



Consolidated Annual Report

2024

KONČAR
D&ST

Statement of Management's Responsibilities	5
1 CONSOLIDATED MANAGEMENT REPORT	6
1. Introductory Word by the Management Board	7
2. Major Figures for 2024 Compared to 2023, 2022 and 2021	8
3. General Position of the Group	10
4. Group Organisation and Management in 2024	11
5. Market Position and Sales by Country and Product Group	12
6. Financial Position of the Group (Balance Sheet)	14
7. Operating Results (Income Statement)	14
8. Main Group Operating Risks	15
9. Investments and Technology Modernisation	17
10. Technical Development and Product Innovation	18
11. Human Resources in the KONČAR – D&ST Group	18
12. Quality Management, Environmental Management, and OH&S Management	19
13. Further Development Strategy	19
CONSOLIDATED SUSTAINABILITY REPORT	20
ESRS 2 GENERAL DISCLOSURES	21
ESRS 2 Basis for Preparation of the Sustainability Report	22
ESRS 2 Managing Sustainability	23
ESRS 2 Strategy and Business Model	30
ESRS 2 Double Materiality	34
ENVIRONMENT	40
E1 Climate Change	41
E2 Pollution	54
E5 Resource Use and Circular Economy	59
EU Taxonomy	67
SOCIAL	80
S1 Own Workforce	80
S2 Workers in the Value Chain	97
S4 Consumers and End-users	103
GOVERNANCE	109
G1 Business Conduct	110
APPENDICES	118
Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report	126
2 REPORT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE	130
3 INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS INCLUDING NOTES	131
Consolidated Statement of Comprehensive Income	132
Consolidated Statement of Financial Position	133
Consolidated Statement of Cash Flows	134
Consolidated Statement of Changes In Equity	135
Notes to the Consolidated Financial Statements	136
Independent Auditors' Report to the Shareholders of KONČAR – D&ST	172

2024

**A year of outstanding
accomplishments:**

**Results that shift
boundaries!**



GROUP KONČAR – Distribution and Special Transformers Inc. for manufacturing

Statement of Management's Responsibilities

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and its subsidiaries ("the Group") and of the results of its operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

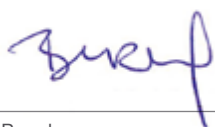
The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

The Management Board is also responsible for the preparation and publishing, in accordance with the Accounting act and other laws and regulations governing the preparation of financial statements in Croatia, of the following:

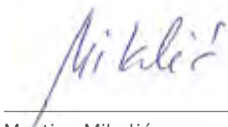
- Management Report, which includes the Sustainability Report;
- Corporate Governance Report; and
- Annual consolidated financial statements in single electronic reporting format.

The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

The Management report which includes the Sustainability Report, and the Corporate Governance Report, as well as the annual consolidated financial statements in single electronic reporting format were approved and signed by the Management Board on 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

1 | Consolidated Management Report



1. Introductory Word by the Management Board

2024 – A year of outstanding accomplishments: Results that shift boundaries!

The KONČAR – D&ST Group consists of **KONČAR – D&ST Inc.**, Josipa Mokrvića 8, Zagreb, Croatia; **Power Engineering Transformatory Sp. z o.o. (PET)**, Gdynska 83, Czerwonak, Poznan, Poland; and **Ferokotao Ltd.**, Kolodvorska ulica 78/a, Donji Kraljevec, Croatia.

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 KONČAR – D&ST Group made further progress in 2024, once again significantly surpassing the set business plans.

Total sales in goods and services in 2024 was EUR 467.5 million, representing 36.7% growth year-on-year (EUR 342 million in 2023). Exports rang in at EUR 446.8 million (EUR 310.7 million in 2023), accounting for 96% of all sales, and up 43.8% of achieved exports one year earlier.

High global demand for transformers, and recognition of the quality and competitiveness of KONČAR – D&ST Group products, resulted in new contracts valued at EUR 647.7 million, primarily on the demanding EU markets. Total contract value at the end of 2024 was higher by 32% over one year earlier, amounting to EUR 822.4 million.

The exceptional sales results positively affected the profitability of operations. Profit before tax in 2024 was at EUR 143.9 million, up 120.6% over one year earlier when it was EUR 65.2 million.

During 2024, a total of EUR 18.1 million was invested (as opposed to EUR 8.4 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. In the company PET, the investment cycle continued, focused on the modernisation of buildings and the workplace, expansion of the winding plant, and purchase of neighbouring land for the option of future expansions. An important investment was the successful installation of a 1.7 MW solar plant at the company Ferokotao Ltd., which will contribute to reducing production emissions.

On 31 December 2024, the Group employed 1212 people. Of this total, 793 were employed at KONČAR – D&ST Ind., 109 at PET, Poland, and 310 at Ferokotao Ltd.

In its operations, the Group operates in compliance with the internationally recognised standards and requirements of corporate social responsibility.

Given the above, we can consider the total business results of the KONČAR – D&ST Group 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 Group for 2024.

For the KONČAR – D&ST Inc. for manufacturing

2. Major figures for 2024

Compared to 2023, 2022 and 2021

Index
2024/2023
EUR ('000)

Net profit
218.0

Sales
136.7

Exports
143.8

Orders at year's end
132.0



in 000 EUR						Index
Indicator	2024	2023	2022	2021	Δ	24/23
Operating revenues	469,361	343,399	260,000	193,826	125,962	136.7
Sales revenues - totals	467,479	342,033	254,050	189,044	125,446	136.7
Sales revenues - exports	446,796	310,698	228,199	165,153	136,098	143.8
Operating expenses	328,166	278,708	236,665	177,913	49,458	117.7
Operating profit	141,195	64,691	23,335	15,913	76,504	218.3
Operating margin	30.2%	18.9%	9.2%	8.4%		+1130 bps
Pre-tax profit	143,937	65,239	24,667	15,880	78,698	220.6
% profit pre-tax	30.8%	19.1%	9.7%	8.4%		+1170 bps
Net profit (after tax)	117,712	54,007	23,147	13,185	63,705	218.0
% profit after tax	25.2%	15.8%	9.1%	7.0%		+940 bps
Depreciation and Amortisation	5,506	4,178	4,068	3,948	1,328	131.8
EBITDA	146,701	68,869	27,403	19,861	77,832	213.0
EBITDA margin	31.4%	20.1%	10.8%	10.5%		+1130 bps
EBITDA normalised*	143,871	77,985	26,367	18,859	65,886	184.5
EBITDA margin normalised*	30.8%	22.8%	10.4%	10.0%		+800 bps
Contracts	647,656	677,568	353,441	258,411	-29,912	95.6
Backlog on 31 Dec	822,423	622,998	288,008	185,016	199,425	132.0
Book to bill ratio	1.39	1.98	1.39	1.37		
Annual sales per employee	397	454	349	285	-57	87.4
Investments	18,104	8,437	7,645	2,761	9,667	214.6
Employees (on 31 Dec)	1,212	1,142	815	750	70	106.1

*EBITDA normalised: EBITDA reduced by other operating income and increased by the value adjustments, provisions, and other operating expenses

Conversion rate: 1 EUR = 7.5345 HRK

3. General Position of the Group

The impressive business results for 2024 confirm the stable and successful operations of the KONČAR – D&ST Group, with continuing growth of revenues, profits and contract values, testifying to Group 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.

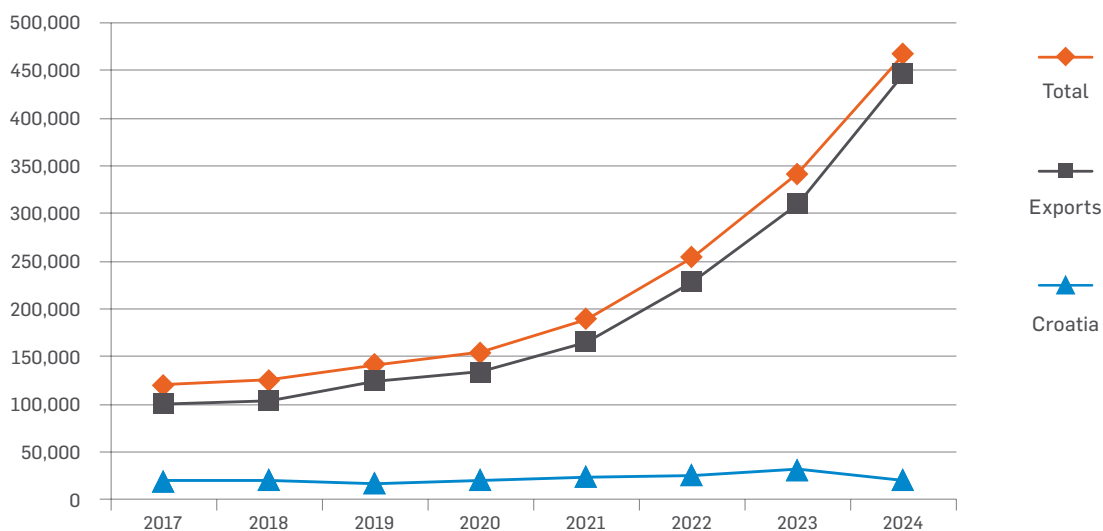
Through ongoing organisational adjustments in response to the new external and internal circumstances, both in the transformer segment and the transformer tank and equipment segment, the Group has successfully raised its competitive edge, securing adaptability under dynamic market conditions.

The Group 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 Group is prepared to respond to the challenges of complex future market conditions.

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

Overall, the general position of the KONČAR – D&ST Group can be assessed as highly stable and promising, with a clear strategy focused on further growth and development on the global market.

Sales trends (EUR '000)



4. Group 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)

During 2024, the Supervisory Board of the company KONČAR – D&ST Inc. had the following composition:

Gordan Kolak, Chairperson of the Supervisory Board
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 – workers' representative
Ivan Paić, Member (from 30 January 2024)

The company PET Sp. z o.o. was managed by the Management Board in the following composition:

Ivor Grubišić, Board President
Bolesław Brodka, Board Member
Maciej Malolepszy, Board Member

The Supervisory Board of the company PET Sp. z o.o. was:

Vanja Burul, Chairperson of the Supervisory Board
Mate Biloš, Member
Petar Vlaić, Member

The company Ferokotao Ltd. was managed by the Management Board in the following composition:

Branimir Šopar, Board President
Nenad Lesjak, Board Member

The Supervisory Board of the company Ferokotao Ltd. was:

Vanja Burul, Chairperson of the Supervisory Board
Željko Horvat, Member
Dominik Trstoglavec, Member
Petar Vlaić, Member
Josip Vugrinec, Member

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

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

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

5. 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 the KONČAR – D&ST Group, focused numerous projects towards increasing their independence from natural gas and their dedication to green transition, driving the increased demand for all components in the energy sector, including transformers. High prices of raw materials 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 trend 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 capture 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.

Maintaining the previously won market position has become a priority, as this high market conjuncture will have a limited duration. The Group 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 36.7% over 2023, and totalled EUR 467.5 million. Changes by product groups in 2024 in relation to 2023 were:

- **DISTRIBUTION TRANSFORMERS: 20% GROWTH**
- **MEDIUM POWER TRANSFORMERS: 50% GROWTH**
- **DRY AND SPECIAL TRANSFORMERS: 7% GROWTH.**



Sales by main markets were as follows:

- **CROATIA - in 2024, deliveries were valued at EUR 20.2 million, or a drop of 36% compared to 2023 (EUR 31.3 million)**
- **NEIGHBOURING EUROPEAN COUNTRIES - deliveries in 2024 were valued at EUR 102.7 million, up 40% over 2023 (EUR 73.3 million)**
- **OTHER EUROPEAN COUNTRIES - deliveries in 2024 were valued at EUR 339 million, up 48% over 2023 (EUR 229.7 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).**

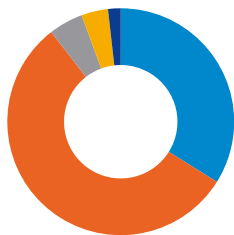


Sales activities in 2024 resulted in a total contract value of EUR 647.7 million, down 4% compared to 2023.

Total contract value at the end of the year was EUR 822.4 million, up 32% over the end of 2023.

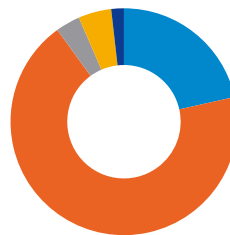


Sales structure
by product line in 2024

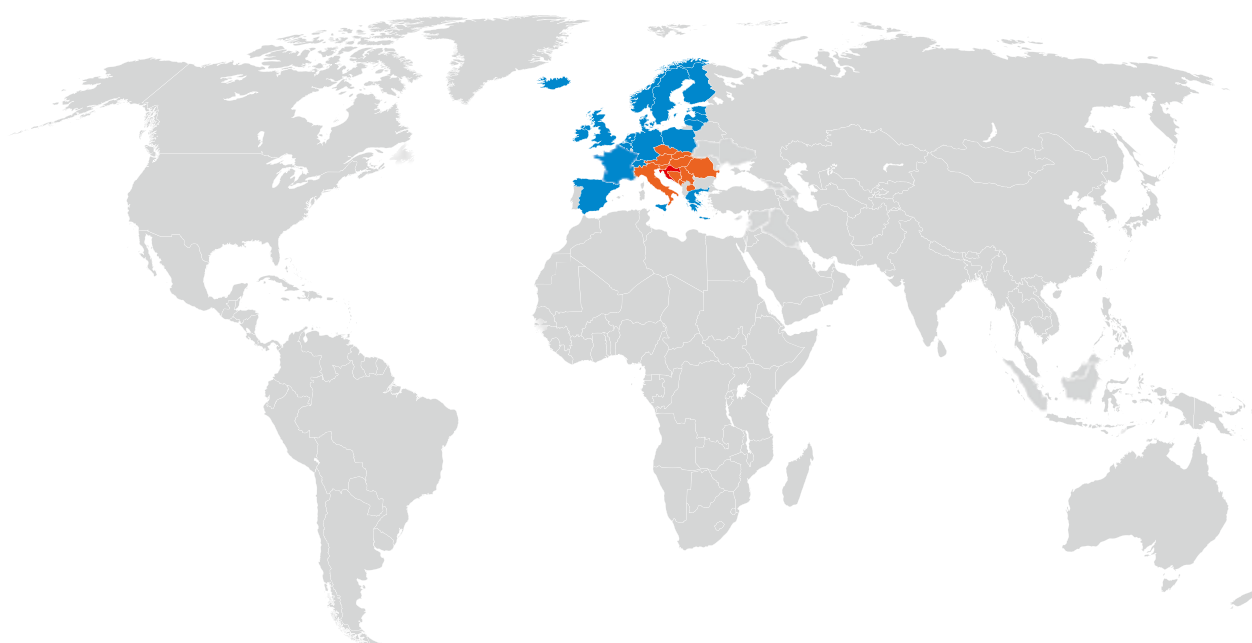


Medium power transformers	55 %
Distribution transformers	34 %
Dry and special transformers	4 %
Services	2 %
Supplies	5 %

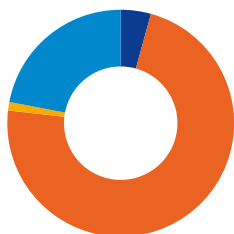
Structure of new contracts
by product line in 2024



Medium power transformers	68 %
Distribution transformers	21 %
Dry and special transformers	5 %
Services	2 %
Supplies	4 %

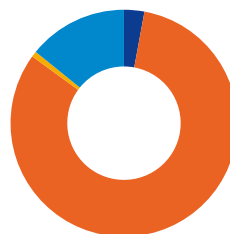


Sales structure
by markets in 2024



Neighbouring European countries	22 %
Other European countries	73 %
Asia, Africa, and the Americas	1 %
Croatia	4 %

New contracts
by markets in 2024



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

6. Financial Position of the Group (Balance Sheet)

On 31 December 2024, the assets of the KONČAR – D&ST Group totalled EUR 490.3 million, up 57.1% 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 69.9 million, accounting for 14% of total assets. In comparison with the end of 2023, this marked a 31% increase (EUR 16 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 64.2 million on 31 December 2024, up 35% from one year earlier (EUR 16.7 million). 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 KONČAR – D&ST for use as a warehouse and logistics centre.

Short-term assets account for 86% of total assets, with a value of EUR 420.5 million. Inventory increased slightly over the previous period to EUR 122.8 million, accounting for 25% of total assets. Cash and cash equivalents amounted to EUR 88 million, up 46% year-on-year, an increase of EUR 27.7 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 (20% of total assets).

In terms of sources of Group financing, capital and reserves accounted for more than half of the total amount. With a value of EUR 246.7 million of own financing sources, this accounted for 50.3% of total capital and liabilities. The growth in capital and reserves was 70% (EUR 102 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 63.7 million higher than the profit in 2023, and the retention of profits from the previous period in the amount of EUR 36.6 million.

Group liabilities totalled EUR 243.6 million (50% of total capital and liabilities), up EUR 76.5 million in comparison with the end of 2023 (EUR 167.1 million, 54% 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 143.6 million, or 29% of the total capital and liabilities. This growth in received advances of EUR 67 million year-on-year significantly contributed to improving the most liquid assets as outlined above. Trade payables on 31 December 2024 totalled EUR 42.8 million, accounting for 9% of total capital and liabilities. Warranty provisions totalled EUR 19.2 million or 4% of total capital and liabilities. Interest-bearing liabilities totalled EUR 8 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 (57.1%) 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.

7. Operating Results (Income Statement)

The 2024 business year was another consecutive year with a strong growth of revenues.

The year concluded with sales revenues totalled EUR 467.5 million. This marks an increase of 36.7% (EUR 125.4 million) in relation to sales in 2023. Of the sales revenues, 96% were achieved on export markets, which represent the sole driver of growth. Export sales totalled EUR 446.8 million, up 44% year-on-year, an increase of EUR 136.1 million. In 2024, the Group sold its products in over 30 countries worldwide, and the top five markets accounted for 59% of all sales.

Examining the performance of individual companies in the Group, 86% of the consolidated sales revenues were achieved by KONČAR – D&ST, 9% by PET, and 5% by Ferokotao. Since the dependent company Ferokotao Ltd. was only acquired at the end of 2023, its financial results are included in the Group business results for 2024 for the first time.

Financial income totalled EUR 3.4 million, and primarily encompassed income from interest. Together with other business revenues amounting to EUR 1.9 million, the total revenues achieved in 2024 were EUR 472.9 million, a 38% increase year-on-year (EUR 344.4 million).



On the expense side, the dominant group costs were costs of materials, energy, goods and services, corrected for changes in inventory of work in progress and finished products, and totalled EUR 259.2 million. These costs account for 55% of 2024 sales revenues, as compared to 64% one year earlier, reflecting positive changes in profitability. The second highest expense was personnel costs at EUR 53.7 million, up 45% over the year before, due to the inclusion of the new personnel costs of the company Ferokotao. On 31 December 2024, the Group had 1212 employees, in comparison to 1142 employees one year earlier (including Ferokotao employees). Value adjustments had a positive impact on the overall result due to the recognition of reversal of inventory write-downs values in the amount of EUR 3.7 million.

Group profitability indicators grew significantly in 2024. Pre-tax profit in 2024 totalled EUR 143.9 million, or 30% of total revenues. This profit was up 120% (an increase of EUR 78.7 million) in comparison with the previous year.

Net profits totalled EUR 117.7 million, of which EUR 116.6 million of attributable to equity holders of the Parent, and the EBITDA was EUR 146.7 million, giving an EBITDA margin of 31%.

8. Main Group Operating Risks

In 2024, the parent company 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 Group is:

- integrated in all business processes and decision-making processes in the Group. It is structured and comprehensive, taking into consideration both the external and internal context in which the Group 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 Group 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 workplace 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 Group.

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

Demand for transformers on target Group markets is one of the main risk factors for Group 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 electro-mobility in the EU, forecasts of further price spikes for 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 Group operations. The behavioural patterns of existing competitors and entry of new ones (particularly from Turkey, but other countries also) onto target markets of the KONČAR – D&ST Group 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, reserve production capacities at suppliers, and ordering. Unrest in the Red Sea caused by attacks of the Houthis on vessels forced shippers to reroute ships around Africa, significantly increasing 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 Group 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, given that 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. For 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 Group 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 Group 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 Group 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 Group (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 Group will therefore have losses in write-offs or diminished accounts receivable.

The Group 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 Group will not be able to perform its obligations towards creditors within the agreed terms.

The Group 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 Group liquidity.

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



9. Investments and Technology Modernisation

During 2024, a total of EUR 18.14 million was invested (as opposed to EUR 8.44 million in 2023).

Activities at the parent company KONČAR – D&ST 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 the 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, 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 these 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 early Q3 2025.

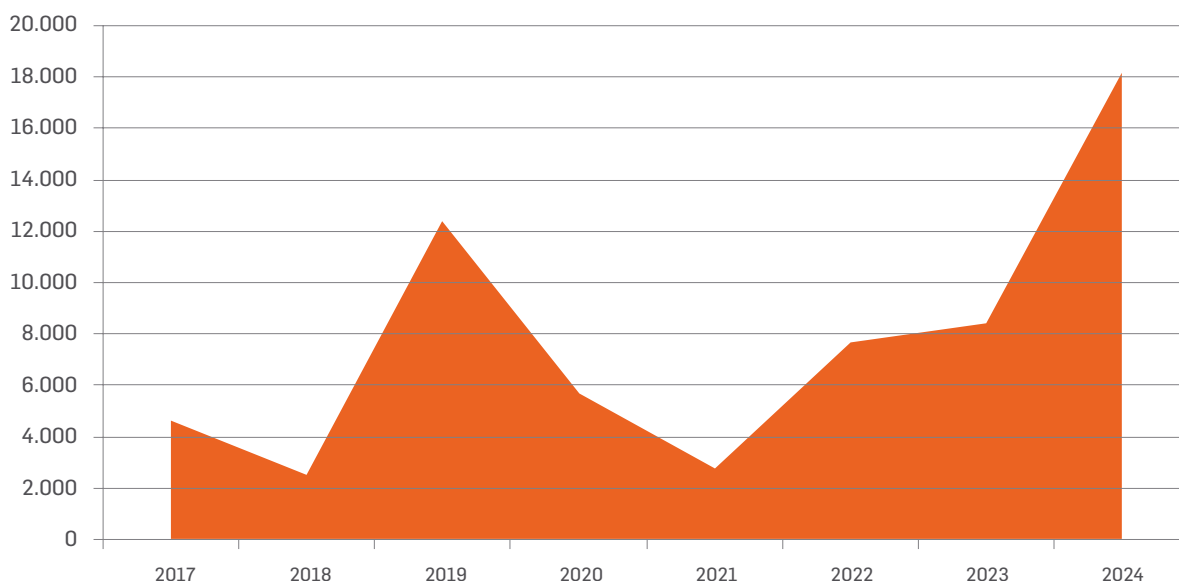
In line with the 2024 annual plan, special machinery and devices in production were modernised or procured. Investments in 2024 focused on advancing the production process of medium power transformers, thanks to a contracted series of assembly platforms that will further improve the ergonomics and working 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.

