earnings, with legal reserves, statutory reserves (in accordance with the provisions of the applicable Statute) and other reserves stated separately.

J) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are presented using the cost method. If there are indicators of impairment, the recoverable amount of the investment is estimated. The difference between the investment and the recoverable amount is recognised in the Statement of Comprehensive Income as a loss or gain (reversal of the previously recorded loss).

K) INVENTORIES

The Company's inventories include the following categories: raw materials and supplies, including small inventory and spare parts, work in progress and semi-finished goods and finished goods.

Cost of consumed raw materials and supplies is calculated using the weighted average cost method.

Costs of conversion comprise costs that are specifically attributable to products 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, and 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 or seasons in normal circumstances, taking into account planned maintenance. Unallocated fixed overheads are expensed in the period in which they are incurred.

Slow moving and obsolete inventories are written off to their net realisable value by using value adjustment for these inventories due to their aging.

Small inventories, packaging and car tyres are fully (100%) written off when put into use.

L) RECEIVABLES

Receivables are initially measured at fair value. At each balance sheet date, receivables, whose collection is expected within a period exceeding one year, are stated at amortised cost using the effective interest method, less expected credit losses and impairment losses.

M) CASH AND CASH EQUIVALENTS

Cash consists of bank demand deposits, cash on hand and deposits and securities payable on demand or at the latest within a period of three months.

N) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently 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.

O) LEASES

Leases are recognized as right-of-use assets and corresponding liabilities as from the date from which the leased assets are available for use by the Company. 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 using the Company'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 land — 1 - 3 years
- right of use for commercial buildings — 5 years
- right of use for vehicles — 5 years

Payments associated with all short-term leases and certain leases of overall low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Company 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 the corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognized 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.

The weighted average incremental borrowing rate applied to measure lease liabilities is 2% for buildings and 3% for vehicles.

Lease activities

The Company leases various properties (building (power plant), warehouse), means of transport, 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:

- The land is leased for a fixed period of 2 - 3 years with an option to renew the contract. The lease payments are fixed
- The building is leased for a fixed period of 5 years with an option to renew the contract. The lease payments are fixed.
- The means of transport are leased for a fixed period of 5 years.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

There are no future cash outflows which the Company is potentially exposed to that are not reflected in the measurement of the lease liability. The Company does not provide any residual value guarantees.

P) PROVISIONS

The company recognizes the following categories of provisions: provisions for estimated repair costs within warranty periods, provisions for onerous contracts, and provisions for severance payments and anniversary awards described in item q). 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 expense of new provisions, since it represents a change in estimate rather than revenue from sales or other income.

Q) EMPLOYEE BENEFITS

i. Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company 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 Company 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 Company 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 Company recognises accrued liabilities for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

R) RECLASSIFICATIONS AND COMPARATIVE INFORMATION

The Company has made reclassifications of certain items within the 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. Comparative information has been reclassified to ensure comparability.

3. Key accounting estimates

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates may result in amounts that could differ from actual results. The most significant estimates and assumptions established by the Management of the Company are discussed below:

a) Revenue recognition

International Financial Reporting Standard 15 Revenue from Contracts with Customers (IFRS 15) requires the Management to estimate and determine the methodology for recognizing revenue for the main activities of the Company, which involves estimating the timing of revenue recognition, the number of performance obligations, and the existence of a significant financing component as described below:

The Company recognises revenue at a point in time for delivery of goods (transformers) since the asset created has an alternative use because it can be sold in the area of the same or similar energy network. Revenue is recognised when a customer obtains control of specific goods, usually when the goods are delivered, when the buyer has full discretionary powers over the goods and when there are no unsatisfied performance obligations that might affect the buyer's acceptance of the goods. Delivery usually occurs when the goods are delivered to the agreed location and the risk of loss is transferred to the buyer and the buyer accepted the goods in accordance with the contractual provisions, or the terms of acceptance of the goods expired or if the Company has objective evidence that all acceptance criteria have been met. Customer contracts entered into by the Company related to the sale of transformers may contain multiple performance obligations, including the sale of transformers and, depending on the contract, related services such as transportation or installation. The Company recognizes each of these performance obligations separately in accordance with IFRS 15, with revenue from the sale of transformers recognized at a point in time, while revenue from services is recognized over time. It is important to note that the execution of these services is brief and generally coincides with, and does not significantly deviate from, the delivery of the transformers and the recognition of related revenue from the sale. Furthermore, in certain contracts, the Company has agreed to the sale of equipment whose production may take longer than one year after the contract is signed. Given that the Company typically receives advances from customers, the period from customer payment to the delivery of promised goods or services may exceed one year. In such cases, considered exceptions, the advance received for such contracts is regarded as the discounted transaction price. The Company has analyzed customer contracts and found that most performance obligations are fulfilled within one year. Therefore, the Company has not identified contracts with a significant financing component.

Based on all the above, the Management believes that the revenue recognition methodology presented in these separate financial statements is in line with IFRS 15 and that the risk of any subsequent adjustments to the sales revenue amount is not significant.

b) Warranty provisions

As part of its customer arrangements, the Company typically provides warranties for its products/projects performed for a period of 5 years. In certain cases where warranties exceed this range, the Company analyses whether the specified extended warranties have the characteristics of non-standard warranties that would represent a separate performance obligation and require recognition in accordance with IFRS 15. Given the small number of contracts where the duration of the warranty deviates from the average warranty period and considering that these deviations are generally not significant in relation to the industry practice, which shows an overall trend of extended warranties on such products, the Company has concluded that the portfolio of existing customer contracts does not include significant non-routine warranties that could be considered a separate performance obligation. Management assesses provisions for repairs based on historical data on the utilization of provisions and repair costs within the warranty period, industry statistics on transformer failures, and the frequency of significant transformer failures. Additionally, if circumstances are identified that pose an increased risk of defects and failures, warranty provisions for such contracts are individually assessed based on these specific circumstances. The provisions are then based on current and future estimated costs of rectifying defects and/or replacing transformers as a result of technical analyses and communication with customers. Factors influencing these individual provisions include information on the past success of product quality initiatives and corrections, the likelihood of product replacements, as well as spare parts and labour costs.

c) Impairment of investments in subsidiaries

At the end of each reporting period, the Company assesses whether there are indicators that the value of investments in subsidiaries should be impaired and evaluates the recoverable amount of the investment. Similarly, for investments where impairment losses were recognized in previous periods, the Company, based on all relevant facts, assesses whether conditions have been met for reversing the impairment of a specific investment.

In 2024, based on the achieved results and the medium-term plan for the five-year period approved by the Supervisory Board of the subsidiary Power Engineering Transformatory (PET), the Company assessed that the criteria for reversing the previously recognized impairment of this investment, in the total amount of 4.2 million euros, were met.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

4. Revenue

	2024 EUR'000	2023 EUR'000
Type of goods or services		
Sales of distribution and special transformers	179,347	151,806
Sales of medium power transformers	213,724	151,798
Sales of material	1,093	8,882
Sales of services	8,839	10,632
Total revenue from contracts with customers	**403.003**	**323.118**
Geographic areas		
Croatia	20.065	31.334
EU member states	331.660	255.610
Bosnia & Herzegovina, Macedonia, Serbia, Montenegro	8.247	7.034
Other European countries	37.443	21.507
Africa	371	923
Asia	5.186	6.048
Other countries worldwide	31	662
Total revenue from contracts with customers	**403.003**	**323.118**
Revenue recognition time:		
At a point in time	394,164	312,486
Over time (services)	8,839	10,632
Total revenue from contracts with customers	**403,003**	**323,118**

Income from services is recognized over time as the service is performed rather than at a specific point in time, but given the nature, amount, and short-term nature of these services (field service and similar services), this has no significant impact on the reported level of revenue from customer contracts.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

5. Other operating income

	2024 EUR'000	2023 EUR'000
Income from discounts, rebates and similar	409	101
Inventory surplus	45	35
Net gain from the sale of fixed assets	45	14
Rental income	35	248
Income from compensation for damages	2	663
Other income	388	404
	924	**1,465**

6. Materials, consumables, goods and services used

	2024 EUR'000	2023 EUR'000
Raw materials and consumables	200,346	198,937
Transport services	8,015	6,776
External production related services	4,245	3,050
Maintenance and servicing	2,751	1,961
Cost of goods sold	727	8,116
Other costs	14,549	11,957
	230,633	**230,797**

7. Personnel costs

	2024 EUR'000	2023 EUR'000
Net salaries and wages	24,769	20,129
Taxes and contributions from salaries	11,311	9,246
Contributions on salaries	5,432	4,493
Reimbursement of employee expenses, gifts and grants	1,353	1,135
	42,865	**35,003**

In 2024, pension fund contributions amounted to EUR 7,252 thousand (2023: EUR 5,922 thousand).

Personnel costs in 2024 include EUR 59 thousand of retirement and termination benefits (2023: EUR 149 thousand).

The average number of employees during 2024 was 781 employees (2023: 754 employees).

Notes to the Separate Financial Statements

for the year ended 31 December 2024

8. Other costs

	2024 EUR'000	2023 EUR'000
Entertainment	913	831
Staff transportation costs	792	736
Bank charges and commissions	984	638
Insurance	644	518
Daily allowances and business trip related costs	620	464
Premiums and benefits for voluntary pension pillar	322	294
Professional training costs	287	271
Intellectual services	319	195
Penalty and other accrued expenses	-	1,453
Fees payable to Supervisory board members	14	14
Effects of provisions for warranty repairs	5,127	6,240
Effects of provisions for jubilee awards and severance payments	(290)	1,255
Effects of provisions for onerous contracts	(185)	(744)
Effects of provisions for ongoing legal disputes	50	-
Reversal of accrued penalties and other costs	(1,575)	-
Other non-production related costs	1,130	852
Other operating costs	1,369	1,604
	10,521	**14,621**

9. Reversal/(cost) of impairment

	2024 EUR'000	2023 EUR'000
Reversal/(cost) of impairment of inventory	(3.645)	2.570
Reversal of impairment of given loans (note 23)	(1.800)	-
Reversal of impairment of investments in subsidiary (note 17)	(4.226)	-
	(9.671)	**2.570**

In 2024, based on a change in estimate, the Company recognized the positive effects of reversing the above-mentioned previously recognized impairment losses in the previous period.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

10. Net financial result

	2024 EUR'000	2023 EUR'000
Dividends and share in profits	1,145	193
Interest income	3,111	345
Other financial income	12	7
Total financial income	**4,268**	**545**