An important investment at Ferokotao Ltd. was the successful installation of a 1.7 MW solar plant that will contribute to reducing emissions from production processes.

The company PET in Poland launched activities in the project to increase production capacities of medium power transformers. With the construction of the new plant, the factory capacity will be doubled.

Investments ('000 EUR)



10. Technical Development and Product Innovation

The technical development departments (Product Development and Production Development) employ 22 highly educated experts having multidisciplinary profiles (electrical engineering, mechanical engineering, computer science), of whom three have completed doctoral studies at the Faculty of Electrical Engineering and Computing, University of Zagreb. Several experts are enrolled in specialist and doctoral studies at different faculties of the University of Zagreb and University of Poznan.

At PET, Poland, the process of know-how transfer and its implementation into business processes was continued.

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; Technical Faculty, Poznan University of Technology, in Poznan, Poland).



11. Human Resources in the KONČAR – D&ST Group

On 31 December 2024, the Group employed a total of 1212 persons. Of this total, 793 were employed at KONČAR – D&ST Inc., 109 at PET, Poland, and 310 in the company Ferokotao Ltd.

In employee training, ongoing professional development continues, including participation in university and college studies. The Group supports enrolment in post-graduate and graduate study programmes. The result of this is a growing number of employees studying at various faculties. The approach to rewarding and promoting expert and scientific training has significantly enriched the Group's overall knowledge, and contacts with relevant university institutions



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

For the purpose of retaining the market position and successful achievement of business goals, the Končar-D&ST Group is committed to quality, environmental protection, and occupational health and safety (OH&S).

During 2024, at KONČAR – D&ST Inc., compliance audits were performed for the international quality management systems (ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018).

At PET, Poland, audits were performed of the quality management system according to ISO 9001:2015 and the environmental protection system according to ISO 14001:2015.

At Ferokotao Ltd., recertification audits were performed for the management systems and environmental protection, and certificates issued that are valid until 2027.

Recertification audits for welding were also performed for the quality standards HRN EN 1090-2 and HRN EN ISO 3834-2, and following the positive audit results, the certificates were extended until 2027.

13. Further Development Strategy

The principal business activities of KONČAR – D&ST Group 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 KONČAR – D&ST Inc., 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 KONČAR – D&ST Group 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.

The KONČAR – D&ST Group is strongly positioned among the leading European producers of distribution, special and medium power transformers. The Group achieves 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 preparation 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.

CONSOLIDATED SUSTAINABILITY REPORT

21 ESRS 2 GENERAL DISCLOSURES

- 22 ESRS 2 Basis for preparation of the sustainability report
- 23 ESRS 2 Managing sustainability
- 30 ESRS 2 Strategy and business model
- 34 ESRS 2 Double materiality

40 ENVIRONMENT

- 41 E1 Climate change
- 54 E2 Pollution
- 59 E5 Resource use and circular economy
- 67 EU Taxonomy

79 SOCIAL

- 80 S1 Own workforce
- 97 S2 Workers in the value chain
- 103 S4 Consumers and end-users

109 GOVERNANCE

- 110 G1 Business conduct

APPENDICES

- 118 Appendix I – List of Disclosure Requirements in the ESRS covered by the undertaking's sustainability statement
- 123 Appendix II – List of datapoints in cross-cutting and topical standards that derive from other EU legislation

ESRS 2

General disclosures

ESRS 2, IRO-2

List of Disclosure Requirements		Chapter	page
BP-1	General basis for preparation of the sustainability statement	ESRS 2 – General disclosures: Basis for preparation of the sustainability report	22
BP-2	Disclosures in relation to specific circumstances	ESRS 2 – General disclosures: Basis for preparation of the sustainability report	22
GOV-1	The role of the administrative, management and supervisory bodies	ESRS 2 – General disclosures: Managing sustainability	22-27
		Group organization and governance in 2024	11
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ESRS 2 – General disclosures: Managing sustainability	22-23
GOV-3	Integration of sustainability-related performance in incentive schemes	ESRS 2 – General disclosures: Managing sustainability	23
GOV-4	Statement on due diligence	ESRS 2 – General disclosures: Managing sustainability	28
GOV-5	Risk management and internal controls over sustainability reporting	ESRS 2 – General disclosures: Managing sustainability	29
		Main risks in the Group's operations	15
SBM-1	Strategy, business model and value chain	ESRS 2 – General disclosures: Strategy and business model	30-33
		Strategy for further development	19
SBM-2	Interests and views of stakeholders	ESRS 2 – General disclosures: Double materiality	31 35-36
		As part of topical standards: Our material impacts, risks and opportunities	S1 82 S2 99 S4 104
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2 – General disclosures: Double materiality	38-39
		As part of topical standards: Our material impacts, risks and opportunities	E1 42-43 E2 55 E5 60-61 S1 98-99 S2 96-97 S4 104 G1 111
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	ESRS 2 – General disclosures: Double materiality	34-37
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	ESRS 2 – General disclosures: Double materiality	118-121 E1 41 E2 54 E5 59 S1 80 S2 97 S4 103 G1 110

Basis for preparation of the Sustainability report

ESRS 2, BP-1, BP-2

KONČAR – D&ST Group is publishing its first sustainability report prepared in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), as set out in the Commission Delegated Regulation (EU) 2023/2772, as well as the Accounting Act of the Republic of Croatia. The report is prepared on a consolidated basis for the Group companies as of 31 December 2024. The scope of the Sustainability report is aligned with that of the Group's Financial statements. The disclosures refer to the parent company, KONČAR – D&ST (Zagreb, Croatia), and the subsidiaries Ferokotao (Gornji Kraljevac, Croatia) and Power Engineering Transformatory (PET) (Poznan, Poland).

In the process of preparing this Sustainability report, we encountered certain challenges in consolidating data at the Group level. It is important to note that during the past reporting period, the primary focus was on key initiatives aimed at improving the overall operations of the subsidiary companies. These efforts, essential for the Group's long-term sustainability, temporarily limited the resources available for comprehensive data collection and full consolidation of sustainability information. This is partly due to differences in data collection and analysis, as well as varying levels of ESG maturity across the Group companies. We acknowledge the importance of full data consolidation and are actively working to improve our sustainability information collection and processing methods, while also aligning management practices in this area. We are implementing new systems and procedures that will enable more comprehensive sustainability management at the Group level in the future.

All data were collected and analyzed through internal management systems, with details provided within the information related to each material topic presented in the following sections of this report. Each department that owns specific data within the company is responsible for the accuracy and completeness of that data. Additionally, in the relevant sections of this report, data subject to limitations in the reporting scope are clearly marked, including the reasons why such information is not available in this reporting period and the actions initiated to enable its collection and full consolidation. All indicators, except for GHG emissions, relate to own operations. The calculation of GHG emissions also covers the value chain—both upstream and downstream.

While we acknowledge the outlined, we believe this report offers valuable insight into our sustainability efforts and accomplishments. We remain firmly committed to the continuous enhancement of our reporting practices, with the aim of delivering an increasingly comprehensive, detailed, and transparent overview of our activities related to material impacts, risks, and opportunities in the years ahead.

KONČAR – D&ST Group has not made use of the option to omit information that qualifies as intellectual property, know-how, or the results of innovation. This sustainability report covers information on our operations and production activities, as well as upstream and downstream activities in the value chain, reflecting our commitment to comprehensive value chain management. Where relevant, quantitative data are accompanied by a detailed description of the methodology, including sources used, the approach to data collection and processing, and key assumptions considered during the analysis. The definition of short-, medium-, and long-term periods is aligned with the time horizons defined in the ESRS.

We are aware that the use of estimated data may result in certain deviations from actual values, and our estimates depend on the availability and quality of external data, which may vary depending on the source. Given these circumstances, should any material errors or changes to the disclosures in this report arise, they will be disclosed in the next reporting cycle.

Scope 3 greenhouse gas emissions were calculated based on estimates using appropriate emission factors applied to financial expenditure or collected quantity data. The quantification of greenhouse gas emissions involved a degree of inherent uncertainty due to scientific limitations and use of estimation methods.



Managing sustainability

GOV-1, GOV-2

The parent company, KONČAR – D&ST, is responsible for the management and oversight of sustainability matters at the Group level. The key bodies within KONČAR – D&ST include the Supervisory Board and the Management Board, led by the CEO. The authorities and responsibilities of these bodies are clearly defined according to national legislation, KONČAR – D&ST Articles of Association, and all relevant internal regulations. The Rules of Procedure for the Management Board and the Rules of Procedure for the Supervisory Board and its committees are publicly available documents.

The Management Board is the executive body of the company responsible for leading and managing the overall business and making decisions that ensure stable growth and development. Its primary task is to implement strategic guidelines, set and achieve business objectives, and effectively manage finances and operational processes. In addition, the Management Board plays a crucial role in identifying and managing impacts, risks, and opportunities that may affect the business, ensuring the long-term sustainability and competitiveness of the company. It is also responsible for appointing and dismissing members of the management structures and for building and improving an organizational culture that supports responsible business practices. A particular responsibility of the Management Board is to integrate environmental, social, and governance (ESG) factors into business strategies and processes. The Management Board defines sustainability goals, ensures their implementation, and continuously monitors and evaluates their impact on the business.

The Management Board of KONČAR – D&ST in 2024 consisted of five executive members (40% women and 60% men). The percentage of independent members in the Group is 0%. In 2024, 43 Management Board meetings were held.

By appointing the Director of Technical and Business Development as a member of the Management Board responsible for sustainability matters (Chief Sustainability Officer – CSO), we ensure engagement at the highest management levels and full integration with the Group's business strategy. The appointed Management Board member is responsible for overseeing sustainability matters and ensuring regular reporting to the Management Board.

Specialized Business Committees oversee and improve key ESG areas, occupational health and safety and quality: the ESG Committee, the HSE Committee (Health, Safety, and Environment Committee), Committee for Health and Safety at Work, the Quality Committees, and the Technical and Commercial Committees.

The Management Board assesses the effectiveness of the environmental management and occupational health and safety systems every six months in accordance with ISO 14001:2015 and ISO 45001:2018. The review includes an analysis of internal and external factors, an assessment of risks and opportunities, and the achievement of objectives. The results of internal and external audits, customer satisfaction, supplier relationships, and compliance with legal regulations are regularly reviewed.

By establishing the ESG Committee, composed of experts from relevant fields, we ensure the necessary cross-sector collaboration on sustainability matters. The ESG Committee consists of members of the Management Board of KONČAR – D&ST (one of whom is appointed as the Management Board member for sustainability), the Management Board advisors, the directors of both profit centers for Sales and Technical Offices, the heads of key shared services departments (Finance and Accounting, Human Resources Management, Legal and General Affairs, Management Systems Development, and Strategic Procurement), as well as specialists in sustainable business practices. Sustainability-related topics are reported every two weeks in ESG Committee meetings, with minutes provided to all members. Each department is responsible for promptly raising concerns about impacts, risks, and opportunities within its area of operations, and the Management Board is responsible for addressing them.

The Supervisory Board is the body that oversees the work of the Management Board, evaluates the implementation of business policies and plans, and makes decisions on key business matters of KONČAR – D&ST. The Supervisory Board also monitors financial operations, manages impacts, risks, and opportunities, ensures compliance with regulations, and appoints and dismisses members of the Management Board. The Supervisory Board consists of five members (20% women and 80% men), of which four are elected by shareholders at the General Assembly, and one member is a worker representative in the Supervisory Board. The Supervisory Board usually meets once a quarter. All members of the Management and Supervisory Boards of individual companies are listed in the chapter on *Organization and Management of the Group* in 2024.

GOV-3

In 2024, no incentive programs directly linked to sustainability matters have been implemented. We are considering the inclusion of specific targets as part of the incentive system for the Management Board and senior management. As part of the Sustainability Strategy 2024–2026, the integration of ESG criteria into managerial KPIs is planned.

GENERAL ASSEMBLY

SUPERVISORY BOARD

Gordan Kolak, chairman
Ivan Bahun, member (since 29.1.2024.)
Miki Huljić, member
Josip Lasić, member (since 30.1.2024.)
Josip Ljulj, member (since 29.1.2024.)
Ana-Marija Markoč, member - workers' representative
Ivan Paić, member (since 30.1.2024.)

The Audit Committee

is responsible for auditing financial statements, overseeing internal controls, assessing business risks, and evaluating the independence of the audit process. Its role is to ensure the transparency and reliability of financial reports and to monitor compliance with regulations and internal rules. The committee also evaluates the effectiveness of internal audits and communicates with external auditors to ensure an independent assessment of financial statements.

MANAGEMENT BOARD

President of the Management board
Vanja Burul

MANAGEMENT BOARD OFFICE:

Management Board Advisor
 Business Secretary
 Marketing

Profit centre MEDIUM POWER TRANSFORMERS

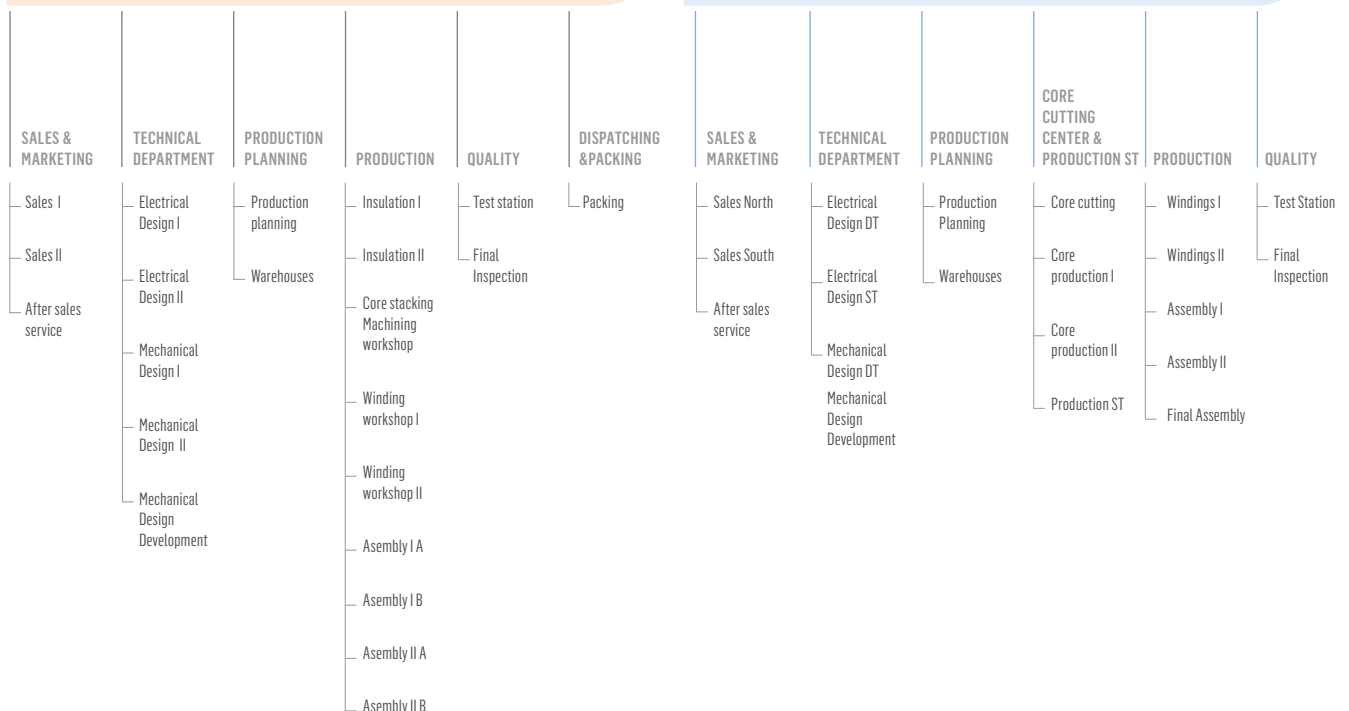
dir. **Mario Ljubić**

Business Secretary

Profit centre DISTRIBUTION TRANSFORMERS

dir. **Martina Mikulić**

Business Secretary



The Remuneration Committee

plays a crucial role in managing the rights and remuneration of the Management Board members and other senior employees. The Committee reviews employment contracts, rights, and reward systems for Management Board members and senior staff. It ensures compliance with regulations, transparency and appropriate procedures in appointments and remuneration.

The Nomination Committee

is responsible for nominating and evaluating candidates for the Management Board. Its role includes conducting the selection process, identifying qualified candidates, and providing recommendations for appointments or dismissals of the Management Board members. The Committee also monitors compliance with internal rules, regulations, and standards, ensuring transparency in the nomination process. The importance of the Committee lies in ensuring the appropriate composition of the governing bodies and promoting best practices in corporate governance.

FINANCE, ACCOUNTING, PURCHASING

dir. Kristina Dimitrov

FINANCE &
ACCOUNTING

Finance
Accounting

Controlling

STRATEGIC
PURCHASING

OPERATIONAL
PURCHASING

PRODUCT & BUSINESS DEVELOPMENT

dir. Dominik Trstoglavac

STRATEGIC
INVESTMENT

Strategic
Investment

Maintenance

PRODUCT
DEVELOPMENT
&
STANDARDISA-
TION

PRODUCTION
DEVELOPMENT

BUSINESS
EXCELLENCE

LEGAL
AFFAIRS
& HR

MANAGE-
MENT
SYSTEM
DEVELOP-
MENT

ISO 9001
ISO 14001
ISO 45001

Safety at work

INCOMING
INSPEC-
TION

IT DEPART-
MENT

BUSINESS
IT

KONČAR – D&ST Business Committees

HSE Committee

(Health, Safety, and Environmental Protection Committee)

ESG Committee

Occupational Health and Safety Committee

Quality Committees:

- QA/QC Committee DT
- QA/QC Committee MPT

Technical and Commercial Committees:

- Committee for Insulating Oils, Drying, and Filling Processes
- Committee for Copper and Aluminum
- Committee for Transformer Steel
- Committee for Solid Insulation and Sealing Materials
- Committee for Transformer Tanks, Coolers, and Corrosion Protection
- Committee for Marketing
- Committee for Agency Contracts

KONČAR – D&ST MANAGEMENT BOARD



Vanja Burul

CEO

Born in 1976

Experience and Responsibilities at KONČAR – D&ST

2021 (April): Appointed President of the Management Board
2016: Appointed Member of the Management Board and Director of the Medium Power Transformers Profit Centre
2011: Appointed Deputy Member of the Management Board and Assistant Director of the Medium Power Transformers Profit Centre
2004: Joined KONČAR – D&ST as a Power Transformer Design Engineer; held positions as Head of Special Distribution Transformers and Head of Power Transformer Quality Control

Positions within the Companies of the KONČAR – D&ST Group

Ferokotao –
Chairman of the Supervisory Board
PET – Chairman of the Supervisory Board

Education

Executive MBA
(COTRUGLI Business School)
2008: DSM, Economics
(University of Zagreb)
2002: Undergraduate studies, major in Energy Systems, Faculty of Electrical Engineering and Computing, University of Zagreb

2023: Senior Leadership Program
(IEDC – Bled School of Management)
2016: Strategic Management
(IEDC – Bled School of Management)
2014: Advanced Management Program
(IEDC – Bled School of Management)

Competencies

Design and development of power and distribution transformers, strategic management of technical development and innovation, quality control, integration of technical solutions with ESG requirements and regulations.



Martina Mikulić

Member of the Management Board
Director of the Distribution Transformers Profit Centre

Born in 1975

Experience and Responsibilities at KONČAR – D&ST

2016: Appointed Member of the Management Board and Director of the Distribution Transformers Profit Centre
Since 2011: Deputy Member of the Management Board and Technical Director of the Distribution Transformers Profit Centre
Since 2004: Held the position of Head of the Technical Office for Distribution Transformers
2003: Joined the company as a Power Transformer Design Engineer

Education

FBA Management Education
Programme – Fundamentals of Business Administration, Faculty of Economics and Business, University of Zagreb
2002: Postgraduate studies, Faculty of Electrical Engineering and Computing, University of Zagreb – Master's thesis: "Selection of Parameters for Grounding Transformers"
1998: Undergraduate studies, major in Electrical Engineering and Automation, Faculty of Electrical Engineering and Computing, University of Zagreb
During her studies, she received the Josip Lončar Bronze Medal for academic excellence.

Competencies

Design and development of power and distribution transformers, scientific research in the field of transformers, strategic management of technical development and innovation, development and implementation of energy-efficient, low-loss transformers, quality control, and integration of technical solutions with ESG requirements and regulations.



Dominik Trstoglavac

Member of the Management Board for Sustainability (CSO)
Director of Technical Development and Business Development

Born in 1981

Experience and Responsibilities at KONČAR – D&ST

2021 (April): Appointed Member of the Management Board responsible for Business Development, Product Development, Production Development, Investments, Maintenance, and Sustainability
2016: Technical Director of the Distribution Transformers Profit Centre
2011: Head of the Project Department, Distribution Transformers Profit Centre
2005: Joined the company as a Distribution Transformer Design Engineer

Positions within the Companies of the KONČAR – D&ST Group

Ferokotao – Member of the Supervisory Board

Education

2023: Senior Leadership Program – IEDC – Bled School of Management
2013–2015: Fundamentals of Business Administration (FBA – Fundamentals of Business Administration)
Trained as an internal auditor for ISO 9001 and ISO 14001 management systems
2004: Undergraduate studies, major in Energy, Faculty of Electrical Engineering and Computing, University of Zagreb.
Completed diploma thesis at the Institute for Energy Technology (IFE), Kjeller, Norway

Competencies

Design and development of transformers, strategic management of technical development and innovation, integration of technical solutions with ESG requirements and regulations, ESG management.