	2024 EUR'000	2023 EUR'000
Interest and similar expenses	122	301
Foreign exchange losses	681	50
Total financial expenses	**803**	**351**

Net financial result	**3,465**	**194**

11. Corporate income tax

	2024 EUR'000	2023 EUR'000
Current tax	21,279	11,417
Deferred tax	675	(456)
Income tax expense	**21,954**	**10,961**

The Company's income tax differs from the theoretical amount that would arise using the actual tax rate applicable to profits of the Company as follows:

	2024 EUR'000	2023 EUR'000
Accounting profit (before tax)	128,968	61,674
Tax at 18%	23,214	11,101
Adjustments for:		
Non-taxable income	108	95
Non-deductible expenses	(1,368)	(71)
Temporary differences for which no deferred tax assets were recognised	-	92
Change in recognised deferred taxes	-	(56)
Investment tax credit utilisation	-	(200)
Income tax expense	**21,954**	**10,961**
Effective tax rate	17,02%	17,77%

The components and movements of deferred tax assets are as follows:

	31 December 2024	Recognized in P&L	31 December 2023	Recognized in P&L	31 December 2022
Deferred tax asset:					
Impairment of non-current asset	**59**	**-**	**59**	-	59
Impairment of inventories	12	(675)	687	655	32
Unused amount of tax relief under the Investment Promotion Act	428	-	428	(200)	628
Deferred tax asset	**499**	**(675)**	**1.174**	**455**	**719**

Investment incentives

On 23 December 2021, an application was submitted to obtain the status of an incentive holder for a new project under the abbreviated name "Sustainable SETup" and on March 2, 2023, the Ministry of Economy and Sustainable Development (MINGO) issued a decision by which the Company became the holder of incentives for this project in the amount of EUR 5,464 thousand, for which the Company has the possibility of reducing future income tax liabilities until 24 December 2031.

12. Earnings per share

Basic and diluted earnings per share:

	2024	2023
Net result in EUR thousands	107,014	50,713
Total and weighted average number of shares	511,232	511,232
Earnings per share in EUR	**209,33**	**99,20**

In previous years, declared dividends for ordinary and preference shares were the same. The Company does not hold any treasury shares. Diluted earnings per share for 2024 and 2023 are equal to basic earnings per share, since the Company did not have any convertible instruments or share options outstanding during either period.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

13. Non-current intangible assets

	Licences, software and other rights EUR'000	Assets under construction EUR'000	Total EUR'000
Cost			
At 1 January 2023	**2,169**	**83**	**2,252**
Additions	-	234	234
Transfer	243	(243)	-
Disposals	(4)	-	(4)
As at 31 December 2023	**2,408**	**74**	**2,482**
Additions	-	82	82
Transfer	156	(156)	-
Disposals	(6)	-	(6)
As at 31 December 2024	**2,558**	**-**	**2,558**
Accumulated amortisation			
At 1 January 2023	**1,841**	**-**	**1,841**
Charge for the year	177	-	177
Disposal	(4)	-	(4)
As at 31 December 2023	**2,014**	**-**	**2,014**
Charge for the year	175	-	175
Disposals	(6)	-	(6)
As at 31 December 2024	**2,183**	**-**	**2,183**
Carrying amount			
As at 31 December 2023	394	74	468
As at 31 December 2024	**375**	**-**	**375**

The cost of intangible assets fully amortised and still in use as at 31 December 2024 amounts to EUR 1,766 thousand (31 December 2023: EUR 1,643 thousand).

Notes to the Separate Financial Statements

for the year ended 31 December 2024

14. Property, plant and equipment

	Land EUR'000	Buildings EUR'000	Plant and equipment EUR'000	Tools and furniture EUR'000	Assets under construction and advances EUR'000	Ukupno EUR'000
Cost						
At 1 January 2023	**3,543**	**30,876**	**36,526**	**4,448**	**546**	**75,939**
Additions	-	-	-	-	3,424	3,424
Transfers	10	47	2,013	271	(2,341)	-
Disposals	-	-	(184)	(107)	-	(291)
As at 31 December 2023	**3,553**	**30,923**	**38,355**	**4,612**	**1,629**	**79,072**
Additions	-	-	-	-	18,465	18,465
Transfers	486	2,469	1,620	309	(4,884)	-
Disposals	-	-	(271)	(61)	-	(332)
As at 31 December 2024	**4,039**	**33,392**	**39,704**	**4,860**	**15,210**	**97,205**
Accumulated depreciation						
At 1 January 2023	**-**	**14,679**	**24,926**	**3,518**	**-**	**43,123**
Charge for the year	-	1,268	2,064	249	-	3,581
Disposals	-	-	(180)	(106)	-	(286)
As at 31 December 2023	**-**	**15,947**	**26,810**	**3,661**	**-**	**46,418**
Charge for the year	-	1,251	1,953	281	-	3,485
Disposals	-	-	(263)	(61)	-	(324)
As at 31 December 2024	**-**	**17,198**	**28,500**	**3,881**	**-**	**49,579**
Carrying amount						
As at 31 December 2023	**3,553**	**14,976**	**11,545**	**951**	**1,629**	**32,654**
As at 31 December 2024	**4,039**	**16,194**	**11,204**	**979**	**15,210**	**47,626**

As at 31 December 2024, the net book amount of mortgaged properties amounts to EUR 14,099 thousand (31 December 2023: EUR 15,101 thousand). Mortgages have been registered over these properties in the total amount of EUR 54 million, and there is a pledge of EUR 8 million on movable assets with a net carrying amount of EUR 1,394 thousand (note 27).

As at 31 December 2024 total advances for property, plant and equipment amounted to EUR 5,207 thousand (31 December 2023: EUR 1,272 thousand).

15. Right-of-use assets

Right-of-use assets relate to the following:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Land	17	83
Buildings	37	3
Transport vehicles	214	206
	268	**292**

The movement during the year is shown below:

	2024 EUR'000	2023 EUR'000
As at 1 January	**292**	**280**
Increase - new leases	1.116	128
Decrease – termination of leases	(877)	(3)
Depreciation	(263)	(113)
As at 31 December	**268**	**292**

16. Investment property

	Total EUR'000
Cost	
At 1 January 2023	**465**
Additions	-
As at 31 December 2023	**465**
Additions	-
As at 31 December 2024	**465**
Accumulated depreciation	
At 1 January 2023	**115**
Charge for the year	23
As at 31 December 2023	**138**
Charge for the year	23
As at 31 December 2024	**161**
Carrying amount	
As at 31 December 2023	327
As at 31 December 2024	**304**

The Company owns certain business premises for which the market value is estimated at around EUR 599 thousand.

Notes to the Separate Financial Statements

for the year ended 31 December 2024

17. Investments in subsidiaries

	% ownership	31.12.2024 EUR'000	31.12.2023 EUR'000
Power Engineering Transformatory (PET) (i)	100%	4,726	4,726
Ferokotao Ltd (ii)	51%	6,124	6,124
Impairment of investment		-	(4,226)
Ukupno		**10,850**	**6,624**

(i) The total net investment in the subsidiary Power Engineering Transformatory (PET) as of 31 December 2024 amounts to EUR 4.7 million (31 December 2023: EUR 0.5 million). Based on the significant positive results achieved in the current and previous year, as well as the approved business plans of this subsidiary, the Company's Management Board assessed that the conditions for the reversal of the value adjustment of this investment in the total amount of EUR 4.2 million have been met.

(ii) On 15 November 2023, the Company signed purchase agreements to acquire a 35% ownership stake in the company Ferokotao Ltd, located in Donji Kraljevec, Croatia. The core activities of the mentioned company include manufacturing metal products, machinery, and supplying metal parts for the transformer industry. Prior to this acquisition, the Company held a 16% ownership stake, and through this acquisition, it became the owner of a 51% interest in the company's share capital. The Company assumed control over this subsidiary in the latter half of December 2024, once all conditions were met, i.e., from the moment the Company had the power to govern and the right to or exposure to variable returns, as well as the ability to use its power over this subsidiary to affect its returns. The value of the existing ownership stake (16%) was adjusted to fair value, resulting in a profit of EUR 1.57 million, which is recognized within comprehensive income in accordance with the Company's accounting policies.

18. Investments in associates

Ulaganja u pridružena društva u iznosu od 230 tisuća eura odnosi se na ulaganja u društvo Elkakon d.o.o., Zagreb gdje Društvo drži 50%-tni udio u temeljnom kapitalu. Sumarni podaci za ovo društvo iskazuju se u konsolidiranim financijskim izvještajima Društva.

19. Financial assets at FVOCI

	31.12.2024 EUR'000	31.12.2023 EUR'000
Unqouted equity instruments	228	228
Other financial assets at FVOCI	5	5
	233	**233**

Fair value measuremen

The fair value of investments in shares of unquoted equity instruments are measured at cost because they do not have an active market price and the fair value cannot be reliably measures. However, the Company compares the cost of these investments with a high-level valuation model based on comparable multiples to assess whether indication exist that the fair value could materially differ from cost. At the reporting date, there were no such indications.

20. Inventories

	31.12.2024 EUR'000	31.12.2023 EUR'000
Raw materials and consumables	43,467	39,097
Work-in-progress	40,658	34,774
Finished products	27,058	33,071
	111,183	**106,942**

Cost of goods sold in 2024 amounted to EUR 225,603 thousand (2023: EUR 197,657 thousand).

21. Trade and other receivables

	31.12.2024 EUR'000	31.12.2023 EUR'000
Receivables from foreign customers	71,915	50,041
Receivables from domestic customers	3,766	6,780
Value Added Tax receivable	3,101	3,215
Prepayments	215	208
Other receivables	471	71
	79,468	**60,315**

As at 31 December, ageing structure of trade receivables of the Company was as follows:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Undue	60,502	48,760
< 60 days	14,568	7,926
60-90 days	263	8
90-180 days	308	117
180-365 days	25	10
> 365 days	15	-
	75,681	**56,821**

Maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The expected credit losses on trade receivables measured as of the reporting date are not significant and have therefore not been recognized.

22. Other assets

	31.12.2024 EUR'000	31.12.2023 EUR'000
Assets recognized based on the costs of obtaining contracts with customers	11,384	7.977
Advances paid for inventories	1,661	3.461
	13,045	**11.438**

23. Loans to related companies

	31.12.2024 EUR'000	31.12.2023 EUR'000
Loans given to companies within Končar group	19,000	1,800
Impairment of given loans	-	(1,800)
	19,000	**-**

During 2024, the Company granted loans to related companies in the total amount of EUR 27 million. The loan balance as of 31 December 2023 was EUR 0, as an impairment of the loan granted to the subsidiary Power Engineering Transformatory Sp.z o.o., Poland, was made, and it was fully repaid in 2024. In 2024, at the Končar Group level, an analysis of market interest rates was conducted, based on which interest rates were applied in the range of 2.00% - 4.00% annually (2023: 1.71% - 3.42%).