Kristina Dimitrov

Member of the Management Board for Finance and Procurement

Born in 1974

Experience and Responsibilities at KONČAR – D&ST

2024 (May): Appointed as the new Member of the Management Board for Finance and Procurement

Education

1998: Degree in Accounting and Auditing, Faculty of Economics and Business, University of Zagreb
2003: Certified Auditor
2007: Obtained ACCA membership (Association of Chartered Certified Accountants)
2012: Obtained Fellow Member status with ACCA

Competencies

Extensive multi-sectoral expertise in auditing, accounting, and taxation, including leadership of audit teams for both international and domestic companies across various sectors, in a director-level role. Certified Auditor and member of the Croatian Chamber of Auditors, as well as a Fellow Member of the Association of Chartered Certified Accountants (UK).



Mario Ljubić

Member of the Management Board
Director of the Medium Power Transformers Profit Centre

Born in 1978

Experience and Responsibilities at KONČAR – D&ST

2024 (April): Appointed Member of the Management Board and Director of the Medium Power Transformers Profit Centre
2016: Director of the Sales and Marketing Department, Medium Power Transformers Profit Centre
2012: Head of the Medium Power Transformers Sales Department
2007: Joined the company as a Procurement Specialist in the Procurement Department

Education

2013: Sales Management Academy – Mercury International
2012: Postgraduate studies in International Economics, Faculty of Economics and Business, University of Zagreb
2001: Graduated in Trade, Faculty of Economics and Business, University of Zagreb

Competencies

Trained as an internal auditor for ISO 9001 and ISO 14001 management systems; extensive knowledge of supply chain and market operations; integration of technical solutions with ESG requirements and regulations.



Petar Bobek

Member of the Management Board until 20 January 2024
Member of the Management Board of KONČAR d.d. since January 2024

Born in 1982

Experience and Responsibilities at KONČAR – D&ST

2021 (April): Assumed the role of Member of the Management Board responsible for the Medium Power Transformers Profit Centre
2018: Appointed Member of the Management Board responsible for Business Development, Product Development, Production Development, Marketing, Investments, and Maintenance
2015: Served as Director of Distribution Transformer Production
2013: Area Sales Manager
2008: Employed in budgeting and preparation of technical documentation for mechanical structures

Education

2023: Senior Leadership Program – IEDC – Bled School of Management
2008: Graduated from the Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb

Competencies

Since 2020: External lecturer for the course *Materials and Transformer Production Technology in the specialist study programme Transformers*, Faculty of Electrical Engineering and Computing, University of Zagreb.



Petar Vlaić

Member of the Management Board until 31 March 2024

Experience and Responsibilities at KONČAR – D&ST

2024 (April): Advisor to the Management Board
2001 (April): Appointed Member of the Management Board for Finance, Procurement, and Human Resources
1991 (September): Finance Director
1991 (March): Joined the newly established D&ST, following the restructuring of Rade Končar, as Head of Banking Relations

Positions within the Companies of the KONČAR – D&ST Group

Ferokotao – Member of the Supervisory Board
PET – Member of the Supervisory Board

Education

2020: Doctorate – Doctor of Business Administration, SBS Swiss Business School
2019: Postgraduate studies – Master in Applied Business Research, SBS Swiss Business School, Zurich
1997: Postgraduate studies – Master's Degree in Finance, Faculty of Economics and Business, University of Zagreb
1997: Certified Financial Auditor
1993: Licensed Broker – Zagreb Stock Exchange, HANFA
1990: Undergraduate studies, major in Macroeconomics, Faculty of Economics and Business, University of Zagreb

Competencies

Extensive experience and collaboration with the financial sector, expertise in auditing, procurement and market knowledge, human resources management, and ESG requirements and regulations.

STATEMENT ON DUE DILLIGENCE

GOV 4

The KONČAR – D&ST Group is committed to mitigating its negative impacts on the environment and society while enhancing its positive contributions. We conduct in-depth analysis to better identify and manage our environmental and social impacts in an appropriate manner. Below, we present the key elements of due diligence related to our governance and business processes, along with their location in the sustainability report.

CORE ELEMENTS OF DUE DILIGENCE	LOCATION IN THE SUSTAINABILITY REPORT
Embedding due diligence in governance, strategy, and business model	Managing sustainability Strategy and business model Policies related to material topics under the topical standards (E1, E2, E5, S1, S2, S4, G1)
Engaging with affected stakeholders in all key steps of the due diligence	Managing sustainability Double materiality Stakeholder engagement related to material topics under the topical standards (E1, E2, E5, S1, S2, S4, G1)
Identifying and assessing adverse impacts	Managing sustainability Double materiality Our material impacts, risks and opportunities related to topics under the topical standards (E1, E2, E5, S1, S2, S4, G1)
Taking actions to address those adverse impacts	Measures and actions related to material topics under the topical standards (E1, E2, E5, S1, S2, S4, G1)
Tracking the effectiveness of those efforts and communicating	Metrics and targets related to material topics under the topical standards (E1, E2, E5, S1, S2, S4, G1)



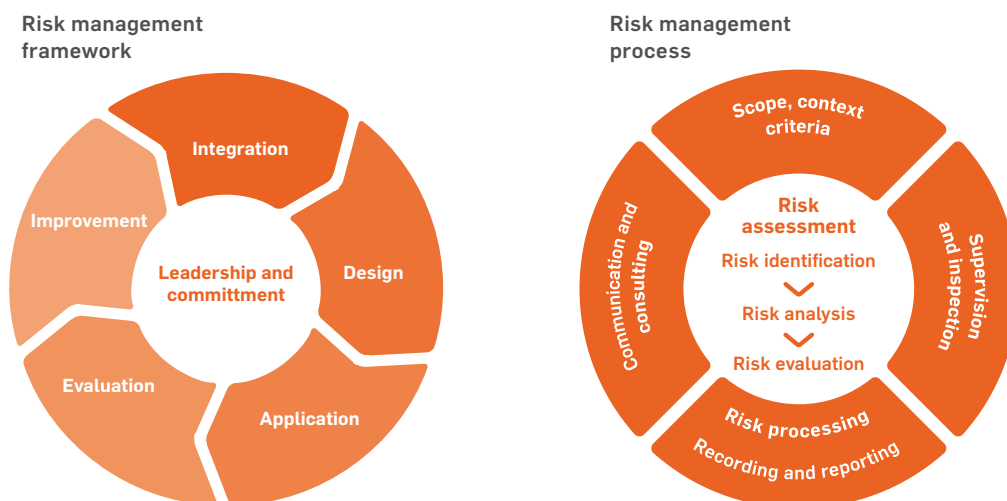
RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

GOV 5

In 2024, the parent company of the KONČAR – D&ST Group revised its Risk Management Regulations and Risk Management Policy, which are aligned with the ISO 31000:2018 standard (Risk Management – Guidelines) and the principles of ERM (Enterprise Risk Management). The scope of risk management includes strategic, operational, financial, and other risks, including sustainability-related risks. The risk management process is an integral part of governance at KONČAR – D&ST and of the decision-making process. It is embedded in all structures, operations, activities, and processes. Risk management is applied at the strategic level, operational level, and project level. The Management Board is responsible for the design, implementation, adaptation, improvement, and oversight of the risk management system.

According to the Policy, risk management within the Group is:

- integrated into all business processes and decision-making processes;
- structured and comprehensive, contributing to consistent and comparable results;
- tailored and aligned with the external and internal context of the company. It considers the Group's external and internal context and is based on the best available information;
- inclusive, involving a broad range of individuals – from the Management Board and Supervisory Board, through sector and area directors, managers and heads of departments and workshops, to all employees and external stakeholders;
- dynamic, as new risks may emerge, change, or disappear in accordance with changes in the external and internal context;
- based on the best available information, drawing from historical and current data as well as future expectations;
- grounded in an awareness of human and cultural factors;
- based on continuous improvement, as it is constantly enhanced through learning and experience.

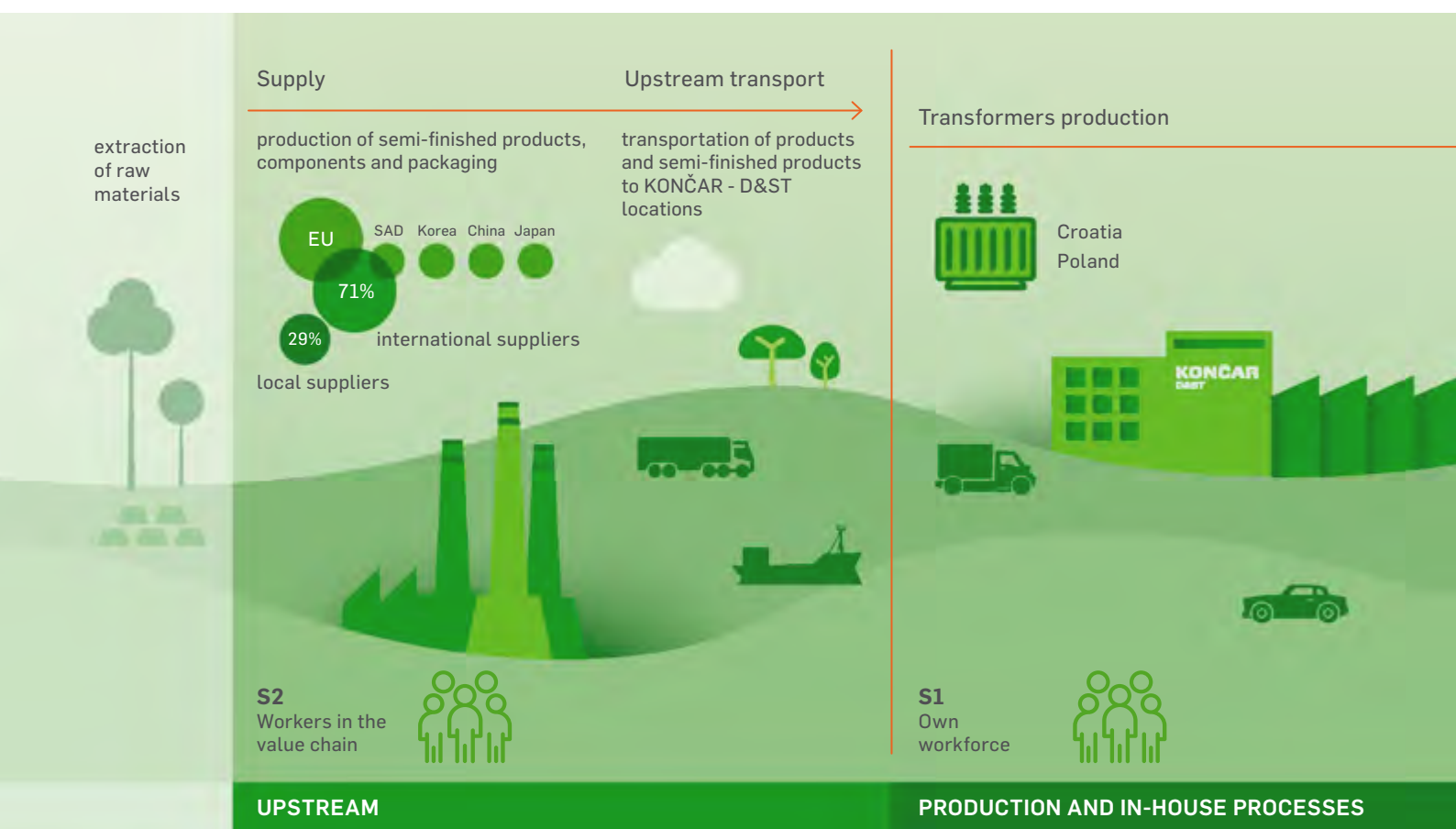


Considering the business strategy and objectives, KONČAR – D&ST determines a moderate (average) tendency to take risks. The lowest risk appetite applies to safety and compliance objectives, including employee health and safety. A slightly higher tendency towards risk is accepted in the area of strategic and operational objectives. This means that reducing risks originating from our systems, equipment, products, and working environment to reasonably practicable levels, and complying with legal obligations, will take precedence over other business objectives.

In line with the defined risk management methodology, the Risk Catalogue was revised at the end of 2024. The catalogue identifies, analyses, and evaluates the main strategic, operational, and financial risks, and defines measures for risk mitigation as well as the responsible persons for risk management (risk owners). Risks were identified across all organizational units of the Group.

The 2024 business year was marked by rising interest rates, high inflation, the ongoing Russian aggression against Ukraine, the war in Israel/Palestine, and unrest in the Middle East, all of which had significant impacts on the European and global economies. The Group responded appropriately to these risks, mitigating them through available measures and actions, and the 2024 business year concluded without any negative impact on the Group's financial performance. The risks are described in the chapter [Key Business Risks of the Group](#).

Strategy and business model



STRATEGY, BUSINESS MODEL AND VALUE CHAIN

ESRS 2, SBM-1, SBM-2

KONČAR – D&ST is the leading regional manufacturer of medium power, distribution, and special transformers, with a tradition spanning over 70 years. Our products are present in more than 110 countries worldwide, and each year we deliver over 10,000 transformers, creating value for shareholders, customers, employees, suppliers, and communities. We are focused on investment in research and development, relying on the expertise, innovation, professionalism, and responsibility of our employees, as well as the sustainability of our operations.

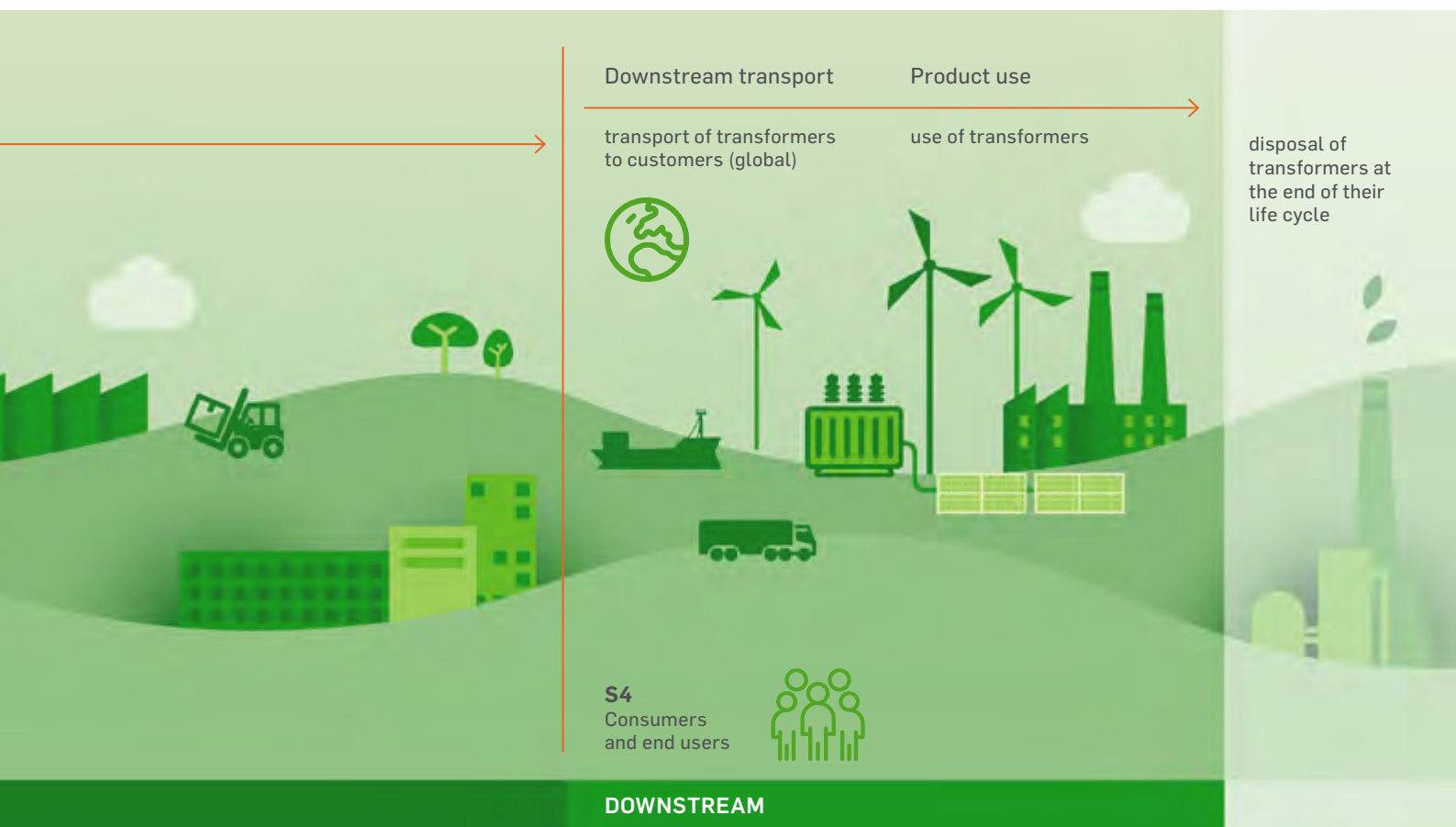
As a part of the KONČAR Group, KONČAR – D&ST aligns with the strategy titled People, Technologies, Investments – KONČAR 2030, which focuses on transforming the Group into a globally more prominent player with a digitalized portfolio of products, solutions, and services for the energy, transport, and industrial sectors.

We are committed to continuous growth and strengthening our position in the global market through several key strategic directions:

FOCUS ON INNOVATION AND TECHNOLOGICAL DEVELOPMENT	INVESTMENTS IN CAPACITY EXPANSION AND MARKET REACH	BUSINESS SUSTAINABILITY
<p>Research and development: Investing in R&D to continuously develop advanced and efficient transformers tailored to the specific needs of the market.</p> <p>Digitalization: Implementing advanced digital technologies and tools in the design, simulation, and production processes, increasing precision, reducing costs, and accelerating product development.</p>	<p>Significant investments in expanding production capacities to meet growing demand and ensure timely delivery of products.</p> <p>Internationalization: Expanding global market presence through partnerships and entry into new markets. Presence in more than 110 countries, with continuous efforts to penetrate new markets and attract new customers.</p>	<p>Sustainable development: Implementing a sustainable development strategy aimed at reducing environmental impact and promoting socially responsible business practices. Development of environmentally friendly solutions, improvement of product energy efficiency, and alignment with global sustainability standards.</p> <p>Management of impacts, risks, and opportunities: Identifying potential impacts, risks, and opportunities in operations and developing strategies to mitigate or avoid them.</p>

The further development strategy is described in the chapter Further Development Strategy.





Interests and views of stakeholders

Understanding the needs and perspectives of stakeholders is essential to our overall business operations. We invest in transparent relationships with key stakeholder groups and engage with them continuously throughout the business year. Interest and views of stakeholders, as well as engagement methods, are described in the chapter [Double Materiality](#). Additional details are provided within the topical standards later in this report, where applicable.

BUSINESS MODEL

KONČAR – D&ST operates as a joint stock company engaged in the design, production, installation, and servicing of distribution, special, and medium power transformers. The KONČAR – D&ST business model is based on a B2B (business-to-business) approach, with a focus on long-term cooperation with power utilities, industrial facilities, and infrastructure projects. The model consists of several key components:

VALUE PROPOSITION High-quality transformers with an emphasis on reliability and innovation. Custom-made solutions tailored to meet specific requirements of customers in the energy sector and industry.	KEY ACTIVITIES Design and development: Engineering team focused on designing and developing new products. Production: Manufacturing facilities with a high degree of automation and quality standards. After-sales support: Maintenance, servicing, and technical support services.
KEY RESOURCES Skilled and motivated employees Manufacturing facilities and modern technologies Strategic partners and suppliers of high-quality raw materials.	DISTRIBUTION CHANNELS AND CUSTOMER RELATIONS Direct sales and a network of distributors, both in domestic and international markets. Systematic and long-term customer relationships through consulting, technical support, and servicing.

Main products and services

The core business activities of KONČAR – D&ST include the development, sales, and production of oil-immersed distribution transformers up to 8 MVA and 36 kV, special transformers, and medium power transformers up to 160 MVA and 170 kV. Key markets and sales by country and product group are presented in the chapter [*Market Position and Sales by Country and Product Group*](#).

PRODUCTS

Oil-immersed distribution transformers, with rated power up to 8000 kVA and up to 36 kV:

- Conventional transformers with off-load tap changers
- Transformers with on-load tap changers
- Transformers for the energy transition (for photovoltaic solar power plants, cogeneration plants, EV charging stations, battery storage systems)
- Low carbon footprint transformers
- Transformers with reduced electromagnetic emissions

Dry-type distribution transformers, rated up to 5000 kVA and up to 24 kV

Special transformers:

- Network grounding transformers
- Auxiliary distribution transformers
- Rectifier transformers
- Traction transformers (for locomotives, electric multiple units, battery-electric multiple units)
- Transformers for metallurgical furnaces
- Vibration-resistant transformers
- Transformers for offshore power plants
- Autotransformers for various applications
- Railway transformers
- Transformers for mobile transformer stations

Compensation reactors, for metallurgical plants, rectifying devices, and short-circuit limitations and ground-fault current limitations

Medium power transformers up to 160 MVA and maximum voltage up to 170 kV:

- With on-load tap changers
- With off-load tap changers
- Without tap changers

SERVICES

Transformer servicing and repair



Total revenue

SALES REVENUE BY TYPE OF GOODS AND SERVICES		2024 EUR'000
Sales revenue of distribution and special transformers		179,347
Sales revenue of medium power transformers		256,064
Revenue from the sale of materials		22,906
Revenue from services		9,162
Total revenue from contracts with customers		467,479

SALES REVENUE BY GEOGRAPHICAL AREA		2024 EUR'000
Croatia		20,644
European Union countries		394,055
Bosnia and Herzegovina, North Macedonia, Serbia, and Montenegro		8,437
Other European countries		38,755
Africa		371
Asia		5,186
Other countries worldwide		31
Total revenue from contracts with customers		467,479

OTHER OPERATING INCOME		2024 EUR'000
Income from approved discounts, rebates, and similar		552
Inventory surpluses		175
Net gain from the sale of fixed assets		136
Rental income		35
Compensation for damages		22
Other income		962
Total other income		1,882

Details related to revenue are provided in the Consolidated Financial Report, chapter Consolidated Statement of Comprehensive Income, within this Consolidated Annual Report.