Changes in loans granted during the year were as follows:

	Loans granted EUR'000
1 January 2023	**346**
Cash outflows	2,450
Cash proceeds	(2,900)
Non-cash transactions (compensations)	(100)
Net change in ECL	4
Impairment of loans granted	200
31 December 2023	**-**
Cash outflows	27,000
Cash proceeds	(9,800)
Collection of previously impaired loans	1,800
31 December 2024	**19,000**

24. Financial assets at amortized cost

	31.12.2024 EUR'000	31.12.2023 EUR'000
Deposits in banks with maturities over 3 months	65,000	-
Treasury bills of the Republic of Croatia	14,916	-
	79,916	**-**

The Company earns interest on deposits over 3 months at an interest rate ranging from 2.21% to 2.68%, while the Treasury bills of the Republic of Croatia bear an interest rate of 2.60%.

The Company deposits money with banks that, according to the S&P rating agency, have the following credit rating:

	31.12.2024 EUR'000	31.12.2023 EUR'000
A+	34,000	-
A-	21,000	-
BBB	10,000	-
	65,000	**-**

25. Cash and cash equivalents

	31.12.2024 EUR'000	31.12.2023 EUR'000
Cash in bank	15,871	24,894
Overnight and deposits up to 3 months	48,589	28,162
	64,460	**53,056**

Interest rate on the Company's cash in bank and deposits up to 3 months is from 2.83% - 2.95% (2023: 3.55% - 3.60%).

The Company deposits money with banks that, according to the S&P rating agency, have the following credit rating:

	31.12.2024 EUR'000	31.12.2023 EUR'000
A+	3,362	7,781
A-	11,930	14,784
BBB+	22,850	-
BBB	15,757	29,198
BBB-	10,470	1,293
Bez ocjene	91	-
	64,460	**53,056**

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for the year ended 31 December 2024

26. Equity and reserves

Share capital is determined in the nominal amount of EUR 20,449 thousand (31 December 2023: EUR 20,449 thousand). The ownership structure of the Company was as follows:

	31 December 2024		31 December 2023	
Shareholder	**Number of shares**	**Ownership share %**	**Number of shares**	**Ownership share %**
Intercapital Securities / Končar – Electrical Industry Inc.	269,596	52.73	269,596	52.73
OTP bank d.d. / AZ Mandatory Pension Fund B class	24,903	4.87	28,249	5.53
Agram Brokers Inc. / Knežević Nikola	20,014	3.91	21,304	4.17
Floričić Kristijan	14,110	2.76	19,832	3.88
Hita Securities Inc. / Berkopić Dražen	12,500	2.45	13,299	2.6
Zagrebačka Banka d.d. / Collective Custodian Account Zagrebačka Banka d.d. / DF	9,498	1.86	8,255	1.61
Intercapital Securities / Radić Antun	7,886	1.54	7,886	1.54
Agram brokeri d.d. / Vulić Tomislav	4,800	0.94	4,800	0.94
Other	147,925	28.94	138,011	27
	511,232	**100**	**511,232**	**100,00**

As at 31 December 2024 and 2023, the Company's share capital consists of 388,376 ordinary shares and 122,856 preference shares comprising a total of 511,232 shares with the nominal value of EUR 40 per share. Dividend per share paid to the Company's shareholders in 2024 amounted to EUR 31.75 per share (2023: EUR 13.74 per share) and totalled EUR 13,232 thousand (2022: EUR 7,024 thousand).

Statutory, legal and other reserves were formed on the basis of profit distribution in compliance with the General Assembly decisions, in accordance with the provisions of the Companies Act (statutory and other reserves are available for distribution pursuant to the provisions of the above Act and the Company's Articles of Association).

27. Borrowings

	31.12.2024 EUR'000	31.12.2023 EUR'000
Non-current borrowings		
Leases	170	161
Bank loans	3,250	4,250
	3,420	**4,411**
Current borrowings		
Leases	104	134
Bank loans	1,000	1,000
	1,104	**1,134**
Total borrowings	**4,524**	**5,545**

Liabilities to banks as of 31 December 2024, relate to a foreign currency loan at Raiffeisenbank Austria d.d., approved in April 2019, in the amount of EUR 8 million with a fixed interest rate of 1.85% p.a., used to finance the purchase of property in Jankomir, procurement of new equipment, and reconstruction of the property within the scope of the "Distribution Transformer Production Capacity Increase" project. Security instruments are 2 blank bills of exchange with related B/E statement, 1 ordinary debenture of EUR 8 million pledge over Company property and movables based on the Security Agreement amounting to EUR 30 million and EUR 8 million respectively.

The Company also signed a long-term loan agreement with OTP Bank in 2024 for a total amount of EUR 12 million, with an annual interest rate of 3.99%, with the final installment due on 30 September 2033. However, the agreement was not realized by the end of the reporting period, and the entire approved amount remains unused.

Changes in liabilities to banks during the year are as follows:

	Bank loans EUR'000	Leases EUR'000	Loans EUR'000	Total EUR'000
As at 1 January 2023	**14,227**	**282**	**8,000**	**22,509**
Cash repayments	(8,977)	(110)	(8,000)	(17,087)
Net contracts changes	-	123	-	123
As at 31 December 2023	**5,250**	**295**	**-**	**5,545**
Cash repayments	(1,000)	(244)	-	(1,244)
Net contracts changes	-	223	-	223
As at 31 December 2024	**4,250**	**274**	**-**	**4,524**

Non-current liabilities to banks mature as follows:

	31.12.2024 EUR'000	31.12.2023 EUR'000
up to 1 year	1,000	1,000
1 - 2 years	1,000	1,000
2 - 3 years	1,000	1,000
3 - 4 years	1,000	1,000
4 - 5 years	250	1,000
over 5 years	-	250
	4,250	**5,250**

28. Financial instruments at FVTPL

	31.12.2024 EUR'000	31.12.2023 EUR'000
Derivative instruments - currency forwards	541	475
Financial liabilities at FVTPL	**541**	**475**
of which:		
- non-current	109	89
- current	432	386

During the year, the Company used forward contracts entered into with commercial banks with the intention of managing the fluctuations of foreign currencies (GBP primarily). The nominal value of currency forwards as at the reporting date amounted to EUR 11,433 thousand, with the contracts maturing in the period from 2025 to 2026. Gains and losses recognized as changes in the market value of the currency forward contracts are recorded in the statement of comprehensive income within 'Net financial result'.

29. Provisions

	Warranties	Costs of jubilee awards and severance pay	Provisions for onerous contracts	Provisions for court cases	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2023	**10,797**	**552**	**929**	**-**	**12,278**
Additional	6,240	1,255	-	-	**7,495**
Reversal	-	-	(744)	-	**(744)**
Utilised	(2,732)	-	-	-	**(2,732)**
31 December 2023	**14,305**	**1,807**	**185**	**-**	**16,297**
Additional	5,127	-	-	50	**5,177**
Reversal	-	(290)	(185)	-	**(475)**
Utilised	(2,375)	-	-	-	**(2,375)**
31 December 2024	**17,057**	**1,517**	**-**	**50**	**18,624**
of which:					
- non-current	9,500	1,517	-	50	11,067
- current	7,557	-	-	-	7,557

Provisions for warranty periods

Provisions for warranty periods are formed based on the best estimate of the Management. The provision is made based on the Company's estimates and experience, as well as the experience of other transformer manufacturers. The Company provides long-term warranties on delivered transformers, typically lasting 5 years, but in exceptional cases, they can extend up to 10 years. Based on historical data related to repair costs during the warranty period and the number of transformers sold, as well as the prevailing warranty period, Management estimates and creates a provision for repairs during the warranty period. The value of the provisions as of the reporting date is EUR 17 million (2023: EUR 14.3 million), which has increased due to the higher number of transformers delivered to customers and specifically identified warranty claims during 2024.

Provisions for long-term employee benefits

The long-term portion of the provision for severance pay and anniversary awards, amounting to EUR 1,517 thousand (2023: EUR 1,807 thousand), relates to the estimated amount of severance pay and severance payments that employees are entitled to upon termination of employment (retirement, resignation, voluntary departure, or meeting the conditions for receiving anniversary awards). The present value of the provision is calculated by an independent actuary based on the number of employees, years of service in the Company, and the legally regulated non-taxable amount of severance pay and anniversary awards, with a discount rate of 2.94% (2023: 3.67%).

30. Trade and other payables

	31.12.2024 EUR'000	31.12.2023 EUR'000
Domestic trade payables	8,659	6,065
Foreign trade payables	27,471	16,904
Payables to employees	1,556	1,284
Liabilities for share in profits	29	21
Interest payable	21	26
Other taxes, contributions and fees payable	1,054	852
Unused holiday	657	869
Agency commissions	13,791	10,198
Other accrued costs	137	1,736
Other liabilities	1,877	934
	55,252	**38,889**

31. Contract liabilities

	31.12.2024 EUR'000	31.12.2023 EUR'000
Contractual liability - advances received from customers	122,269	69,861
Total contractual liability	**122,269**	**69,861**

Recognized income related to contractual obligations

The recognized income during the reporting period, which was included in the balance of contractual liabilities at the beginning of the period, amounts to EUR 178,882 thousand (2023: EUR 110,851 thousand).

Contractual liabilities as of the reporting date relate to customer contracts with a total value of EUR 248,864 thousand (31 December 2023: EUR 203,324 thousand), for which liabilities to perform should be fulfilled in the next reporting period. This amount represents the best estimate based on current knowledge and the estimated delivery dates of transformers, though deviations may occur in cases of delays in delivery by the customer, adjustments based on the agreed sliding scale formula, and similar.

At the end of the reporting period, there are unfulfilled performance liabilities based on advances received from customers, amounting to EUR 515,300 thousand (31 December 2023: EUR 314,255 thousand).

32. Off-balance sheet items

Off-balance sheet items as at 31 December 2024 include the following: joint guarantees issued on behalf of the PET subsidiary to banks and customers in the amount of EUR 11,310 thousand and guarantees issued on behalf of related parties in the amount of EUR 2,111 thousand (31.12.2023: EUR 8,592 thousand and EUR 2,812 thousand). In total, the Company issued insurance instruments to related companies and third parties (bank guarantees) in the amount of EUR 379,746 thousand (31.12.2023: EUR 228,360 thousand), while related companies and third parties issued insurance instruments to the Company in the amount of EUR 36,698 thousand (31.12.2023: EUR 14,101 thousand). The Management estimates that the fair value of issued guarantees/warranties is not significant by using an extremely low probability of an adverse event, considering the fact that, in the past, no guarantee has been activated.