Sustainability strategy 2024–2026

In March 2024, KONČAR – D&ST adopted its first sustainability strategy. A dedicated team was formed to develop the strategy, involved in every stage of its preparation and working closely with consultants, while additional representatives from specific departments were engaged as needed. Representatives of KONČAR – D&ST also participated in the team responsible for developing the strategy at the KONČAR Group level. The sustainability strategy was adopted by the Management Board of KONČAR – D&ST, which is also responsible for regularly monitoring progress in achieving the defined sustainability goals.

The first KONČAR – D&ST sustainability strategy was developed in alignment with the eight priority areas defined at the KONČAR Group level – two related to the environment, four to society, and two to governance. These areas cover topics such as decarbonization of production, efficient resource use, circular economy, employee health, safety and development, diversity and equal opportunities, attracting and developing young talent, investment in the quality of life in local communities, and ethical and responsible governance, both within the company and throughout the supply chain. Strategic goals have been set within these areas, along with associated targets and performance indicators, described within the topical standards section of this sustainability report.

Double materiality

Double materiality assessment

ESRS 2, IRO-1, SBM 3

The KONČAR – D&ST Group conducted a double materiality assessment covering all locations to identify significant impacts, risks and opportunities within its own operations, as well as upstream and downstream value chain. The assessment was carried out in accordance with the European Sustainability Reporting Standards (ESRS) and the guidance of the European Financial Reporting Advisory Group (EFRAG). The process was designed and implemented in collaboration with external consultants and represents an enhancement of the process conducted in previous reporting periods.

Through variation analysis among the Group's companies, no significant differences were identified that would require a differentiated approach to the double materiality assessment. Although the Group does not implement centralized policies at the Group level, companies actively manage their operations through their own corporate policies, ensuring a consistent approach to key sustainability issues.

During this cycle, the topics identified as material to the KONČAR – D&ST Group remained consistent with previous materiality assessments. However, the definitions of certain topics were modified and/or regrouped to align with the topics and subtopics defined under ESRS, as well as across all Group companies.

A comprehensive catalogue of impacts, risks and opportunities was ultimately compiled as a living document to be monitored and updated as needed—depending on new insights, examples of good practice, emerging regulatory and methodological guidance, and organizational changes. Material topics were approved by the Management Board of KONČAR – D&ST and confirmed for other Group companies during Supervisory Board meetings. Details on each topic are available in the related topical standards. The key stages of the double materiality assessment process are described below:

- **Phase 1: Our 2024 approach**
- **Phase 2: Impact materiality assessment**
- **Phase 3: Financial materiality assessment**
- **Phase 4: Consolidation and detailed description of material topics**

Phase 1: Our 2024 approach.

In the first phase, the framework and approach to the double materiality assessment were defined, considering regulatory requirements, market trends, business activities and the value chain, as well as the organization's strategic priorities and current sustainability management challenges. The process was aligned as much as possible with internal capacities and existing management systems, thereby establishing a strong methodological foundation for the subsequent phases of the assessment and for enhancing the process in future years.

To ensure a comprehensive double materiality assessment, employees and key departments of the company were actively engaged. This enabled the double materiality concept to become embedded throughout the organization while directly enhancing internal capabilities in addressing ESG matters. This approach shifts the focus of the double materiality assessment from being solely a regulatory obligation to becoming a management tool - serving sustainable and strategic decision-making across the entire organization.

The double materiality assessment involved all key departments of the KONČAR – D&ST parent company, ensuring interdisciplinary collaboration and knowledge sharing across departments and different levels of responsibility. Participants included representatives and senior roles from manufacturing, quality control, sales, procurement, legal affairs, finance and controlling, maintenance, design, development, human resources, marketing, IT, service, and after-sales support. The companies Ferokotao and PET were involved through ESG contact points and Management Board representatives, who were continuously informed about the process and actively engaged in the consideration of issues related to the double materiality assessment. A total of 60 individuals were involved, including managers, heads of departments, and other employees with expertise in specific sustainability topics, as well as external consultants who advised the company throughout the process. The material topics were ultimately approved by the Management Board of KONČAR – D&ST and confirmed during Supervisory Board meetings of the relevant companies.

Value Chain

As part of the double materiality assessment, a detailed mapping of the KONČAR – D&ST Group's value chain was conducted. This process encompassed seven key phases: (1) raw material extraction, (2) procurement of products and services, (3) upstream transportation, (4) production/in-house processes, (5) downstream transportation, (6) product use, and (7) end of product life cycle. The goal of this



approach was to identify potential and actual impacts, risks and opportunities across the entire value chain, providing a comprehensive view of our business ecosystem. Although impacts, risks and opportunities were mapped throughout all phases and are part of the extended catalogue, the scope of the assessment was limited to those segments over which the Group has direct influence and/or control. Therefore, the first phase (raw material extraction) and the final phase (end of product life cycle) were excluded from the detailed assessment, as they are outside the company's immediate reach. This approach enabled us to more accurately identify and prioritize the areas where we can effectively act to enhance the sustainability of our operations.

Interests and views of stakeholders

ESRS 2, SBM-2

As part of its business activities, the KONČAR – D&ST Group actively engages a wide range of internal and external stakeholders, including suppliers, customers, investors, regulatory bodies, and representatives of the local community. Maintaining regular communication with different stakeholder groups throughout the year ensures the identification and understanding of challenges and opportunities, and helps ensure that stakeholder views and expectations inform the double materiality assessment process. Stakeholder engagement is essential for continuously adapting sustainability management to reflect the latest scientific findings, regulatory requirements, and market developments.

The KONČAR – D&ST Group has established internal procedures for identifying stakeholders with whom profit centers, shared services, employees, and company bodies interact most frequently in their day-to-day activities. Key stakeholders are defined based on their influence on the business and the value creation of KONČAR – D&ST. This also includes stakeholders on whom our business has, or could have, a significant positive or negative impact. In addition to stakeholders with whom ongoing relationships are maintained, external experts were also engaged through one-on-one interviews to provide expert insights on specific sustainability topics.

Insights gained from stakeholder engagement were used to validate and prioritize the identified impacts, risks and opportunities, ensuring that the final assessment reflects not only the Group's internal perspective but also the broader viewpoint of the relevant stakeholder ecosystem. Engagement methods included surveys, interviews, workshops, training sessions, participation in industry forums, public consultations, direct consultations, and more.

It is important to emphasize that the Group recognizes the need for continuous improvement in this area, particularly in terms of collecting primary data across the value chain. In the coming years, we plan to enhance our processes for identifying, engaging with, and managing relationships with stakeholders on whom we have a significant impact. This will include further development of methodologies and the application of tools for assessing and monitoring impacts, risks and opportunities, expanding communication channels, and implementing targeted joint programs to mitigate negative and strengthen positive effects of our operations.

This comprehensive and progressive approach enables us to balance business priorities with our social responsibility, ensuring that our activities create positive value not only for the company but also for the broader community in which we operate, while continuously improving our practices concerning stakeholders on whom we have a significant impact.

Key stakeholder groups



Stakeholders	Stakeholder Needs and Expectations	Communication and Engagement
CUSTOMERS	<ul style="list-style-type: none"> • Product quality and related services • Adherence to deadlines and contractual obligations • Customer relationship management and complaint handling mechanisms • Continuous product development and improvement • Management systems • Sustainability improvements • Business ethics • Privacy protection 	<ul style="list-style-type: none"> • Direct communication • Regular meetings, discussions, and customer visits • Annual customer satisfaction survey • Surveys on the importance of specific sustainability topics • Analysis and resolution of complaints • Annual financial and sustainability reports • Trade fairs and industry events • Official website, LinkedIn
EMPLOYEES	<ul style="list-style-type: none"> • Adequate wages and compensation • Health and safety in the workplace • Secure employment • Personal development, training, and skills enhancement • Business stability • Non-discrimination and equal opportunities • Gender equality • Respect for human rights • Healthy corporate culture • Anti-corruption efforts • Whistleblower reporting and protection 	<ul style="list-style-type: none"> • Direct communication • Employee satisfaction surveys • Surveys on employee views regarding targeted sustainability (social) topics • Education and training programmes • Direct meetings with managers • Meetings with employee representatives • Annual financial and sustainability reports • Intranet, official website, LinkedIn
STAKEHOLDERS	<ul style="list-style-type: none"> • Business strategy • Profitability • Growth in share value • Dividend payments • Business growth and sustainability 	<ul style="list-style-type: none"> • Direct communication • General assembly • Annual financial and sustainability reports • Official website, LinkedIn
SUPPLIERS	<ul style="list-style-type: none"> • Stability and long-term business relationships • Clear and timely communication • Flexibility and quality collaboration • Business growth and sustainability 	<ul style="list-style-type: none"> • Direct communication • Regular meetings • Workshops • Participation in trade fairs • Official website, LinkedIn
STATE INSTITUTIONS	<ul style="list-style-type: none"> • Payment of taxes, contributions, and fees • Compliance with legal regulations • Reporting 	<ul style="list-style-type: none"> • Direct communication • Annual financial and sustainability reports • Official website, LinkedIn
FINANCIAL INSTITUTIONS	<ul style="list-style-type: none"> • Fulfilment of contractual obligations • Long-term cooperation • Sustainability improvements • Business ethics 	<ul style="list-style-type: none"> • Direct communication • Regular meetings • Conferences • Annual financial and sustainability reports • Official website, LinkedIn
BUSINESS PARTNERS	<ul style="list-style-type: none"> • Long-term cooperation and partnership • Business strategy • Business sustainability • Business ethics 	<ul style="list-style-type: none"> • Direct communication • Regular meetings • Conferences • Annual financial and sustainability reports • Official website, LinkedIn
EDUCATION INSTITUTIONS	<ul style="list-style-type: none"> • Research and development projects • Opportunities for students / internships • Scholarship requirements • Employment opportunities for young people • Business sustainability • Business ethics 	<ul style="list-style-type: none"> • Direct communication • Meetings • Media announcements • Joint activities • Conferences • Sustainability reports • Official website, LinkedIn
LOCAL COMMUNITIES	<ul style="list-style-type: none"> • Investment in local initiatives • Protection and responsible use of resources 	<ul style="list-style-type: none"> • Donations and sponsorships • Volunteer programmes • Media announcements • Annual financial and sustainability reports • Official website, LinkedIn

Data sources

The mapping of actual and potential impacts, risks and opportunities was carried out using a wide range of internal and external data sources. Internal data sources include information systematically collected through sustainability and general business management procedures, providing detailed insight into the Group's operational aspects and performance. These data encompass operational metrics and the results of internal analyses. External sources enabled the contextualization of our activities within the broader societal and market environment. These sources include scientific publications, market research, regulatory framework analyses, reports by



independent experts on key sustainability issues within the industry, and benchmarking studies that allow comparisons with industry peers. The combination of internal and external data sources provided a robust basis for the double materiality assessment and highlighted the segments that, in the coming years, will require further in-depth verification using primary data.

Phase 2: Impact materiality assessment

Impact materiality assessment was conducted thoroughly and systematically. A top-down approach was applied, which included mapping all topics and subtopics available under the ESRS standards and evaluating them across the entire value chain. This step ensured that we captured the full spectrum of actual and potential impacts relevant to our business. A total of 150 actual and potential impacts (both positive and negative) were mapped within environmental, social, and governance topics and subtopics. The impacts were assessed across short-, medium-, and long-term time horizons, in line with ESRS definitions. For each impact, we evaluated its scale, scope, and likelihood, as well as the time frame in which potential impacts might occur, and the degree of irreversibility in the case of negative impacts. The nature of each identified impact was also analyzed, considering three key categories: impacts directly caused by our activities, impacts linked to our business relationships, and impacts to which we contribute through our products.

Phase 3: Financial materiality assessment

Financial materiality assessment was based on the existing risks and opportunities management system of the KONČAR – D&ST Group, with an expansion that included the formation of a dedicated climate risks and opportunities assessment team. This team played a key role in integrating climate-related matters that had not previously been covered in the standard risk catalogue, ensuring a comprehensive analysis in line with the latest ESG requirements. A detailed description of the climate risk assessment process is available under E1 – Climate Change.

As part of the assessment, the existing risks from KONČAR – D&ST Group's risk catalogue were mapped and aligned with the ESRS topics and the previously identified impacts catalogue, ensuring coherence across different materiality assessment aspects. In line with the current risk management system, financial impacts were classified into three categories – low, medium, and high – based on the estimated effect on operating profit or loss. Likelihood was defined on a scale from 1 to 5. Risk assessments are regularly conducted as part of the annual and strategic planning processes of the company, and more frequently if needed. Due to their significance, climate-related risks and opportunities were additionally assessed over short-, medium-, and long-term timeframes.

Phase 4: Consolidation and detailed description of material topics

Impacts, risks, and opportunities (IROs) that met the threshold for impact materiality or financial materiality were consolidated into a final list of material topics, which formed the basis for defining the reporting data points for 2024. This list serves as the foundation for our 2024 sustainability reporting, ensuring that we focus on the most relevant aspects of our operations. The material topics, along with detailed descriptions of associated impacts, risks, and opportunities, were presented to the Management Board of KONČAR – D&ST for adoption. Following a thorough review and discussion, the Management Board approved the final list, confirming their relevance to the Group's strategy and operations. The approved topics were also confirmed by the Supervisory Boards of the companies Ferokotao and PET. The list of material topics is available within this disclosure. In this reporting cycle, the Group chose to focus solely on the topics defined under the ESRS standards, without including any additional entity-specific topics.

Uncertainty in assessment and process enhancement

The KONČAR – D&ST Group recognizes the uncertainties associated with the double materiality assessment, especially in the context of rapidly changing global challenges and interconnected crises. Our assessment is based on currently available information and methodologies, while making full use of internal knowledge and resources. Experts from various Group departments actively contributed to the process, ensuring in-depth understanding of our business and industry context. Despite this thorough approach, we acknowledge the dynamic nature of sustainability issues and the need for continuous improvement of the process. In the upcoming period, we plan to implement the following measures to further enhance the accuracy and robustness of our assessment:

- Improvement of primary data collection across the value chain
- Enhancement of methodologies for quantifying financial impacts
- Ongoing training of the internal double materiality team on the latest practices, standards, and methodologies/tools

Through this approach, we aim to reduce uncertainty in our assessments and ensure that our double materiality process remains relevant and reliable in the dynamic landscape of sustainable business.

OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES: OVERVIEW

ESRS 2, SBM-3

Overview of material impacts, risks and opportunities			Value chain	Time horizon	Page
E1 – CLIMATE CHANGE					42
NEGATIVE IMPACT – ACTUAL	GHG emissions		Upstream Own operations Downstream	Short- to long-term	
POSITIVE IMPACT – ACTUAL	GHG emissions reduction	(linked to E5 – Resource use and circular economy)	Upstream Own operations Downstream	Short- to long-term	
POSITIVE IMPACT – ACTUAL	Energy efficiency and renewable energy		Own operations	Short- to long-term	
POSITIVE IMPACT – ACTUAL	Low-loss products (transformers)		Own operations	Short- to long-term	
PHYSICAL RISK	Disruption of operations due to extreme weather events	(linked to S1 – Own workforce)	Own operations	Short- to long-term	
PHYSICAL RISK	Delays in raw material deliveries	(linked to E5 – Resource use and circular economy)	Upstream	Short- to long-term	
TRANSITION RISK	Increase in raw material prices	(linked to E5 – Resource use and circular economy)	Upstream	Medium- to long-term	
TRANSITION RISK	Business adaptation costs	(linked to E5 – Resource use and circular economy)	Own operations Downstream	Medium- to long-term	
TRANSITION RISK	Decarbonization of production processes		Own operations	Medium- to long-term	
TRANSITION RISK	Increase in energy prices		Own operations	Medium- to long-term	
TRANSITION RISK	Mismatch between technical and environmental requirements of customers	(linked to E5 – Resource use and circular economy)	Own operations Downstream	Medium- to long-term	
OPPORTUNITIES					
PRODUCTS AND SERVICES	Increased demand for transformers	(linked to E5 – Resource use and circular economy)	Own operations Downstream	Medium- to long-term	
PRODUCTS AND SERVICES	Product adaptation to climate extremes		Own operations Downstream	Medium- to long-term	
RESILIENCE	Active collaboration with suppliers		Upstream Own operations	Short- to long-term	
RESILIENCE	Infrastructure adaptation	(linked to E5 – Resource use and circular economy)	Own operations	Medium- to long-term	
E2 – POLLUTION					55
POSITIVE IMPACT – ACTUAL	Systematic environmental management		Own operations	Short- to long-term	
NEGATIVE IMPACT – POTENTIAL	Transformer oil leakage	(linked to E5 – Resource use and circular economy)	Own operations	Short- to long-term	
E5 – RESOURCE USE AND CIRCULAR ECONOMY					60
POSITIVE IMPACT – ACTUAL	Reducing the need for mining of raw materials	(linked to E2 – Pollution)	Upstream Own operations	Short- to long-term	
POSITIVE IMPACT – ACTUAL	Efficient management of resources inflows and waste	(linked to E2 – Pollution)	Own operations	Short- to long-term	
RISK	Unstable availability and rising prices of raw materials		Own operations	Short- to long-term	



S1 – OWN WORKFORCE				81
POSITIVE IMPACT – ACTUAL	Secure employment		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Adequate wages		Own operations	Short- to long-term
NEGATIVE IMPACT – POTENTIAL	Excessive working hours due to increased demand and labor shortages		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Employee health and safety		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Work-life balance		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Gender equality and equal pay for work of equal value		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Continuous training and employee development		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Measures against violence and harassment in the workplace	(linked to G1 – Business conduct)	Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Prohibition of child and forced labor	(linked to G1 – Business conduct)	Own operations	Short- to long-term
RISK	Workforce turnover and labor shortages		Own operations	Short- to long-term
RISK	Compromised employee health and safety		Own operations	Short- to long-term
RISK	Risk of discrimination and violation of workers' rights		Own operations	Short- to long-term
RISK	Lack of trust in grievance mechanisms	(linked to G1 – Business conduct)	Own operations	Short- to long-term
S2 – WORKERS IN THE VALUE CHAIN				98
POSITIVE IMPACT – ACTUAL	Contribution to secure employment and adequate wages		Upstream	Short- to long-term
POSITIVE IMPACT – ACTUAL	Contribution to occupational health and safety across the value chain		Upstream	Short- to long-term
NEGATIVE IMPACT – POTENTIAL	Violations of labor and human rights in the value chain		Upstream	Short- to long-term
S4 – CONSUMERS AND END-USERS				104
POSITIVE IMPACT – ACTUAL	Collaboration and product development		Downstream	Short- to long-term
POSITIVE IMPACT – ACTUAL	Product quality and safety, and customer information		Downstream	Short- to long-term
POSITIVE IMPACT – ACTUAL	Protection of customer data		Downstream	Short- to long-term
RISK	Product safety		Downstream	Short- to long-term
G1 – BUSINESS CONDUCT				111
POSITIVE IMPACT – ACTUAL	Clearly defined and ethically grounded corporate culture		Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Availability of grievance mechanisms and whistleblower protection	(linked to S1 – Own workforce)	Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Maintaining fair and transparent relationships with suppliers		Upstream Own operations	Short- to long-term
RISK	Delayed detection of corruption and/or inadequate response		Upstream Own operations	Short- to long-term
RISK	Erosion of trust in whistleblowing channels	(linked to S1 – Own workforce)	Own operations	Short- to long-term

A detailed description of the topics, along with the related impacts, risks, and opportunities, is provided within the corresponding thematic reporting requirements in the following sections of this Sustainability report.