Balance of the Company's concluded contracts (order book) based on active projects as of 31 December 2024 amounts to EUR 761.9 million (31 December 2023: EUR 585.4 million).

33. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control or exercises significant influence over the other party's operations. The Company's principal activity includes performing related party activities, including the purchase and sale of goods and services. The nature of services with related parties is based on arm's length conditions. In addition to sister companies within the Končar Group and the associates, the Company's related parties are the Company's Management Board and Supervisory Board.

During 2024, the Company engaged in transactions with its related parties and realised revenues and expenses based on the trade of products and services, which can be analysed as follows.

2024	Operating activities					
Related party:	Receivables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances received EUR'000	Revenue EUR'000	Expenses EUR'000
Subsidiary	10	766	1,583	-	1,859	20,713
Končar Group companies	399	661	147	-	7,024	4,432
Končar – Electrical Industry, Inc. (parent company)	389	1,159	-	9	1,664	7,259
Associates	71	835	-	904	492	14,671
	869	**3,421**	**1,730**	**913**	**11,039**	**47,075**

During 2023, the Company engaged in transactions with related parties and realised revenues and expenses based on the trade of products and services, which can be analysed as follows:

2023	Operating activities					
Related party:	Receivables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances received EUR'000	Revenue EUR'000	Expenses EUR'000
Subsidiary	43	1,910	3,038	-	361	4,008
Končar Group companies	1,869	276	245	1,560	10,231	4,164
Končar – Electrical Industry, Inc. (parent company)	1	1,132	-	-	3	4,006
Associates	927	1,224	-	-	8,199	12,613
	2,840	**4,542**	**3,283**	**1,560**	**18,794**	**24,791**

Končar – Electrical Industry, Inc. is the ultimate parent and controlling entity of the Company.

Key management renumerations

During 2024 total remuneration (fixed and variable) paid to Management Board of the Company amounted to EUR 824 thousand (31 December 2024: EUR 779 thousand) which include EUR 364 thousand of variable remuneration for 2023 (in 2023 a total of EUR 357 thousand of variable consideration was paid relating to 2022). Accrued variable Management remuneration as at the reporting date amounts to EUR 417 thousand (31 December 2024: EUR 369 thousand). Management Board has five members (2024: 5 members).

34. Risk management

Capital risk management

Financial leverage ratio

	31.12.2024 EUR'000	31.12.2023 EUR'000
Debt (current and non-current) = D	(4,524)	(5,545)
Short term bank deposits (over 3 months)	65,000	-
Cash and cash equivalents	64,460	53,056
Net cash / (debt)	124,936	47,511
Equity = E	(222,884)	(132,102)
Financial leverage ratio = D/(D+E)	**1,99%**	**4,03%**

Financial risk management

The Company operates with international customers and finances its operations to an extent using foreign currency denominated borrowings. The Company'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:

	FV hierarchy	31.12.2024 EUR'000	31.12.2023 EUR'000
Equity instruments at FVOCI	Level 3	228	228
Other financial assets at FVOCI	Level 3	5	5
Total financial assets at FVOCI		**233**	**233**
Trade receivables	n/a	75,681	56,821
Loans receivable	n/a	19,000	-
Deposits and other investments	n/a	79,916	-
Cash and cash equivalents	n/a	64,460	53,056
Total financial assets at amortised cost		**239,057**	**109,877**
Total financial assets		**239,290**	**110,110**
Leases payable	n/a	274	295
Loans payable	n/a	4,250	5,250
Trade payables	n/a	36,130	22,969
Total financial liabilities at amortised cost		**40,654**	**28,514**
Derivative instruments	Level 2	541	475
Total financial liabilities at FVTPL		**541**	**475**
Total financial liabilities		**41,195**	**28,989**

Notes to the Separate Financial Statements

for the year ended 31 December 2024

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 Company 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 Company's financial assets and liabilities generally approximates the carrying amount of the Company'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 Company 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.

Loans payable

Fair value of current liabilities approximates their carrying value due to the short maturities of these instruments. The Management Board believes that their fair value is not materially different from their carrying value.

Other financial instruments

The Company's 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.

B) FINANCIAL INSTRUMENT RISKS

The Company'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 Company's exposure to market risk or the manner in which it measures and manages the risk.

a) Foreign currency risk

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 Company is exposed to this risk through sales, purchase and loans stated in a foreign currency which is not the Company's functional currency. Foreign currencies primarily exposed to such risks is GBP and SEK. The Company hedges against currency risk through forward contracts with commercial banks with respect to all foreign currencies based on materiality criteria.

The relevant exchange rate during the reporting period were as follows:

	Spot exchange rate		Average exchange rate	
	31.12.2024 EUR	31.12.2023 EUR	2024 EUR	2023 EUR
GBP	0.82950	0.86905	0.84662	0.86979
SEK	11.4865	11.0960	11.4325	11.4788

The company's exposure to currency risk in the mentioned currency as of the reporting date is presented below. Additionally, an analysis of the impact of changes in relevant exchange rates on net income is provided, excluding the euro currency, considering the introduction of the euro as the functional currency on 1 January 2023.

	Denominated in GBP	
	31.12.2024 EUR'000	31.12.2023 EUR'000
Trade receivables	1,827	-
Cash and cash equivalents	2,575	7,446
Derivatives	(541)	-
	3,861	**7,446**
Effect of 1% change in exchange rates on profit	**39**	**74**

	Denominated in SEK	
	31.12.2024 EUR'000	31.12.2023 EUR'000
Trade receivables	2,872	1,823
Cash and cash equivalents	337	1,834
Derivatives	-	(388)
	3,209	**3,269**
Effect of 1% change in exchange rates on profit	**32**	**33**

The sensitivity analysis includes outstanding balances of monetary assets and liabilities in foreign currencies recalculated at the reporting date by applying a percentage change in foreign exchange rates. A negative number indicates a decrease in profit where Euro increases against the relevant currency for the percentage specified above. For a weakening of Euro against the relevant currency in the same percentage, there would be an equal and opposite impact.

b) Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The variable interest rates currently applicable on the carrying values of floating rate debt as at the reporting dates are based on the following:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Bank loans based on fixed interest rates	4,250	5,250
Leases based on fixed interest rates	274	295
	4,524	**5,545**

The Company 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.

2. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered.

Credit risk for the Company arises primarily from trade receivables as well as other receivables and investments.

Total exposure to credit risk at the reporting date is as follows is set out in note 34 to the financial statements. The Company does not have a significant credit exposure that is not covered by security instruments, or not reflected in the estimates of indications of impairment as at the reporting dates.

3. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet their financial obligations as they fall due or that it will face difficulties in meeting these obligations. Liquidity risk management is the responsibility of the Management Board, which has built a quality frame for monitoring short-, middle- and long-term financing and all liquidity risk requirements. The Company manages liquidity risk by continuously monitoring the anticipated and actual cash flow comparing it with the maturity of financial assets and liabilities.

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for the year ended 31 December 2024

The following table presents the maturity of financial liabilities of the Company as at 31 December 2024 in accordance with contracted undiscounted payments:

as at 31 December 2024	**Net book value** EUR'000	**Contractual cash flows** EUR'000	up to 1 year EUR'000	1 - 2 years EUR'000	2 - 5 years EUR'000	over 5 years EUR'000
Non interest bearing liabilities:						
Trade payables	**36,130**	**36,130**	36,130	-	-	-
	36,130	**36,130**	**36,130**	**-**	**-**	**-**
Interest bearing liabilities:						
Leases payable	**274**	**301**	120	88	93	-
Bank loans	**4,250**	**4,429**	1,072	1,054	2,303	-
	4,524	**4,730**	**1,192**	**1,142**	**2,396**	**-**

The following table presents the maturity of financial liabilities of the Company as at 31 December 2023 in accordance with contracted undiscounted payments:

as at 31 December 2023	**Net book value EUR'000**	**Contractual cash flows EUR'000**	up to 1 year EUR'000	1 - 2 years EUR'000	2 - 5 years EUR'000	over 5 years EUR'000
Non interest bearing liabilities:						
Trade payables	**22,969**	**22,969**	22,969	-	-	-
	22,969	**22,969**	**22,969**	**-**	**-**	**-**
Interest bearing liabilities:						
Leases payable	**295**	**324**	141	85	98	-
Bank loans	**5,250**	**5,545**	1,096	1,077	3,119	253
	5,545	**5,869**	**1,237**	**1,162**	**3,217**	**253**

35. Events after the reporting period

Changes in the Company's Supervisory Board and other relevant committees

Mario Radaković and Petar Bobek were appointed as members of the Supervisory Board as of 01.01.2025, replacing Josip Lasić and Miki Huljić.

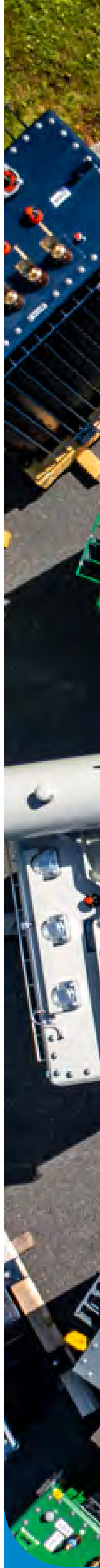
On 17.01.2025, the Supervisory Board appointed the following:

a) As members of the Audit Committee, the following were appointed as of 01.01.2025:
   1. Mario Radaković, President
   2. Gordan Kolak, Member
   3. Ivan Paić, Member

b) The following were appointed as members of the Nominations Committee as of 01.01.2025:
   1. Gordan Kolak, President
   2. Petar Bobek, Member
   3. Ivan Paić, Member

c) The following were appointed as members of the Remuneration Committee as of 01.01.2025:
   1. Ivan Paić, President
   2. Mario Radaković, Member
   3. Petar Bobek, Member

After the reporting date, until the date of approval of these financial statements, and with the exception of the above, there were no other events that would have a significant impact on the Company annual separate statements for 2024, which should therefore be disclosed.



Končar – Distribution and Special Transformers Inc. for manufacturing

Mokrovićeva 8, P.P. 100
10090 Zagreb, Croatia
E-mail: info@koncar-dst.hr
Tel: + 385 1 378 3713
Fax: + 385 1 379 4051
www.koncar-dst.hr