ENVIRONMENT

- 41 E1 Climate change
- 54 E2 Pollution
- 59 E5 Resource use and circular economy
- 67 EU Taxonomy



E1

Climate change

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
GOV-3	Integration of sustainability-related performance in incentive schemes	ESRS 2 – General disclosures: Managing sustainability	23
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	E1 – Climate change: Our material impacts, risks and opportunities	42-43
		ESRS 2 – General disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	E1 – Climate change: Our material impacts, risks and opportunities	34-37
		ESRS 2 – General disclosures: Double materiality	44
E1-1	Transition plan for climate change mitigation	E1 – Climate change: Our management approach	45
E1-2	Policies related to climate change mitigation and adaptation	E1 – Climate change: Our management approach	45-46
E1-3	Actions and resources in relation to climate change policies	E1 – Climate Change: Measures and actions	53
E1-4	Targets related to climate change mitigation and adaptation	E1 – Climate Change: Metrics and targets	47
E1-5	Energy consumption and mix	E1 – Climate Change: Metrics and targets	48
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	E1 – Climate Change: Metrics and targets	47
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	Not applicable	-
E1-8	Internal carbon pricing	Not applicable	-
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Application of the phasing-in provision	-

OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, IRO-1, SBM-3

IMPACTS			Value chain	Time horizon
MITIGATION AND ADAPTATION				
NEGATIVE IMPACT – ACTUAL	GHG emissions	GHG emissions across all stages of the value chain include emissions from the production of semi-finished products and components, upstream and downstream transportation, manufacturing processes, and emissions associated with the use of transformers.	Upstream Own operations Downstream	Short- to long-term
POSITIVE IMPACT – ACTUAL	GHG emissions reduction	By reducing GHG emissions in production through increased energy efficiency and the procurement and generation of energy from renewable sources, the KONČAR – D&ST Group contributes to climate change mitigation. We design transformers in accordance with the standards and requirements of the EU Eco-design Directive, thereby reducing environmental and climate impacts (linked to E5 – Resource use and circular economy).	Upstream Own operations Downstream	Short- to long-term
ENERGY				
POSITIVE IMPACT – ACTUAL	Energy efficiency and renewable energy	Investments in energy-efficient technologies and the optimization of energy consumption in buildings and facilities aim to reduce overall energy use. For its production processes, the KONČAR – D&ST Group procures electricity from renewable sources and covers a portion of its consumption through its own photovoltaic power plant.	Own operations	Short- to long-term
POSITIVE IMPACT – ACTUAL	Low-loss products (transformers)	Energy-efficient transformer design reduces losses and energy consumption during use. We manufacture low-loss transformers and use the best available materials for their active parts (windings and core). (linked to E5 – Resource use and circular economy)	Own operations	Short- to long-term
PHYSICAL AND TRANSITION RISKS				
PHYSICAL RISK	Disruptions of operations due to extreme weather	Operations disruption due to extreme weather events that may damage facilities and infrastructure (e.g., strong winds and heavy rainfall) or affect employee health and safety (e.g., heatwaves). (linked to S1 – Own workforce)	Own operations	Short- to long-term
PHYSICAL RISK	Delays in raw materials deliveries	Challenges in raw material transport due to the impact of climate change on transport routes. Climate change further increases the complexity of European supply chains. (linked to E5 – Resource use and circular economy)	Upstream	Short- to long-term
TRANSITION RISK	Increase in raw material prices	Increase in the prices of key materials as a result of regulatory changes related to climate change, leading to higher operational costs. (linked to E5 – Resource use and circular economy)	Upstream	Medium- to long-term
TRANSITION RISK	Business adaptation costs	Business adaptation costs due to customer demands for sustainable supply chains and products with minimal environmental impact. (linked to E5 – Resource use and circular economy)	Own operations Downstream	Medium- to long-term
TRANSITION RISK	Decarbonization of production processes	Investments in new technologies to increase energy efficiency and reduce emissions may significantly raise capital expenditures (pressures arising from the need to decarbonize production processes).	Own operations	Medium- to long-term
TRANSITION RISK	Increase in energy prices	Rising energy prices due to physical and transition risks in the power sector further increase energy costs for industry and consumers.	Own operations	Medium- to long-term
TRANSITION RISK	Mismatch between technical and environmental requirements of customers	Customer technical and environmental requirements are not aligned, meaning it is not always possible to deliver a product that simultaneously meets both sets of expectations. (linked to E5 – Resource use and circular economy)	Own operations Downstream	Medium- to long-term



OPPORTUNITIES				
PRODUCTS AND SERVICES	Increased demand for transformers	Increased demand for transformers driven by the acceleration of the green transition.	Own operations Downstream	Medium- to long-term
PRODUCTS AND SERVICES	Product adaptation to climate extremes	Significantly heightened requirements for product design adapted to the climate conditions of the installation location and its operating regime (e.g. rising ambient temperatures, prolonged periods of heavy overload, etc.).	Own operations Downstream	Medium- to long-term
RESILIENCE	Active collaboration with suppliers	Active collaboration and relationship management with suppliers to better understand the challenges and changes in the supply chain related to transition and physical risks.	Upstream Own operations	Short- to long-term
RESILIENCE	Infrastructure adaptation	Upgrading and maintaining infrastructure to improve resilience to climate change.	Own operations	Medium- to long-term

We recognize the urgency of addressing the challenges related to climate change and our share of responsibility in reducing negative impacts while maximizing positive ones. The green transition and the growing need for energy independence have led to a significant increase in demand for transformers. Additionally, customers, investors, and other stakeholders in the transformer market have become increasingly sensitive to environmental impacts over the years, resulting in higher demand for sustainable products – presenting numerous opportunities, but also challenges.

Our business strategy is focused on sustainability and resilience in the context of material impacts, risks, and opportunities associated with climate change and resource management. As a transformer manufacturer, we are aware that our value chain – from materials procurement to production and delivery – has environmental and social impacts. At the same time, our sector plays a vital role in the energy transition, enabling a stable and efficient distribution of electricity from both renewable and conventional sources.

To minimize the impact of our activities, we are focused on increasing energy efficiency, producing and consuming energy from renewable sources, optimizing resource use, and designing low-loss transformers. Our resilience to potential risks depends on regulatory frameworks, technological progress, and effective collaboration with customers and partners throughout the value chain. We continuously monitor developments in the sector and adapt our operations to seize the opportunities presented by the energy transition and ensure the long-term sustainability of our business.

Although KONČAR – D&ST Group has already launched a number of initiatives and projects aimed at climate change mitigation and adaptation, and has integrated climate objectives into its strategic documents, we are aware that a highly complex and challenging future lies ahead—one that will require a new set of data and knowledge to better understand the risks and opportunities related to climate change, as well as an upgrade of management processes.

As part of the double materiality assessment, and in order to ensure a stronger foundation for future analysis and management, employees and relevant departments were extensively engaged, thereby directly strengthening internal capacities in matters related to climate change. The assessment process is aligned with the Group's existing risk management system and serves as a basis for updating the risk catalogue. External experts were also involved in the process, and their insights and feedback further contributed to understanding the risks and opportunities associated with climate change. Certain stakeholder groups, such as customers and suppliers, are continuously engaged through regular collaboration and dialogue. Their insights help in understanding trends and challenges associated with climate change, assessing the impact of climate change on business activities, identifying potential vulnerabilities, and defining adaptation measures. Regular communication with key stakeholders supports the timely identification of new risks and opportunities, as well as the adaptation of sustainability management in line with the latest scientific knowledge, regulatory requirements, and market developments.

All material physical and transition risks and opportunities related to climate change are listed in the previous table.

Qualitative approach

Given the uncertainties inherent to climate projections and the associated risks and opportunities, the first year of the assessment focuses on a qualitative or narrative-based approach. The qualitative analysis assesses the severity of climate-related risks and opportunities by determining whether they pose a low, medium, or high impact on business operations, while financial impacts are expressed at a general level. In future iterations, depending on the availability and quality of data, quantitative analyses involving more complex financial assessments will also be applied.

Value chain

Although an initial identification of potential physical and transition risks across the entire value chain has been conducted, more detailed assessments of identified hotspots will need to be carried out in the coming years. This includes systematic collection of primary data from key parts of the value chain, with a focus on identifying specific exposures, sensitivities, and adaptive capacities of each segment. Special attention must be given to the assessment of Tier 1 suppliers, transport routes, and key raw materials and markets to ensure business resilience against long-term climate challenges and regulatory changes. This approach will enable more precise risk and opportunity mapping and the development of targeted measures to mitigate impacts and enhance the sustainability of the overall business model.

Time horizon

Climate-related risks and opportunities have been assessed across three time horizons: short-term, medium-term, and long-term. The definitions of these timeframes are aligned with the requirements of the European Sustainability Reporting Standards (ESRS).

Tools and data

External, publicly available reports, data sources, and climate models were used to support the understanding of exposure to physical and transition risks. In the future, the assessment will be further developed by more advanced tools and datasets, including adaptation of existing climate scenarios and detailed financial analyses. In parallel, and for the purpose of alignment with the technical screening criteria of the Taxonomy Regulation, the KONČAR Group conducted a Climate and Environmental Risk Assessment (CERA) of the Group's assets and activities, which was completed in December 2024. The analysis was used to validate the assessment of key hazards for the segment of the value chain related to production, i.e., in-house processes.

Climate-related hazards assessment

An assessment of exposure to climate-related hazards was conducted for the operational locations of the KONČAR – D&ST Group. The aim of this analysis was to improve the identification of specific hazards faced by these locations and their operational processes, to better understand the potential impacts of climate change on the company's business operations (including infrastructure and employees). Publicly available data, analyses, and tools were used, considering historical trends, current conditions, and future exposure to climate-related hazards under selected climate scenarios. The analysis focused on the locations of the City of Zagreb and Donji Kraljevec in Croatia, and Poznań in Poland. Ultimately, six relevant climate-related hazards were identified (five acute and one chronic), which then served as the basis for assessing potential risks and opportunities for the company's operations. The Climate and Environmental Risk Assessment (CERA) of the KONČAR Group confirmed the internal assessment for the City of Zagreb and enabled a more detailed understanding of exposures within in-house operations (production processes).

Forward-looking approach

To assess climate-related risks and opportunities under different warming scenarios, scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS) were used. Two contrasting scenarios were applied to assess physical and transition risks – one pessimistic and one optimistic.

Physical risks: For the assessment of physical risks, the IPCC RCP 8.5 and NGFS "Hot House World" pessimistic scenarios were used. These project high levels of greenhouse gas emissions with minimal global mitigation efforts. They assume accelerated global warming throughout the 21st century, which may result in increased frequency and intensity of heatwaves, droughts, extreme storms, and floods. Physical risks may directly affect the operational stability of the company, supply chains, resource availability, and the safety of infrastructure and employees.

Transition risks: To assess transition risks, the optimistic IPCC RCP 2.6 and NGFS "Low Demand" scenarios were analyzed. These assume strong global cooperation and the implementation of ambitious greenhouse gas emission reduction measures. The scenarios project the achievement of global climate neutrality by around 2050, with a strong emphasis on decarbonization across key sectors. In this context, transition risks include regulatory changes, the introduction of carbon pricing, shifts in demand for products and services, and the need for technological innovations and business model adaptations.

Transition plan for climate change mitigation

E1-1

The KONČAR – D&ST Group has not yet adopted a formal transition plan for climate change mitigation and adaptation, in accordance with requirement E1-1. However, recognizing the importance of alignment with global climate goals, analyses and preparations for its development are currently underway. The transition plan is scheduled to be defined by the end of 2025.



OUR MANAGEMENT APPROACH

Policies related to climate change mitigation and adaptation

E1-2

The management of climate-related matters is integrated into the Environmental Protection and Occupational Health and Safety Policy. At present, there is no identified need for a separate climate policy, as the key aspects of managing climate-related risks and impacts are already addressed through existing policies and processes.

Our approach is based on reducing greenhouse gas emissions, improving energy efficiency, and increasing the use of energy from renewable sources. Special attention is given to optimizing the energy efficiency of our products, with continuous alignment to new legislative and regulatory requirements, including eco-design regulations. The aim of these activities is not only to ensure compliance with environmental protection standards but also to contribute to the overall reduction of CO₂ emissions and resource efficiency within our operations.

We continue to monitor regulatory developments and assess the need for further improvement of climate-related policies, in line with carbon footprint reduction targets and the transition to a circular economy.

MEASURES AND ACTIVITIES

E1-3

Energy is a significant and essential resource for the operations of KONČAR – D&ST and may represent a substantial cost for conducting business activities. In addition to economic costs, high energy consumption—particularly from non-renewable sources—can have negative impacts on the environment and climate, as well as on the broader society. Accordingly, we are committed to improving the energy efficiency of our own production processes and to managing energy use responsibly. Monitoring and managing energy consumption, along with other environmental aspects, is carried out daily in accordance with the ISO 14001:2015 environmental management standard.

Electricity from renewable sources

Energy management and emissions reduction at KONČAR – D&ST are focused on the use of electricity from renewable sources and on increasing the production of electricity from our own photovoltaic power plants. The plan is to continue reducing overall energy consumption as well as energy intensity.

Since October 2019, KONČAR – D&ST has been a holder of the ZelEn mark, through which HEP Opskrba certifies that the purchased electricity is generated exclusively from renewable sources—thereby contributing to the reduction of greenhouse gas emissions. In 2024, 100% of the company's electricity consumption came from renewable sources, with the majority sourced through the purchase of green electricity (ZelEn) and 22% generated from the company's own 1.1 MW photovoltaic power plant, commissioned at the end of 2022.

In 2024, there was a notable increase in the use of electricity from the company's photovoltaic plant, which generated 1,422.98 MWh of electricity. Of this, KONČAR – D&ST consumed 1,099.76 MWh (77%), other companies at the site consumed 245.53 MWh (17%), and 77.69 MWh (5.46%) was delivered to the electricity supplier. In 2024, preparatory work began for the expansion of the photovoltaic power plant at the KONČAR – D&ST site. Construction work is expected in 2025, which will increase capacity and cover a larger share of the company's electricity needs.

In early August 2024, the company Ferokotao commissioned a photovoltaic power plant for trial operation, which is expected to cover 68.86% of Ferokotao's electricity needs. The anticipated annual production is 1,666,214 kWh.

Heat pumps

Linked to S1

In 2024, work was carried out to modernize the heating and cooling systems in selected production halls through the installation of heat pumps. This system will enable more energy-efficient heating during the winter months and cooling during the summer, significantly improving working conditions for employees, especially during periods of extreme temperatures and heatwaves.



Higher-efficiency transformers

Linked to E5

Energy efficiency is important not only in production processes and daily operations within KONČAR – D&ST but also in delivering products with lower energy losses—i.e., more energy-efficient transformers for our customers. Our products comply with the Eco-design Directive 2009/125/EC and the Commission Regulation on Eco-design (EU) No. 548/2014. The objectives of eco-design include improving energy efficiency and aligning with environmental protection requirements, thereby reducing CO₂ emissions. The regulation focuses on minimizing transformer energy losses and on clear, visible labeling of technical characteristics.

To successfully meet these requirements, we collaborate closely with end customers and partners, strive for the development and application of new materials and technologies, and continuously invest in the design and development of higher-efficiency transformers. Product specifications are defined based on customer requirements, to which production is adapted, while the future focus will be on further reducing energy losses.

Since 2019, KONČAR – D&ST has been highly active in the field of product carbon footprint (CFP) calculation, in collaboration with SGS Search. That year, the first CFP study was developed in accordance with the ISO 14067:2018 standard. A series of successful environmental projects has continued year after year, especially in the field of distribution transformers, where customers increasingly request CFP calculations and verifications, as well as the issuance of Environmental Product Declarations (EPDs).

In 2024, for the first time, a Product Environmental Profile (PEP) study was developed and verified for a 630 kVA distribution transformer, at the request of a customer, following the ISO 14025:2006 standard. The study was published on the PEP Ecopassport environmental portal. Additionally, at the customer's request, three EPD studies were developed and verified according to ISO 14025:2006 for 400 kVA distribution transformers. The specific requirement for this project was a low carbon footprint value (kg CO₂eq).

By using environmentally friendly materials and supplier-provided data and information, the carbon footprint of the transformer was successfully reduced from 11,000.00 kg CO₂eq (as recorded for the same transformer in 2022) to approximately 6,000.00 kg CO₂eq—representing a significant contribution to environmental protection. The verified EPD studies were successfully published on the EPD Italy environmental portal.

Throughout 2024, there has been a growing trend in the development of product carbon footprint studies, as they provide additional value in tendering processes. One such project was the development of CFP studies for a 1000 kVA distribution transformer and, for the first time, for a special grounding transformer.

In addition to these projects, 2024 also saw an increase in requests for the development of Raw Material Passports (RMPs). A total of six RMPs were developed for medium-power transformers. Furthermore, several RMPs were delivered for distribution and special transformers, in accordance with customer requirements. All projects were part of contractual obligations and were successfully fulfilled.



METRICS AND TARGETS

E1-5

Energy consumption and mix	Unit	2024
Total energy consumption from fossil sources	MWh	23,326.423
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products	MWh	5,109.700
Fuel consumption from natural gas	MWh	5,812.100
Consumption of purchased or acquired electricity, heating, steam, or cooling from fossil sources	MWh	12,404.623
Total energy consumption from renewable sources	MWh	6,232.628
Consumption of purchased or acquired electricity, heating, steam, and cooling energy from renewable sources	MWh	4,870.668
Consumption of self-generated non-fuel renewable energy	MWh	1,361.960
Total energy consumption	MWh	29,559.050
Share of energy from non-renewable sources in total energy consumption	%	79%
Share of energy from renewable sources in total energy consumption	%	21%

Energy production	Unit	2024
Total energy produced from non-renewable sources	MWh	6,908.970
Total energy produced from renewable sources	MWh	1,677.960

All energy consumption by the companies KONČAR – D&ST, Ferokotao, and PET was analyzed using primary data sources, including electricity bills, thermal energy bills, and invoices for purchased fuels. Data on energy produced from renewable sources was collected using software tools employed for monitoring photovoltaic power plants. Consumption is measured based on data from electricity meters. Energy production from non-renewable sources originates from the boiler rooms at Ferokotao and PET, which use natural gas and fuel oil. KONČAR – D&ST also purchases thermal energy produced at the on-site boiler room, which also uses natural gas. Other fossil fuel sources include gasoline, diesel, and LPG used for company vehicles and forklifts.

Gross Scopes 1, 2, 3 and total GHG emissions

	Unit	2024
Gross Scope 1 GHG emissions	t CO ₂ e	2,705.70
Percentage of Scope 1 GHG emissions from regulated emissions trading schemes	%	0
Gross location-based Scope 2 GHG emissions	t CO ₂ e	3,908.09
Gross market-based Scope 2 GHG emissions	t CO ₂ e	3,364.52
Gross Scope 3 GHG emissions (significant)	t CO ₂ e	1,675,722.87
1. Purchased goods and services	t CO ₂ e	116,986.90
2. Capital goods	t CO ₂ e	1,920.83
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	t CO ₂ e	956.36
4. Upstream transportation and distribution	t CO ₂ e	3,927.26
5. Waste generated in operations	t CO ₂ e	1,809.09
6. Business traveling		-
7. Employee commuting	t CO ₂ e	1,065.87
8. Upstream leased assets		-
9. Downstream transportation	t CO ₂ e	1,771.37
10. Processing of sold products		-
11. Use of sold products	t CO ₂ e	1,520,467.54
12. End-of-life treatment of sold products	t CO ₂ e	26,817.66
Total GHG emissions (location-based)	t CO ₂ e	1,682,336.66
Total GHG emissions (market-based)	t CO ₂ e	1,681,793.09

**GHG intensity
based on net revenue**

	Unit	2024
Total GHG emissions (location-based) per net revenue	t CO ₂ e/ EUR '000	3.60
Total GHG emissions (market-based) per net revenue	t CO ₂ e/ EUR '000	3.60

The calculation is aligned with the consolidated annual financial statement, specifically Note 4 – Sales Revenue and Note 5 – Other Operating Income, both included in the chapter Consolidated Statement of Comprehensive Income.

Company	Share in total emissions
KONČAR – D&ST	90.21%
Ferokotao	1.40 %
PET	8.38 %



In 2024, the KONČAR – D&ST Group is reporting on a consolidated basis for the first time. The carbon footprint was calculated in accordance with the GHG Protocol. The GHG Protocol is a widely recognized accounting standard for greenhouse gases, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), to support organizations in measuring, managing, and reporting their greenhouse gas (GHG) emissions. In accordance with the prescribed GHG Protocol standard for carbon footprint calculation, the following steps were followed: the organizational boundary was established, emission calculation boundaries were defined, relevant data for emission calculation was collected, and greenhouse gas emissions were calculated.

Organizational boundaries

Two different approaches can be used for corporate GHG emissions reporting: the equity share approach and the control approach, which can be further divided into operational control and financial control. The operational control approach was selected for GHG emissions reporting. This approach was chosen because the companies within the Group have full control over their operations and the authority to implement and enforce operational policies.

Emission calculation boundaries

This carbon footprint calculation presents greenhouse gas emissions in accordance with the three Scopes defined by the GHG Protocol, which include:

- Direct GHG emissions
- Indirect GHG emissions from imported energy
- Indirect GHG emissions from transportation
- Indirect GHG emissions from purchased goods
- Indirect GHG emissions related to the use of sold products
- Indirect GHG emissions from other sources

Direct GHG emissions are presented both as CO₂ equivalents and individually by gas type (CO₂, CH₄, N₂O). Indirect GHG emissions are presented in terms of CO₂ equivalents only. The calculation methodology is standard, whereby the activity—expressed according to category—is multiplied by the relevant emission factors.

In 2024, KONČAR – D&ST used electricity generated from its own photovoltaic power plant and electricity purchased from a distributor. The electricity used by KONČAR – D&ST is certified by the distributor as originating from renewable energy sources, specifically from hydropower plants. Therefore, emissions resulting from electricity use, based on the location-based calculation approach, are not accounted for under Scope 2, but are instead reported under Scope 3 as a consequence of energy transformation and transmission.

Scope 1

Categories	KONČAR – D&ST	PET	Ferokotao
Direct emissions from stationary energy sources	At KONČAR – D&ST, one stationary source has been identified—a kerosene heater used for drying.	At PET, one stationary source using natural gas has been identified.	At Ferokotao, two stationary sources have been identified, using natural gas and extra light heating oil.
	For emissions calculation, emission factors from the National database of GHG emission and removal factors were used.		
Direct emissions from mobile energy sources	The KONČAR – D&ST vehicle fleet includes diesel and electric forklifts, heavy-duty diesel vehicles, and company cars powered by diesel and petrol. Electric forklifts are charged at on-site charging stations; therefore, their energy consumption is included in overall electricity consumption and is not reported separately here.	The PET vehicle fleet includes diesel and gas-powered forklifts, diesel-powered commercial vehicles, and company cars powered by diesel and petrol. Electric forklifts are charged at on-site charging stations; therefore, their electricity consumption is included in the total electricity consumption and is not reported separately here.	The Ferokotao vehicle fleet includes diesel-powered forklifts, diesel-powered commercial vehicles, and company cars powered by diesel.
Direct fugitive emissions from refrigerations	At KONČAR – D&ST, the refrigerant R407c is used in office cooling systems. The Global Warming Potential (GWP) of refrigerants used in production facilities and vehicles was sourced from the IPCC Sixth Assessment Report (AR6).	-	-
Direct emissions from production processes	-	-	At Ferokotao, transformer tanks are manufactured, which results in emissions in the paint workshop facilities. Emission data and factors were provided by the company and are based on the Report on Volatile Organic Compounds emissions (VOCs), prepared in accordance with the provisions of the Regulation on emission limit values of pollutants into the air from stationary sources (Official Gazette No. 42/21).

Scope 2

Categories	KONČAR – D&ST	PET	Ferokotao
Indirect emissions from electricity consumption	-	In 2024, PET used electricity purchased from an external distributor. The emission factor for thermal energy was taken from the Country-specific electricity grid greenhouse gas emission factors – 2024 database. In addition to the location-based calculation approach, a market-based calculation approach was also applied, using the emission factor provided by the electricity distributor.	In 2024, Ferokotao used electricity from a mixed energy source, purchased from an external distributor. In addition to purchased electricity, the company used 267 MWh of electricity produced from its own solar power plant. The emission factor for electricity was taken from the Guide on the methodology for calculating GHG emission and removal factors.
Indirect emissions from the use of other energy sources	For KONČAR – D&ST, indirect emissions have been identified from the use of thermal energy related to the production of heat purchased from an external source. In 2024, KONČAR – D&ST used thermal energy purchased from an external distributor that operates a natural gas-fired boiler for heat production. The emission factor applied for thermal energy was sourced from the Guide on the methodology for calculating GHG emission and removal factors. For the market-based approach, the emission factor of HEP d.d. was used, as KONČAR – D&ST purchases electricity from this provider.	-	-



Scope 3

Categories	KONČAR – D&ST	PET	Ferokotao
Indirect emissions from upstream energy activities	This category includes emissions generated during fuel production, energy transformations, and the transmission of energy from the point of generation to the companies.		
Indirect emissions from purchased goods and services	The indirect emissions in this subcategory include emissions generated from the production of purchased materials and services used by the companies. These materials include goods purchased by the companies that are necessary for the day-to-day operations across all company departments.		
	In addition to purchased materials, this subcategory also includes emissions associated with employee meals. A survey was conducted to collect data on the types of meals consumed by employees. The responses were analyzed and scaled to the total number of employees, including all employees regardless of whether they eat at the company canteen or bring lunch from home. The survey was conducted throughout 2024 and covered 22% of KONČAR – D&ST employees. The emission factors used in the calculation were generated using the SimaPro and Base Carbone software and sourced from the EPA emissions factor database.	The emission factors used for the calculation of emissions were generated using SimaPro and Base Carbone software.	The emission factors used for the calculation of emissions were generated using SimaPro and Base Carbone software and sourced from the EPA emission factor database.
Indirect emissions from purchased capital goods	The materials in this category include all goods purchased by the companies that are intended to improve operations and working conditions. Capital goods are defined as items acquired for long-term use (e.g., vehicles, machinery, IT equipment, etc.).		
	The emission factors used in the calculation were generated using SimaPro and Base Carbone software.	In some cases, the emission factors were calculated using SimaPro software alone.	In other cases, the emission factors were calculated using SimaPro and Base Carbone software and sourced from the EPA emissions factor database.
Indirect emissions from upstream transportation of goods	Upstream transportation of goods includes all transportation carried out by carriers contracted by the companies.		
	Part of the collected data for freight transport by truck was analyzed using a greenhouse gas tracking application for transportation. Data not covered by the application were analyzed using the standard approach, applying average distances between locations and standard average fuel consumption rates for trucks. In 2024, diesel trucks and ships were used for upstream transportation of goods.	Some collected data were recorded as cost values, for which the spend-based method was applied in calculating emissions. The emission factors used were generated using SimaPro software.	Total emissions data related to upstream transport were analyzed using the standard approach, applying average distances between locations and vehicle-specific CO ₂ emission factors. In 2024, diesel trucks were used for upstream transportation of goods.
Indirect emissions from waste generation	The emission factors used for the calculation of emissions were generated using SimaPro software, applying landfill-related emission factors due to the absence of data on final waste disposal methods by waste management providers.	Emission factors used in the calculation were generated using SimaPro and Bilan Carbone software.	Emission factors were calculated using SimaPro and sourced from the Base Carbone database. Due to a lack of information regarding waste disposal methods used by waste handlers, landfill emission factors were applied.

Indirect emissions from employee commuting	<p>To estimate emissions generated from employee commuting, a survey was conducted among employees. The collected data were analyzed using the standard approach, applying average commuting distances, average fuel consumption, and the average number of working days per year.</p> <p>Emission factors were taken from the Guide on the methodology for calculating GHG emission and removal factors and from the Base Carbone database.</p>	-	-
Indirect emissions from downstream transportation of goods	<p>Downstream transportation of goods refers to all transportation services performed by carriers contracted by the company's external partners.</p> <p>The collected data were obtained from applications used for calculating greenhouse gas emissions in transport and were incorporated into the study. In 2024, diesel trucks and maritime transport were used for downstream transportation of goods.</p>	<p>Downstream transportation of goods also includes all transport services contracted by PET.</p> <p>The collected data were recorded as cost values, and the spend-based method was used for emissions calculation. The emission factors applied were calculated using SimaPro software.</p>	<p>Downstream transportation of goods also refers to all transportation conducted by carriers contracted by Ferokotao.</p> <p>The collected data were analyzed using the standard approach, applying average distances between locations and vehicle-specific CO₂ emission values.</p> <p>In 2024, diesel trucks were also used for upstream transportation of goods.</p>
Indirect emissions from use of sold products	<p>Transformers are products that do not consume electricity themselves, but energy losses occur during energy transformation processes. Therefore, these electricity losses are treated as electricity "consumed" by the product, and the related emissions are reported under this category. The electricity losses for specific transformer categories were calculated and provided by KONČAR – D&ST.</p> <p>The emission calculation for medium-power transformers was performed using location-based emission factors for the ten countries where the transformers were sold. For distribution and special transformers, the location-based emission factor for the Republic of Croatia was used, as data on the countries of sale were not available.</p>	<p>Transformers are products that do not consume electricity themselves, but energy losses occur during energy transformation processes. Therefore, these electricity losses are treated as electricity "consumed" by the product, and the related emissions are reported under this category.</p> <p>The emission calculation was based on estimates relative to the parent company, KONČAR – D&ST. The estimate was made in relation to calculated energy losses for medium-power transformers and scaled to the number of transformers produced by PET.</p>	-
Indirect emissions from end-of-Life treatment of sold products	<p>The manufactured transformers consist of various materials for which disposal instructions are provided for end-of-life treatment. These instructions are focused on sustainable waste management—specifically recycling and energy recovery of materials.</p> <p>The emission factors used for emission calculations were generated using SimaPro software. Waste types include: carbon steel, transformer steel, copper, transformer oil, and solid insulation.</p>	<p>Transformer tanks produced by Ferokotao are made of carbon steel. Due to a lack of information regarding the waste disposal methods used by the waste management provider, landfill emission factors were applied. The emission factors used for the calculation were generated using SimaPro software.</p>	



Calculation Uncertainty

To assess uncertainty, the Tier 1 approach from the IPCC Good Practice Guidelines was used. This method is based on a simple error propagation theory, assuming that potential errors in the parameters and variables used in emission estimation methods follow a normal distribution. The estimated uncertainty in emission calculations from each emission source represents a combination of the uncertainties in the activity data inputs and the corresponding emission factors.

KONČAR – D&ST: The estimated uncertainty in greenhouse gas emissions calculations was 22.9%. The calculated carbon footprint for 2024 amounted to 1,521,938.4 t CO₂e. Taking into account the stated uncertainty, greenhouse gas emissions may range between 1,173,921.5 t CO₂e and 1,869,955.4 t CO₂e.

PET: The estimated uncertainty in greenhouse gas emissions calculations was 36.9%. The calculated carbon footprint for 2024 amounted to 140,966.9 t CO₂e. Considering the given uncertainty, greenhouse gas emissions may range between 88,936.6 t CO₂e and 192,997.1 t CO₂e.

Ferokotao: The estimated uncertainty in greenhouse gas emissions calculations was 25.95%. The calculated carbon footprint for 2024 amounted to 23,606.1 t CO₂e. Taking into account the stated uncertainty, greenhouse gas emissions may range between 17,478.2 t CO₂e and 29,734.1 t CO₂e.

Targets

E1-4

Targets aligned with the Sustainability Strategy 2024–2026

(applies to the parent company, KONČAR – D&ST)



Priority area:

AN EMISSION-FREE FUTURE

Strategic Goal **2**

Reducing emissions from scope 1 and 2, and start of the net-zero transition

- Reduced emissions from Scopes 1 and 2 by 35% in relation to 2021 (by 2030)
- Increasing energy efficiency in production by 35% by 2026
- Secure 100% of electricity from renewable sources at the annual level
- Production of 40% of electricity from own solar plants by 2026

As part of its climate goals, Ferokotao has set a separate target:

- By 2025, reduce the carbon footprint of products per annual revenue by 50%, compared to 2020

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, we will undertake the necessary preparatory measures, in-depth analysis, and alignment activities to ensure that by 2026 we are ready to adopt a Group-level sustainability strategy and align our climate targets. These targets will be revised during the development of the climate transition plan, which will include short-, medium-, and long-term goals, as well as an investment plan to support their achievement.

E2

Pollution

ESRS 2, IRO-2

List of Disclosure Requirements		Chapter	Page
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	E2 – Pollution: Our material impacts, risks and opportunities	55
		ESRS 2 – General disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	E2 – Pollution: Our material impacts, risks and opportunities	41
		ESRS 2 – General Disclosures: Double Materiality	34-37
E2-1	Policies related to pollution	E2 – Pollution: Our management approach	58
E2-2	Actions and resources related to pollution	E2 – Pollution: Measures and actions	58
E2-3	Targets related to pollution	E2 – Pollution: Metrics and targets	58
E2-4	Pollution of air, water and soil	E2 – Pollution: Metrics and targets	58
E2-5	Substances of concern and substances of very high concern	Not material	-
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	Application of the phase-in provision	-



OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, IRO-1, SBM-3

IMPACTS			Value chain	Time horizon
POLLUTION OF AIR, WATER AND SOIL				
POSITIVE IMPACT – ACTUAL	Systematic environmental management	Systematic management of environmental aspects to prevent air, soil, and water pollution.	Own Operations	Short- to long-term
NEGATIVE IMPACT – POTENTIAL	Transformer oil leakage	Potential leakage of transformer oil into the environment, posing a risk of soil and water pollution. This may occur due to improper handling of oil containers, errors during transformer filling, inadequate storage, or unsafe transport.	Own Operations Downstream	Short- to long-term

Industrial activities related to transformer manufacturing can contribute to the emission of harmful substances and pollution of water and soil. The process for assessing impacts, risks, and opportunities related to pollution includes an analysis of all sites and production processes in the context of air emissions, wastewater, and waste management. Risk and opportunity identification within the environmental management system, as well as the determination of necessary controls, is carried out in accordance with the Process catalogue defined from an environmental perspective. In addition, as required by the ISO 14001 standard, procedures are established and maintained for identifying risks and opportunities across all processes and their environmental impacts. The evaluation of environmental aspects is conducted annually. In the event of process changes, the introduction of new processes, or regulatory updates, a review of environmental aspects is required.

Pollutant emissions are monitored through regular testing and analysis of wastewater samples, air emissions, and waste management practices, which enable continuous improvement of environmental performance.

Within the value chain, we conduct regular audits and supplier assessments to ensure compliance with environmental standards and legal regulations. In line with the REACH Regulation, we apply a systematic approach to monitoring and controlling chemicals through regular analysis of their composition, with the aim of identifying substances listed as substances of very high concern (SVHC). No incidents related to water or soil pollution have occurred. For certain companies, a risk assessment has been carried out regarding the vulnerability of the population, material and cultural assets, and the environment to disasters and major accidents.

When planning the environmental and occupational health and safety management system, the company considers and considers the requirements of stakeholders such as the Supervisory Board, employees, customers, suppliers, and others. Employees are involved in consultations and actively participate in eliminating hazards and reducing environmental, health, and safety-related risks. The process of assessing impacts, risks, and opportunities, as well as stakeholder engagement, is described in chapter [ESRS 2 – General disclosures](#).

OUR MANAGEMENT APPROACH

Policies related to pollution

E2-1

Environmental Protection and Occupational Health and Safety Policy, as well as the Integrated Management System (IMS) Policy, reflect our commitment to the continuous management of environmental aspects and working conditions. Through the rational use of natural resources, waste reduction and proper disposal, and commitment to reducing pollutant emissions, we actively manage our significant impacts and prevent air, water, and soil pollution. Pollution management is closely linked to E1 – Climate change and E5 – Resource use and circular economy.

In addition, detailed organizational procedures are in place to regulate the handling of substances that may pose risks to the environment and human health. In accordance with the REACH Regulation, special attention is given to minimizing the use of chemicals containing such substances. Their procurement is limited to extremely small annual quantities, with the proportion of substances of concern relative to the total product mass being almost negligible. This approach ensures strict control and a gradual reduction of potentially harmful substances in business processes, in line with best practices in environmental and health protection.

The non-conformance management procedure, incident investigation, and implementation of corrective actions clearly define responsibilities, authorities, and processes for identifying, analyzing, and resolving non-conformities related to environmental protection and occupational health and safety. Each company has its own operational emergency response plans in place in the event of sudden pollution incidents to control and mitigate their impact on people and the environment. Environmental management systems are certified according to ISO 14001 across all companies.

Responsibility for environmental protection and occupational health and safety management is distributed across several key organizational levels, ensuring a systematic approach in these areas. The Management Board holds strategic responsibility and appoints a member specifically in charge of managing environmental protection and occupational health and safety, with clearly defined responsibilities and authority within the management system.

The Management Board is responsible for establishing, maintaining, and continuously improving the environmental and occupational health and safety management systems, ensuring sufficient financial, technical, and human resources for implementing measures, organizing work in a way that enables effective application of prescribed procedures and standards, and promoting a culture of accountability and sustainability through clearly communicated policies and defined objectives. The company management annually adopts targets aimed at improving the overall environmental and occupational health and safety management system.

In addition, the Environmental and occupational health and safety committee provides professional support and oversight, ensuring that all processes comply with the highest standards and that sustainable business practices are continuously improved. To assess the effectiveness of the occupational health and safety management system, both internal and external audits are conducted.

Employees are familiarized with the Environmental Protection and Occupational Health and Safety Policy through regular training sessions, internal digital channels, newsletters, and noticeboards. The Environmental Protection and Occupational Health and Safety Policy is available on the company website and upon request to all interested parties.

MEASURES AND ACTIVITIES

E2-2

Pollution prevention in manufacturing

Pollution reduction measures are focused on preventing and eliminating sources of pollution through a systematic approach to environmental management. In addition to proper waste management (described in chapter [E5 – Resource use and circular economy](#)) and the optimization of production processes to reduce GHG emissions (described in chapter [E1 – Climate change](#)), this includes the elimination or substitution of hazardous chemicals with safer alternatives, as well as the implementation of technological solutions that minimize negative environmental impacts. Moreover, continuous monitoring and analysis of potential pollution sources are carried out to identify and mitigate possible negative impacts and associated risks in a timely manner. In the event of an incident, clearly defined response and remediation procedures are applied to ensure the protection of the environment and human health, and to maintain compliance with relevant laws and standards. Operational plans are regularly updated, and certain companies maintain contact with local civil protection headquarters.

Transformer oil pollution prevention

A potential risk of soil contamination is associated with the use of large quantities of transformer oil, which is an integral part of our product. To prevent large-scale pollution in the event of an oil spill, containment tanks and oil separators are installed at transformer oil discharge points, in production processes, and in the finished goods warehouse. These containment tanks are tested for impermeability in accordance with legal requirements to identify and prevent potential structural failures.

In accordance with the Environmental Protection Act, the Water Act, and other applicable legal and national regulations, the Management Board has adopted an Operational plan for emergency measures in the event of sudden pollution, aimed at the organized prevention of harmful effects of hazardous and other substances to the environment. The Operational plan includes an assessment of possible causes and locations of pollution, an evaluation of the scale and risk of contamination, preventive measures, procedures for reporting pollution, an assessment of water vulnerability, remediation measures, and designated responsible persons and staff for implementation.

To prevent and mitigate sudden pollution, an annual emergency preparedness and response plan is developed for the environmental and occupational health and safety management system, along with monitoring of its implementation. As a rule, the Plan is prepared and adopted at the beginning of the calendar year for the current year by the HSE Committee. Emergency drills are conducted quarterly to test employee preparedness.





Product design

In the product design phase, special attention is given to environmental protection by selecting environmentally friendly materials and raw materials, supported by substance declarations and material safety data sheets. In accordance with Commission regulation (EU) No. 548/2014 implementing Directive 2009/125/EC, which pertains to the eco-design of products, placing a product on the market means offering it for distribution or use within the EU market.

The objectives of eco-design include improving energy efficiency and overall alignment with environmental protection requirements by reducing CO₂ emissions. The Regulation focuses on reducing electrical losses in transformers and on clearer and more visible labeling of transformer technical specifications. The design of products with reduced environmental impact is further addressed in chapters [E1 – Climate change](#) and [E5 – Resource use and circular economy](#).

With increasing environmental requirements related not only to the product itself but also to the manufacturing facility, greater emphasis is being placed on sustainability and compliance at the factory level. In June 2024, we participated in the Transformer Magazine conference “Investments, Artificial Intelligence, and Sustainability”, where we presented our achievements and progress in the field of sustainability for the third consecutive year.

The end of the year was also marked by positive feedback from a new French customer, who added us to their list of approved suppliers for the Medium-power transformer profit center, following a successfully completed factory audit focused on environmental and general management system aspects—further opening opportunities in new markets.

Supplier assessment

To ensure compliance with environmental and safety standards, supplier assessment is carried out through a systematic approach that encompasses regulatory requirements, certification, and evaluation of environmental and occupational health and safety policies. When selecting suppliers, particular attention is given to meeting environmental and safety criteria, including:

- Possession of relevant certifications such as ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System);
- Compliance with established requirements (as specified in customer tenders) and applicable legal regulations;
- Publicly stated commitments to environmental protection and occupational health and safety, including clearly defined targets and measures;
- Provision of comprehensive information on specific environmental and safety aspects related to the materials and processes used.

Suppliers are also required to ensure that all supplied products and materials comply with the REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), which governs the use of chemicals and ensures they do not contain substances banned or restricted within the EU, as well as with the RoHS Directive (Restriction of Hazardous Substances), which limits the use of certain hazardous substances.

We actively encourage all our suppliers to implement environmental and occupational health and safety management system policies. The supplier assessment process is further described in chapters [G1 – Business conduct](#) and [S2 – Workers in the value chain](#).

METRICS AND TARGETS

E2-4

Air and water pollutants do not exceed the limit values set out in Annex II of Regulation (EC) No. 166/2006. Greenhouse gas emissions are disclosed in chapter [E1 – Climate change](#). Emissions of volatile organic compounds (VOCs) are within legal limits, with regular measurements conducted at emission points. Burner emission measurements are carried out every two years, and VOC emission measurements are conducted annually. Equipment is regularly maintained. Data are reported to the National pollutant release and transfer register and refer to the company Ferokotao.

In accordance with the conditions defined by the water permit issued in 2021, Ferokotao conducts annual measurements at two discharge points. For the year 2024, the results of these measurements were within the permitted limits for all parameters. Additionally, the site is subject to regular supervision by the water management inspectorate, which had no objections to the discharges.

Below are the water discharges reported by the company Ferokotao in accordance with the Ordinance on the Environmental pollution Register (Official Gazette 3/2022). KONČAR – D&ST does not have direct control over the water permit for the Jankomir site.

Waterborne Pollutants	Unit	2024
Chemical Oxygen Demand – Dichromate (as O ₂) (COD _{Cr})	kg	7.236
Biochemical Oxygen Demand after 5 days (BOD ₅)	kg	0.96
Detergents, anionic	kg	0.0396
Detergents, non-ionic	kg	0.108
Semi-volatile lipophilic substances (total oils and fats)	kg	1.8
Total hydrocarbons	kg	0.036
Iron (Fe)	kg	0.01344

Targets

E2-3

As part of the Sustainability Strategy 2024–2026, there are no targets specifically related to pollution. Targets are outlined in the related chapters [E1 – Climate change](#) and [E5 – Resource use and circular economy](#).



E5

Resource use and circular economy

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	E5 – Resource use and circular economy: Our material impacts, risks and opportunities	60
		ESRS 2 – General disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities related to resource use and the circular economy	E5 – Resource use and circular economy: Our material impacts, risks and opportunities	60
		ESRS 2 – General disclosures: Double materiality	34-37
E5-1	Policies related to resource use and circular economy	E5 – Resource use and circular economy: Our approach to management	61
E5-2	Actions and resources related to resource use and circular economy	E5 – Resource use and circular economy: Measures and activities	62-63
E5-3	Targets related to resource use and circular economy	E5 – Resource use and circular economy: Metrics and targets	66
E5-4	Resource inflows	E5 – Resource use and circular economy: Metrics and targets	64
E5-5	Resource outflows	E5 – Resource use and circular economy: Metrics and targets	65-66
E5-6	Anticipated financial effects from impacts, risks and opportunities related to resource use and circular economy	Application of the phase-in provision	-

OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, IRO-1, SBM-3

IMPACTS			Value chain	Time horizon
RESOURCE INFLOWS				
POSITIVE IMPACT - ACTUAL	Reducing the need for mining of raw materials	Reducing the need for mining of raw materials We design transformers for full life cycle use with reduced environmental impact. The production of transformers containing recycled oils, copper, and electrical steel reduces the need for virgin raw material extraction. We conduct supplier assessments regarding the application of circular design principles and the use of recycled materials and ensure that packaging materials are from renewable sources. (linked to E2 - Pollution)	Upstream Own Operations	Short- to long-term
RESOURCE OUTFLOWS - WASTE				
POSITIVE IMPACT - ACTUAL	Efficient management of resources inflows and waste	Through the implementation of an adequate waste management plan, we contribute to waste reduction and minimize negative impacts on people and the environment. Additionally, by informing customers about recycling options and proper disposal of specific transformer parts at the end of their life cycle, we further encourage responsible resource management. (linked to E2 - Pollution)	Own Operations Downstream	Short- to long-term
RISKS				
RISK	Unstable availability and rising prices of raw materials	Increased demand for green technologies and renewable energy is placing additional strain on supply chains, which may lead to delivery delays, reduced availability of key semi-finished products and components, and rising prices. These factors increase production costs and financial risks, while simultaneously creating the need to diversify supply chains and develop resilience strategies. (linked to E2 - Pollution)	Own Operations	Short- to long-term

The production of transformers depends on the availability of raw materials such as electrical steel, transformer oil, carbon steel, copper, and aluminum. The expected increase in global demand, driven by the green transition and general development, may further strain the availability of these resources, intensifying negative impacts and increasing risks. Although KONČAR – D&ST Group's global impact is small and it has no control over mining activities that lead to the depletion of raw materials and reduce their long-term availability, it relies on the availability of raw materials used in semi-finished products and components sourced through its supply chain. In the context of growing demand for raw materials, market volatility and increasingly stringent regulatory requirements, responsible supply chain management is a strategic priority.

By integrating circular economy principles, proper waste disposal and collaboration with suppliers, we reduce our negative environmental impact and improve our competitiveness. Although transformers have a long service life and most materials can be recycled at the end of their life cycle, there are opportunities to improve raw material recovery at end-of-life.

We carry out several activities that enable better understanding and management of the environmental impact of products at all stages of their life cycle, as well as better understanding of critical raw material dependencies and identification of improvement opportunities.

We systematically monitor our environmental aspects through regular identification, assessment and supervision of the impacts of our activities, products and services on the environment. This includes monitoring emissions, resource consumption, waste management and compliance with relevant legal and regulatory requirements. We continuously improve our processes through internal audits, data analysis and the implementation of corrective measures to reduce negative environmental impacts and enhance business sustainability.

In the last quarter of 2024, a procedure was established for activities aimed at meeting the environmental requirements of interested stakeholders. It defines the processes for identifying relevant environmental requirements and processing the data needed to fulfil them. The work instructions describe in detail the methodology for calculating the carbon footprint of products (CFP), preparing environmental product declarations (EPD), and drafting raw material passports (RMP).



During 2024, at the request of customers, we prepared and verified EPD (Environmental Product Declaration) and PEP (Product Declaration Profile) studies in line with ISO 14025:2006 for three types of distribution transformers rated at 400 kVA and 630 kVA. In addition, life cycle assessment (LCA) studies were prepared for two types of distribution transformers (630 kVA and 1000 kVA), and for the first time for one special grounding transformer.

The data in the EPD and PEP are based on information from the LCA study, and to obtain a detailed overview of the product's environmental impact, the entire life cycle of the product is considered – "cradle-to-grave". By applying the life cycle assessment methodology, all steps in the production of the transformer – from raw material procurement to disposal – are thoroughly evaluated, which enables the identification of key improvement points such as reducing energy and resource consumption, optimizing materials and further reducing emissions. The insights gained serve as a basis for making strategic decisions that contribute to the understanding of impacts, risks and opportunities related to resource use and the circular economy, resource optimization, and the development of more sustainable products and more efficient business processes. This is especially important in the context of growing global demand for resources, which may affect their long-term availability.

We maintain continuous communication with suppliers and customers, coordinated by the Procurement and Sales departments. Every new supplier undergoes an audit process to ensure compliance with commercial, environmental and social criteria. Audits are repeated in case of changes in the quality of delivered products, and additional insight into the sustainability of the supply chain is provided by an ESG survey conducted at the end of 2024. Innovations in the field of new materials and components are also continuously monitored in collaboration with product development departments, technical offices and sales teams.

Once a year, a customer satisfaction survey is conducted, enabling the analysis of positive and negative aspects of collaboration and the adoption of conclusions and improvement plans. Customers can express their opinions or ask questions at any time, ensuring transparency and responsiveness to their needs.

OUR APPROACH TO MANAGEMENT

Policies related to resource use and circular economy

E5-1

Circular economy principles are integrated into the comprehensive Environmental Protection and Occupational Health and Safety Policy, which serves as a framework for initiating activities and setting targets. We are committed to implementing circular economy principles across all stages of production with the aim of optimizing processes for more efficient resource use and reducing waste generation. This includes continuous improvement in product design and the management of input materials required for transformer production, as well as the handling of generated waste and packaging materials.

All companies within the Group are certified according to the ISO 14001 system, confirming our ongoing improvement of environmental performance and responsible business conduct. The system covers all our products and services, as well as all processes used in production or service provision, including resource use and waste management.

The Management Board and management team are responsible for the development, implementation, communication and improvement of the environmental protection and occupational health and safety management system. Department heads are responsible for the operational implementation of the policy and coordination between organizational units involved in implementation. The Management Board reviews the comprehensive Environmental Protection and Occupational Health and Safety Policy at least once a year.

All employees are familiar with the policy through an organized employee training process and via the appointed workers' representative. Information about the policy is available on the internal network, through internal newsletters and noticeboards, as well as in relevant manuals. The policy is also available on the companies' websites and is provided to all interested stakeholders upon request.

MEASURES AND ACTIVITIES

E5-2

In the context of the circular economy, our goal is to reduce resource consumption, minimize waste, and maximize recycling and reuse of materials. We achieve this through resource optimization and the use of recycled materials whenever possible, efficient management of hazardous and non-hazardous waste, and collaboration with suppliers and customers to ensure optimal resource use throughout the entire value chain. Through these practices, we aim to contribute to sustainability and reduce our environmental footprint, while at the same time improving business efficiency.

Procurement optimization

KONČAR – D&ST Group designs transformers for full-service life with reduced environmental impact. Special attention is given to optimizing the procurement of strategic materials (electrical steel, copper, aluminum, carbon steel, insulating liquids and solid insulation). The quality and safety of all procured resources are continuously monitored, while ensuring compliance with applicable legislation and industry and ethical standards. We actively explore and implement alternatives in all stages of procurement, aiming to reduce environmental impact, optimize costs, and increase the efficiency of the production process. Clearly defined procedures help us identify opportunities to reduce resource use and emissions, either through process improvement or the use of materials with a lower carbon footprint.

Through collaboration with our suppliers and customers, we strive to implement sustainable solutions available on the market and apply circular practices throughout the entire supply chain, contributing to the long-term sustainability of our operations. We actively participate in research and implementation of new sustainable raw materials in the final product.

Ecological product design

We design transformers in accordance with the standards and requirements of the EU Eco-design Directive 2009/125/EC, which defines the maximum allowed losses and the minimum peak efficiency index, thus contributing to the circular economy through resource optimization, increased energy efficiency, and extended product lifetime. Although specifications mostly require new materials, we use recycled materials – such as recycled oils, copper and electrical steel – in production whenever possible, which reduces the need for virgin raw material extraction. The use of recycled materials directly depends on customer approval and acceptance of the higher product price due to the use of recycled content. Due to the connection with requirements related to reducing the carbon footprint of transformers, additional information is provided in chapter [E1 – Climate change](#).

Supplier assessment

Identifying, selecting and continuously reassessing suppliers are key elements of the procurement process that ensure quality and efficiency. In addition, we assess suppliers in terms of their application of circular design principles and use of recycled materials. The approach is described in detail in chapter [G1 – Business conduct](#).

Waste management

We take all appropriate measures to prevent and reduce waste generation and its harmful impact on the environment. Our primary task is to maximize the use of all input materials in the production cycle. All waste generated in our production processes is sorted and disposed of in accordance with the legal regulations of the countries in which we operate and the regulations of the European Union.

Waste is systematically monitored based on the key waste codes defined in the Waste catalogue, using internal software as a tool for monitoring, analysis and reporting on all types of waste generated during production. Sorting is carried out directly at the point of generation, where waste is collected according to defined key numbers and handed over exclusively to authorized companies for recovery and/or disposal, which are obliged to act in accordance with national laws. Although we do not have full insight into how the waste is further treated, given the increasing emphasis on sustainable business practices, we expect that waste with recycling or reuse potential will be appropriately utilized.

Waste management is conducted systematically and responsibly, with clearly defined procedures and responsibilities. Legal obligations related to waste analytics and reporting to competent authorities are entrusted to a designated specialist, while operational waste management is carried out through cooperation across multiple departments.





Closing material loops

We pay great attention to optimizing the use of electrical steel. Our focus is on reducing the amount of electrical steel treated as waste and increasing the share sold as a semi-finished product, thereby increasing the level of resource utilization. In the steel cutting process, special attention is paid to precise planning and careful handling of the material in order to increase efficiency and reduce the amount of production scrap. In this way, in 2024 we successfully returned 347.87 tons of electrical steel into circulation, which represents 2.32% of the total quantity of steel used in production. This also reduces waste disposal costs. In addition, by selling steel scrap that meets technical requirements for reuse or recovery, we enable suppliers to reintegrate it into their own production processes. In this way, the closing of material loops is encouraged, and the circular economy is supported, which in the long term contributes to greater environmental responsibility and improved sustainability of the overall business model.

Packaging optimization

In the process of packaging transformers and their components, special attention is paid to optimizing packaging to reduce its quantity and environmental impact. In selecting packaging, principles of reusability are applied, using materials such as pallets and wooden crates that allow for repeated use. For wrapping transformers for dispatch, we strive to use recyclable foil.

To improve resource management, we have set a clear goal of repurposing single-use packaging directly at our sites. Given the complexity and scope of this objective, the initial ideas defined in 2023 for implementation in 2024 were revised in favor of a more detailed and effective approach. A new plan was presented to the Management Board enabling systematic repurpose of single-use packaging, and its implementation is expected by the end of 2025. This approach will further reduce the amount of waste and support circular economy principles.

All relevant guidelines and procedures related to packaging management are described in internal organizational and production procedures, which define the methods for handling, storing and tracking packaging materials and ensure compliance with applicable legal regulations and standards. We actively collaborate with suppliers to explore new packaging materials, opening opportunities for innovative and sustainable packaging solutions.

End-of-life disposal

Due to the long service life of transformers, which typically lasts around 35 years and, in some cases, up to 60 years, the end-of-life management process can be challenging. Maintenance and usage play a significant role: if maintenance procedures are followed according to specifications, it is possible to extend the functional lifespan of the product. However, such longevity makes it difficult to track and plan for disposal once the transformer is no longer usable. To make this process easier for customers, we provide them with information on recycling and proper disposal of individual transformer components. In doing so, we aim to promote responsible resource management and reduce waste generation.

METRICS AND TARGETS

Resource inflows

E5-4

Strategic materials inflows	Unit	2024
Transformer sheet	t	13,629.00
Insulating liquid	t	7,748.90
Carbon steel – boilers/clamps	t	11,519.00
Carbon steel – coolers	t	880.00
Copper	t	4,581.50
Aluminum	t	3,159.00
Solid insulation	t	838.20
Other	t	7,423.28
Total	t	49,778.88

In 2024, a total of 49,778.88 tons of materials were procured. This includes strategic materials such as transformer sheet, insulating liquid, carbon steel (used for transformer boilers, covers, conservators, coolers and other auxiliary equipment), copper, aluminum, and solid insulation, as well as various equipment, enclosures, and coating paints included under the "other" category. 81% of the input materials relate to the parent company KONČAR – D&ST, 12% to Ferokotao, and the remaining 7% to PET.

KONČAR – D&ST Group currently does not track the share of recycled materials across all categories, which represents the next step in materials management, with the aim of enabling an increase in use where it does not compromise product quality and safety. The share of recycled materials is currently calculated at the level of individual projects for customers requiring precise product information.

Conflict metals and minerals

Of the conflict metals and minerals, KONČAR – D&ST uses only tin and tungsten. On an annual level, 288.5 kg of tin (the EU regulatory threshold is 3,500 kg/year) and 1 kg of tungsten were used across the full product range.

Conflict metals and minerals include ores, concentrates and metals containing tin, tantalum, tungsten and gold (3TG). A rulebook has been established to control the definition and procurement of materials and components that are integrated into distribution, special and medium-power transformers and may potentially contain 3TG. According to Annex I of Regulation (EU) 2017/821, "List of minerals and metals within the scope of Regulation (EU) 2017/821 classified according to the Combined Nomenclature," and based on an analysis of the material quantities used annually in KONČAR – D&ST's production, the 3TG thresholds are not exceeded. Management of these materials is linked to topic [S2 – Workers in the value chain](#).

Packaging materials inflows	Unit	2024
Wood – finished packaging	t	579.10
Wood – for packaging production	t	12.87
Paper and cardboard	t	134.86
Plastic	t	73.55
Metal packaging	t	16.50
Total	t	816.80

The table with packaging materials contains consolidated data for all three companies. Metal packaging is procured only by PET. Additionally, KONČAR – D&ST procures wood for packaging production directly at the factory site. In 2024, a total of 12.87 tons of wood was purchased, which was used to produce wooden crates for shipping finished products.

The wood used for on-site packaging production comes from 100% sustainable sources, certified by an FSC certificate for responsible forest management. In upcoming meetings with suppliers and within the tendering process for the new contract period, we plan to extend this requirement to suppliers of ready-made packaging.

All data related to input materials are obtained through direct measurement and collected based on the recorded receipt of goods into the warehouse via the business system, which enables easy reporting and tracking.



Resource outflows

E5-5

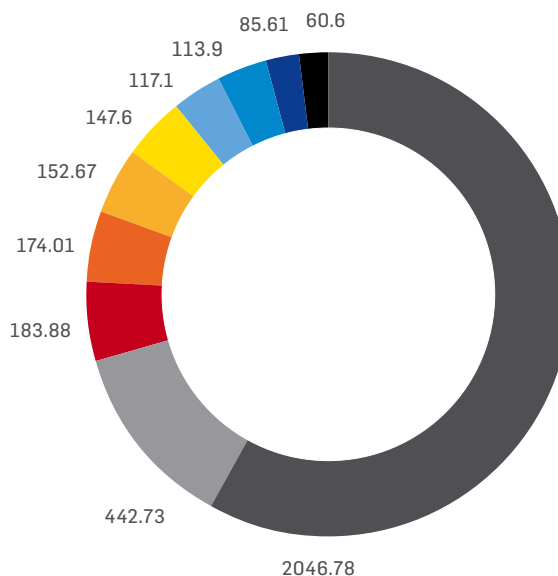
Waste	Unit	2024
Total amount of waste generated	t	3,837.66
Total amount of hazardous waste	t	443.47
Hazardous waste diverted from disposal	t	121.40
- preparation for reuse	t	0
- recycling	t	121.40
- other recovery operations	t	0
Non-hazardous waste diverted from disposal	t	3,382.02
- preparation for use	t	0
- recycling	t	3,382.02
- other recovery operations	t	0
Hazardous waste directed to disposal	t	322.08
- incineration	t	0
- landfilling	t	301.23
- other disposal operations	t	20.85
Non-hazardous waste	t	12.17
- incineration	t	0
- landfilling	t	11.6
- other disposal operations	t	0.57
Non-recycled waste	t	334.25
Share of non-recycled waste	%	8.71

In 2024, a total of 3,837.66 tons of waste was generated, distributed across 42 waste types by key waste codes, of which 3,394.19 tons were non-hazardous waste and 443.47 tons were hazardous waste. Hazardous and non-hazardous waste directed to other disposal operations is present only in PET. A portion of the hazardous and non-hazardous waste specific to PET is currently classified under the category "other disposal operations" due to a lack of data on the specific disposal method used.

In the context of the transformer production process, the majority of generated waste results directly from production activities. Exceptions include three waste types – oil-contaminated water, sludge from separators, and mixed packaging – which are not directly linked to core production processes. All other identified waste streams arise exclusively from production or related support activities within the manufacturing system (e.g. packaging).

The most significant types of waste in 2024

■ Ferrous filings and turnings
■ Wood
■ Non-ferrous filings and turnings
■ Sawdust, cutting remains
■ Iron
■ Paper and cardboard packaging
■ Waste paints and varnishes containing organic solvents or other hazardous substances
■ Unchlorinated insulation oils
■ Absorbents
■ Mixed packaging



All waste types were handed over to authorized waste management operators, and current practice indicates that 24 types of waste will be recovered through some form of recycling. Ten types of waste (mainly hazardous) will be disposed of via landfilling (e.g. sludge from separators, non-chlorinated oils, etc.). For eight types of waste managed by PET, we do not have information on the disposal method.

For these waste types, the worst-case scenario – disposal via landfilling – was assumed, and the corresponding waste mass is shown in the table under "other disposal operations" (separately for hazardous and non-hazardous waste), amounting to a total of 21.42 tons in 2024.

Data collection and measurement methodology

Data on waste quantities, depending on the type of waste, are obtained through direct weighing of the generated waste and are managed via dedicated waste management software. The data are based on entries made in accompanying documentation by the authorized waste operator, who calculates their services according to the weight or volume of each waste type. The data is grouped, processed, and exported in the required format.

Packaging materials are materials used for the production of packaging and include raw materials such as paper, plastic, glass, metal, cardboard, etc., serving the purpose of packing, protecting, storing, and transporting products, while ensuring their safety and maintaining quality throughout all distribution stages.

Packaging refers to all products, regardless of the nature of the materials from which they are made, used to contain, protect, handle, deliver or present goods – from raw materials to finished products – from the producer to the user or consumer.

Targets

E5-3

Targets aligned with the Sustainability Strategy 2024–2026

(applies to the parent company, KONČAR – D&ST)



Priority area:

CIRCULAR ECONOMY

Strategic Goal **2**

Reduce waste and ensure responsible use of resources in production

- Retain a high rate of waste sorting (80%)
- Increased use of sustainably grown wood by 2026
- Increase the reuse of packaging
- Replace single-use plastic packaging in cooperation with suppliers

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, we will undertake the necessary preparatory measures, in-depth analysis, and alignment activities to ensure that by 2026 we are ready to adopt a Group-level sustainability strategy and targets related to resource use and the circular economy.



EU Taxonomy

The EU Taxonomy is a key element of the European Union's (hereinafter: the EU) ambition to become the first climate-neutral continent by 2050. The Taxonomy represents a classification system designed to help investors and other market participants identify sustainable economic activities. The foundational Regulation 2020/852 (hereinafter: the EU Taxonomy or the Regulation) establishes the framework for the EU Taxonomy. It was adopted in June 2020 and sets out criteria for determining whether an economic activity is environmentally sustainable.

The EU Taxonomy defines six environmental objectives:

- 1. Climate change mitigation (CCM) – defines activities that reduce greenhouse gas emissions;**
- 2. Climate change adaptation (CCA)**
– defines activities that support adaptation to existing or expected climate change;
- 3. The sustainable use and protection of water and marine resources (WTR)**
– defines activities that contribute to the sustainable management of water resources;
- 4. The transition to a circular economy (CE)**
– defines activities that promote resource efficiency and waste reduction;
- 5. Pollution prevention and control (PPC) – defines activities that prevent or control pollution;**
- 6. The protection and restoration of biodiversity and ecosystems (BIO)**
– defines activities that preserve or restore ecosystems.

For an economic activity listed under any of the environmental objectives to be considered environmentally sustainable, it must meet the following conditions: it must make a substantial contribution to at least one environmental objective, do no significant harm (DNSH) to any of the other objectives, and be carried out in compliance with minimum safeguards.

In the preparation of this EU Taxonomy disclosure, in addition to the base regulation, all related delegated regulations were taken into account:

1. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, which sets out technical screening criteria for activities that substantially contribute to climate change mitigation or climate change adaptation;
2. Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, which specifies the content and presentation of information on environmentally sustainable economic activities to be disclosed by companies;
3. Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, which amends the classification of certain economic activities in specific energy sectors and introduces specific disclosure requirements related to those activities;
4. Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, which supplements the list of economic activities and technical screening criteria related to climate change mitigation and adaptation;
5. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, which sets out technical screening criteria for activities that substantially contribute to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems, and which supplements the content and presentation of corporate disclosures;
6. Commission Delegated Regulation (EU) 2024/3215 of 28 June 2024, which corrects certain language versions of Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 by establishing technical screening criteria to determine under which conditions an economic activity qualifies as substantially contributing to climate change mitigation or adaptation and ensuring it does not cause significant harm to any of the other environmental objectives.

TAXONOMY-ELIGIBLE ACTIVITIES OF KONČAR – D&ST GROUP

According to the Regulation, the first step in aligning with the EU Taxonomy is to identify the company's economic activities that are taxonomy-eligible. These are activities covered by the EU Taxonomy that have the potential to substantially contribute to the achievement of environmental objectives, regardless of whether they meet the technical screening criteria laid out in delegated acts.

On the other hand, economic activities not listed in the delegated acts supplementing the Regulation are considered taxonomy-non-eligible.

Within the Group's core business, two taxonomy-eligible economic activities were identified:

• 3.20. (CCM) – Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation

Description of the activity

This economic activity includes the development, manufacture, installation, maintenance, or servicing of electrical products, equipment or systems, or software, aimed at substantially reducing greenhouse gas emissions in high-voltage, medium-voltage, and low-voltage electricity transmission and distribution systems through electrification, energy efficiency, integration of renewable energy, or efficient conversion of electricity.

The activity includes systems that enable the integration of renewable energy into the electricity grid, interconnection, or enhancement of automation, flexibility, and grid stability, demand-side management, development of low-carbon transmission or heating, or the use of smart metering technologies to significantly improve energy efficiency.

This category does not include equipment for heating and electricity generation, nor electrical consumer devices.

When calculating the KPIs, the Group analyzed all activities at the level of the entire process, rather than at the level of individual assets. Therefore, in addition to the products themselves (transformers), this definition also includes revenues from services related to the core activity, such as transport, assembly, disassembly, installation, maintenance and servicing of transformers (outside regular warranty periods). All CapEx related to transformer production is included in this activity. In line with the adopted approach, everything necessary for performing the core activity is also included, such as tools, equipment, and buildings where the activity takes place. Accordingly, the currently ongoing building renovation works under the Set-Up project are included. The same approach applies to the maintenance of equipment and business premises. Where exact allocation was not possible, allocation keys described within individual KPIs were applied.

• 3.19. (CCM) – Manufacture of rail rolling stock constituents

Description of the activity

This activity includes the manufacturing, installation, technical consulting, retrofitting, upgrading, repair, maintenance, and repurposing of products, equipment, systems, and software related to rail rolling stock constituents. These components and services are essential for the environmental efficiency, operation, and functionality of rail vehicles throughout their life cycle.

The Group manufactures and sells a small number of transformers intended for trains. A process-based approach was applied in the calculation of CapEx, while revenue share was used as the allocation key where no other basis for distribution was available.

The EU Taxonomy also includes cross-sectoral activities which, although not part of the Group's core operations, are relevant to the overall corporate structure and business operations of the Group (e.g. transportation, asset management, and electricity generation). In 2024, the relevant cross-sectoral activities for the Group included:

- 2.3. (CE) - Collection and transport of non-hazardous and hazardous waste
- 5.4. (CE) - Sale of second-hand goods
- 6.5. (CCM) - Transport by motorbikes, passenger cars and light commercial vehicles
- 7.6. (CCM) - Installation, maintenance and repair of renewable energy technologies
- 9.1. (CCM) - Research, development and innovation with market potential



THE ALIGNMENT OF MATERIAL TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

Once eligibility is determined, it is necessary to assess whether the identified taxonomy-eligible activities are aligned with the technical screening criteria. An activity is considered aligned with the EU Taxonomy if it meets the technical criteria set out in Commission Delegated Regulations (EU) 2021/2139, 2023/2485, and 2023/2486.

This includes making a substantial contribution to at least one environmental objective, ensuring that no significant harm is caused to any of the other environmental objectives, and complying with minimum safeguards defined by international conventions and principles on human and labour rights, as outlined in the Taxonomy Regulation (EU) 2020/852.

In accordance with regulatory requirements, the 2024 report includes an assessment of the alignment of economic activities with all defined environmental objectives. The analysis is based on the activities most financially material to the Group's operations, considering the share of eligibility per each CapEx KPI, and includes the following:

- **3.19. Manufacture of rail rolling stock constituents**
- **3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation**

For both activities, a detailed analysis of alignment with the "do no significant harm" (DNSH) principle is required. A particular emphasis is placed on the criteria related to the sustainable use and protection of water and marine resources, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. In 2024, full alignment with the minimum safeguards was also not achieved.

MINIMUM SAFEGUARDS OF KONČAR – D&ST GROUP

In 2024, the KONČAR – D&ST Group implemented most of the key elements of the following regulations:

- **OECD Guidelines for Multinational Enterprises**
- **UN Guiding Principles on Business and Human Rights**
- **International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work**
- **International Bill of Human Rights**

These principles have been incorporated through the Group's Code of Business Conduct, the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, and the HGK Code of Business Ethics. Additionally, the Rulebook on Ethical and Professional Conduct in the Procurement Process sets high standards for relationships with suppliers.

In the coming years, the Group plans to fully implement the aforementioned frameworks, with a particular focus on the area of market competition.

KEY PERFORMANCE INDICATORS ACCORDING TO THE EU TAXONOMY

Given that the economic activities included under the environmental objectives are not limited solely to those activities for which the Company is formally registered (i.e., NACE codes), the KONČAR – D&ST Group (hereinafter: the Company or the Group) once again conducted a full assessment of its activities to identify those relevant under the EU Taxonomy. Once the relevant activities were identified, the Group calculated the Key Performance Indicators (KPIs) for revenue, CapEx and OpEx. A multidisciplinary team representing various areas of the Group participated in this process to ensure the accuracy and transparency of both the information and the calculations. Particular attention was given to avoiding double counting, a principle embedded in the EU Taxonomy to ensure that a single economic activity cannot be accounted for multiple times in relation to different environmental objectives or for different entities.

For the 2023 and 2024 reporting years, the core activity of the KONČAR – D&ST Group was covered by the EU Taxonomy. With the entry into force of Commission Delegated Regulation (EU) 2023/2485, additional activities were introduced under the environmental objective of climate change mitigation, namely 3.20 (Manufacture, installation and servicing of high, medium and low voltage electrical equipment for electricity transmission and distribution that result in or enable a substantial contribution to climate change mitigation), and 3.19 (Manufacture of rail rolling stock constituents) which partially relate to the Group's core operations.

The parent company KONČAR D&ST and its subsidiary PET S.p. z.o.o. in Poland are manufacturers of transformers, and therefore their main activity is covered by the EU Taxonomy. The subsidiary Ferokotao d.o.o. produces components related to activity 3.20 and operates within the value chain; however, according to the applicable regulation and the interpretation of the European Commission, such component manufacturing is excluded from the scope of activity 3.20, as it is not explicitly specified within the activity description and therefore does not fall under it.

For the calculation of Key Performance Indicators (KPIs) under the EU Taxonomy for the year 2024, data from the entire KONČAR – D&ST Group was used. A process-based approach was applied to reflect activities closely related to the transformer production process.

At the very end of 2023, the Company acquired a majority share (51%) in Ferokotao d.o.o. As a result, the KPIs for 2024 include revenue, CapEx, and OpEx data for this company for the first time.

As previously mentioned, the Group analyzed its activities at the level of the overall production process. The same methodological approach was applied consistently when calculating and including individual activities in the KPI values. For this reason, a restatement of the 2023 data was made, resulting in differences shown below, with the most significant changes explained.

The following sections provide an explanation of the calculated KPIs for revenue, CapEx, and OpEx, while the mandatory disclosure tables, in accordance with Delegated Regulation (EU) 2021/2178 and its amendment 2023/2026, are presented in the annex to this report.

REVENUE FROM TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ACTIVITIES

The core economic activity of KONČAR – D&ST is the production and sale of various types of transformers. According to the analysis conducted, the core activity meets the description of activity 3.20, as set out in Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, amending Delegated Regulation (EU) 2021/2139 by establishing additional technical screening criteria for determining under which conditions certain economic activities can be considered to contribute substantially to climate change mitigation or adaptation, and whether these activities cause significant harm to any other environmental objective.

In EUR '000

Sector	Section	Activity	Amount as of 31.12.2024 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2023 EU Taxonomy report	Differences
2. Environmental protection and restoration activity (CE)	2.3.	Collection and transport of non-hazardous and hazardous waste	1,581	1,559	0	1,559
3. Manufacturing (CCM)	3.19.	Manufacture of rail rolling stock constituents	189	2,042	2,042	0
	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	443,406	327,274	151,774	175,500
5. Services (CE)	5.2.	Sale of spare parts	0	0	139	-139
	5.4.	Sale of second-hand goods	456	18	16	2
5. Water supply; sewerage, waste management and remediation activities (CCM)	5.5.	Collection and transport of non-hazardous waste in source segregated fractions	0	0	1.160	-1.160
7. Construction and real estate (CCM)	7.6.	Collection and transport of non-hazardous waste in source segregated fractions	35	5	0	5
	7.7.	Acquisition and ownership of buildings	35	254	248	6
TOTAL Numerator			445,702	331,152	155,379	175,773
TOTAL Denominator			467,680	342,299	342,294	5
% Taxonomy-eligible revenue			95%	97%	45%	
% Taxonomy-non-eligible revenue			5%	3%	55%	

The calculation is aligned with the consolidated annual financial statements, specifically with Note 4 – Sales revenue in full, and Note 5 – Other operating income in part, all in accordance with the rules for calculating taxonomy numerator and denominator values.



The majority of the KONČAR – D&ST Group's revenue originates from the production and sale of transformers — an activity that is taxonomy-eligible, meaning that it can significantly contribute to the reduction of greenhouse gas emissions and thus to the achievement of the first environmental objective: climate change mitigation. Most of KONČAR – D&ST's taxonomy-eligible revenue is generated from the sale of distribution transformers with power ratings from 50 kVA to 8 MVA and a maximum operating voltage of up to 36 kV, as well as medium-power transformers of up to 160 MVA and a maximum voltage of 170 kV (activity 3.20). Additionally, revenue is generated from transformers used as components of rail rolling stock (activity 3.19). Other eligible revenue includes income from the sale of second-hand goods, the sale of non-hazardous waste, electricity generated from the photovoltaic solar power plant, and rental income from real estate.

A detailed analysis of the Group's core activity determined that the entire transformer portfolio qualifies under activity 3.20, whereas in 2023, based on the principle of prudence, only a portion of the portfolio — namely distribution transformers — was included in the calculation. As a result, the 2023 comparative figures were restated, and together with the application of a process-based approach, this represents the main source of differences in the comparative period.

The increase in KPIs is primarily driven by the growth in revenue from the Group's core activity, which is also taxonomy-eligible.

None of the identified economic activities currently meet the criteria for substantial contribution and therefore cannot be classified as taxonomy-aligned. In future periods, an assessment will be conducted to determine which activities may meet the defined technical screening criteria.

The share of revenue by environmental objectives is as follows:

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	94.87%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.44%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

CAPITAL EXPENDITURES (CAPEX KPIS)

CapEx includes all capitalized acquisitions related to tangible and intangible assets, right-of-use assets, investment property and similar.

The majority of KONČAR – D&ST Group's taxonomy-eligible capitalized expenditures are directly linked to the production of transformers and the eligible activity 3.20. Accordingly, all procurement directly related to the production process has been allocated to activity 3.20. The allocation of CapEx between activities 3.20 and 3.19 was made based on an estimate using the revenue share of each activity in the combined revenue of the two.

Compared to the previous year, taxonomy-eligible CapEx increased in 2024 due to the Group's significant investments in expanding production capacities as part of the Set-Up project, as well as the inclusion of Ferokotao d.o.o. in the calculation.

The 2023 restatement reflects the inclusion of the entire transformer product portfolio under activity 3.20, and the process-based approach applied to procurement related to production. The acquisition of Ferokotao d.o.o. was excluded from the 2023 calculation following the European Commission's interpretation regarding the treatment of components within the value chain.

The percentage of capital expenditures by environmental objectives is as follows:

In EUR '000

Sector	Section	Activity	Amount as of 31.12.2024 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2023 EU Taxonomy report	Differences
3. Manufacturing (CCM)	3.19.	Manufacture of rail rolling stock constituents	6	15	0	15
	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	14,254	2,638	3,140	-502
6. Transport (CCM)	6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	214	213	98	115
7. Construction and real estate (CCM)	7.2.	Renovation of existing buildings	0	0	213	-213
	7.3.	Installation, maintenance and repair of energy efficiency equipment	1	2	0	2
	7.5.	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	1	0	0	0
	7.6.	Collection and transport of non-hazardous waste in source segregated fractions	1,052	8	8	0
	7.7.	Acquisition and ownership of buildings	90	5,106	5,107	0
TOTAL Numerator			15,618	7,982	8,566	-584
TOTAL Denominator			18,246	14,860	14,860	0
% Taxonomy-eligible CapEx			86%	54%	58%	
% Taxonomy-non-eligible CapEx			14%	46%	42%	

The calculation is aligned with the consolidated annual financial statements, specifically with Note 12 – Intangible assets, Note 13 – Property, plant and equipment, Note 14 – Right-of-use assets, and Note 15 – Investment property, all in accordance with the rules for calculating taxonomy numerator and denominator values.

The majority of the KONČAR – D&ST Group's taxonomy-eligible capitalized expenditures are directly related to the production of transformers and the eligible activity 3.20. Accordingly, all procurement directly tied to the production process was process-wise allocated to activity 3.20. The distribution of CapEx between activities 3.20 and 3.19 was based on the revenue share of each respective activity in the total revenue of both.

Compared to the previous year, taxonomy-eligible CapEx increased in 2024 due to significant investments in production capacity expansion under the Set-Up project, as well as the inclusion of the acquired company Ferokotao d.o.o. in the calculation.



The 2023 restatement reflects the inclusion of the entire transformer product range under activity 3.20, as well as the earlier explained process-based approach to procurement linked to production. The acquisition of Ferokotao d.o.o. was excluded from the 2023 calculation following the previously mentioned interpretation by the European Commission regarding the treatment of components in the value chain.

The percentage of capital expenditures by environmental objectives is as follows:

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	85.60%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

OPERATING EXPENDITURES (OPEX KPIS)

OpEx includes maintenance costs of fixed assets, non-capitalized research and development expenditures, and non-capitalized lease expenses.

In EUR '000

Sector	Section	Activity	Amount as of 31.12.2024 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2024 EU Taxonomy report	Amount as of 31.12.2023 according to the 2023 EU Taxonomy report	Differences
2. Environmental protection and restoration activity (CE)	2.1.	Collection and transport of hazardous waste	88	0	0	0
3. Manufacturing (CCM)	3.19.	Manufacture of rail rolling stock constituents	1	0	0	0
	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	1,911	1,032	262	770
5. Water supply; sewerage, waste management and remediation activities (CCM)	5.2.	Renewal of water collection, treatment and supply systems	67	0	0	0
6. Transport (CCM)	6.4.	Operation of personal mobility devices, cycle logistics	2	0	0	0
	6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	202	185	144	41
7. Construction and real estate activities (CCM)	7.3.	Installation, maintenance and repair of energy efficiency equipment	14	11	216	-205
	7.5.	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	1	0	0	0
	7.6.	Installation, maintenance and repair of renewable energy technologies	3	10	10	0
	7.7.	Acquisition and ownership of buildings	111	13	267	-254
9. Professional, scientific and technical activities (CCM)	9.1.	Close to market research, development and innovatio	1,323	1,078	1,078	0
TOTAL Numerator			3,723	2,329	1,977	352
TOTAL Denominator			7,296	5,171	5,042	129
% Taxonomy-eligible OpEx			51%	45%	39%	
% Taxonomy-non-eligible OpEx			49%	55%	61%	

The calculation is aligned with the consolidated annual financial statements, specifically with Note 6 – Materials, consumables, goods and services used, Note 7 – Personnel costs, and Note 8 – Other operating expenses. However, the items included in the calculation represent specific components within the broader categories listed in these notes, all in accordance with the rules for calculating taxonomy numerator and denominator values.

The most significant portion of taxonomy-eligible OpEx relates to the purchase and ownership of buildings, as well as research, development, and innovation activities with market potential. The remaining portion includes maintenance staff costs, proportionally



attributed to transformer production under activity 3.20, transport services, and various construction-related activities. Activity 9.1 – Research, development and innovation with market potential was recognized in 2023 as a taxonomy-eligible activity and continued to make a notable contribution, as it did in the previous year. As a result, taxonomy-eligible OpEx remained at a similar level to the prior year.

Estimates were applied for the allocation of maintenance staff costs, where the expense was distributed according to the share of the building area directly related to production compared to the total building area. A second estimate was used for external maintenance services (e.g. cleaning, servicing, repairs, etc.) in cases where it was not possible to determine the direct link to the production process—here too, the area-based allocation was applied. A third estimate was used for distributing OpEx between activities 3.20 and 3.19, based on the revenue share of each activity within the combined revenue of the two.

The percentage of operating expenditures by environmental objectives is as follows:

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	49.82%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	1.21%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

Template: Share of revenue from products or services associated with taxonomy-aligned economic activities – disclosure for the year 2024

Financial year 2024		2024		Substantial contribution criteria										DNSH criteria ("Does not significantly harm")									
Economic activities (1)																							
		Codes (a)(2)	Revenue (3)	Share of revenue (2024) (4)	%	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of revenue from taxonomy-aligned (A.1) or taxonomy-eligible (A.2) activities, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)		
Text			'000 EUR			D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P		
A. TAXONOMY ELIGIBLE ACTIVITIES																							
A.1. Environmentally sustainable activities (Taxonomy-aligned)																							
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)					EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)											0%	
Collection and transport of non-hazardous and hazardous waste		CE 2.3	1,581	0.34%	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL											0.46%	
Manufacture of rail rolling stock constituents		CCM 3.19	189	0.04%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.60%	
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation		CCM 3.20	443,406	94.81%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL											95.61%	
Sale of spare parts		CE 5.2	0	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL											0.00%	
Sale of second-hand goods		CE 5.4	456	0.10%	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL											0.01%	
Collection and transport of non-hazardous waste in source segregated fractions		CCM 5.5	0	0.00%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.00%	
Collection and transport of non-hazardous waste in source segregated fractions		CCM 7.6	35	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.00%	
Acquisition and ownership of buildings		CCM 7.7	35	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL											0.07%	
Revenue from taxonomy-eligible but environmentally unsustainable activities (A.2.)		445,702		95.30%	94.87%	0%	0%	0%	0%	0.44%	0%											96.74%	
A. Revenue from taxonomy-eligible activities (A.1 + A.2)		445,702		95.30%	94.87%	0%	0%	0%	0%	0.44%	0%											96.74%	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																							
Revenue from taxonomy-non-eligible activities		21,978		4.70%																			
TOTAL		467,680		100.00%																			

Template: Share of operating expenditures from products or services associated with taxonomy-aligned economic activities – disclosure for the year 2024

Financial year 2024		2024	Substantial contribution criteria										DNSH criteria ("Does not significantly harm")									
Economic activities (1)			Operating expenditures (3)	Share of revenue (2024) (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) operating expenditures, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)		
Text	Codes (a)(2)	'000 EUR	%		D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N	D: N	D: N	D: N	D: N	D: N	D: N	%	O	P		
A. TAXONOMY ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)				0	0%																0%	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																						
					EL: N/EL (f)	EL: N/EL (f)	EL: N/EL (f)	EL: N/EL (f)	EL: N/EL (f)	EL: N/EL (f)												
Collection and transport of hazardous waste	CE 2.1	88	1.21%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL							0%				
Manufacture of rail rolling stock constituents	CCM 3.19	1	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%				
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	1,911	26.19%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								19%				
Renewal of water collection, treatment and supply systems	CCM 5.2	67	0.92%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%				
Operation of personal mobility devices, cycle logistics	CCM 6.4	2	0.03%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%				
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	202	2.77%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.58%				
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	14	0.19%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.21%				
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	1	0.01%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.01%				
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6	3	0.04%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.18%				
Acquisition and ownership of buildings	CCM 7.7	111	1.52%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.26%				
Close to market research, development and innovation	CCM 9.1	1,323	18.13%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								20.85%				
Operating expenditures from taxonomy-eligible but environmentally unsustainable activities (non-aligned with the Taxonomy) (A.2.)				3,723	51.03%	49.89%	0%	0%	0%	0%	1.21%	0%						44.54%				
A. Operating expenditures from taxonomy-eligible activities (A.1 + A.2)				3,573	51.03%	49.89%	0%	0%	0%	0%	1.21%	0%						44.54%				
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																						
Operating expenditures from taxonomy non-eligible activities				3,568	48.97%																	
TOTAL			7,296	100.00%																		





SOCIAL

- 80 S1 Own workforce
- 97 S2 Workers in the value chain
- 103 S4 Consumers and end-users

S1

Own workforce

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
SBM-2	Interests and views of stakeholders	S1 – Own workforce: Our material impacts, risks and opportunities	82
		ESRS 2 – General disclosures: Double materiality	31 35-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	S1 – Own workforce: Our material impacts, risks and opportunities	81
		ESRS 2 – General disclosures: Double materiality	38-39
S1-1	Policies related to own workforce	S1 – Own workforce: Our management approach	82-84 87, 89
S1-2	Processes for engaging with own workers and workers' representatives regarding impacts	S1 – Own workforce: Our management approach	90-91
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	S1 – Own workforce: Our management approach	91
		G1 – Business conduct: Our management approach	114
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1 – Own workforce: Measures and activities	84-90
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S1 – Own workforce: Metrics and targets	96
S1-6	Characteristics of the undertaking's employees	S1 – Own workforce: Metrics and targets	92-93
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Not material	-
S1-8	Collective bargaining coverage and social dialogue	Not material	-
S1-9	Diversity metrics	S1 – Own workforce: Metrics and targets	93
S1-10	Adequate wages	S1 – Own workforce: Metrics and targets	93
S1-11	Social protection	S1 – Own workforce: Metrics and targets	93
S1-12	Persons with disabilities	Not material	-
S1-13	Training and skill development metrics	S1 – Own workforce: Metrics and targets	94
S1-14	Health and safety metrics	S1 – Own workforce: Metrics and targets	94
S1-15	Work-life balance metrics	S1 – Own workforce: Metrics and targets	95
S1-16	Compensation metrics (pay gap and total compensation)	S1 – Own workforce: Metrics and targets	95
S1-17	Incidents, complaints and severe human rights impacts	S1 – Own workforce: Metrics and targets	95



OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, SBM-2, SBM-3

IMPACTS			Value chain	Time horizon
WORKING CONDITIONS				
POSITIVE IMPACT - ACTUAL	Job security	Priority employment through permanent contracts provides long-term job stability and enables employees to maintain a dignified standard of living.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Adequate wages	Ensuring fair and competitive wages that meet industry trends, match workers' qualifications and responsibilities, and the scope of work	Own operations	Short- to long-term
NEGATIVE IMPACT - POTENTIAL	Excessive working hours due to rising demand and labor shortages	Inefficient shift planning and excessive working hours during periods of increased production may reduce rest time and negatively impact employees' work-life balance.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Employee health and safety	We continuously invest in improving occupational safety, provide targeted training to our employees, and conduct rigorous inspections.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Work-life balance	We strive to maintain a healthy work-life balance for employees, contributing to their well-being, reducing stress, and increasing trust and satisfaction.	Own operations	Short- to long-term
EQUAL TREATMENT AND OPPORTUNITIES FOR ALL				
POSITIVE IMPACT - ACTUAL	Gender equality and equal pay for work of equal value	We promote gender equality in management and leadership positions and ensure equal pay between women and men for the same or equivalent jobs, with no gender-based discrimination in pay.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Continuous training and employee development	Ongoing training and development at all levels and creating advancement opportunities enable employees to acquire new skills and knowledge, ensuring high-quality product delivery and enhancing their competitiveness in the labor market.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Measures against workplace violence and harassment	Enforcing a strict zero-tolerance policy against violence and harassment, along with confidential reporting channels and whistleblower protection, fosters a safe work environment and strengthens trust and respect for human rights and ethical standards. (related to G1-Business conduct)	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Prohibition of child and forced labor	We oppose all forms of child exploitation, do not employ individuals below the legal minimum working age, and strictly prohibit any form of forced labor. We conduct regular audits and assessments to ensure compliance with labor laws and ethical standards. (related to G1-Business conduct)	Own operations	Short- to long-term
RISKS				
RISK	Employee turnover and labor shortages	Risk of losing key employees and being unable to find or attract qualified replacements due to labor migration to countries with better working conditions.	Own operations	Short- to long-term
RISK	Compromised employee health and safety	Inadequate safety conditions and an increase in work-related accidents.	Own operations	Short- to long-term
RISK	Risk of discrimination and non-compliance with workers' rights	Risk of discrimination and violations of workers' rights (e.g. gender, racial, religious discrimination).	Own operations	Short- to long-term
RISK	Lack of trust in grievance mechanisms	Failure to report incidents of harassment or violence due to lack of trust in grievance mechanisms may create an environment where such behavior persists, endangering employee safety and well-being. (related to G1-Business conduct)	Own operations	Short- to long-term

Employees are a key resource of any organization. Through their knowledge, skills, and engagement, they enable the achievement of strategic goals and long-term success. In a dynamic business environment, attracting, developing, and retaining talented employees is becoming increasingly important, especially in global market shifts, technological innovation, and growing expectations regarding sustainable business practices. Ensuring safe and fair working conditions, supporting professional development, and creating an inclusive and motivating work environment not only enhances productivity but also strengthens the organization's reputation. At the same time, responsible management of the workforce reduces risks related to employee turnover, regulatory requirements, and societal expectations. Ultimately, investing in people is not only an ethical obligation but also a strategic imperative that ensures the quality of our products and the organization's resilience in the future.

Interests and views of the workforce

ESRS 2, SBM-2

We actively engage with all employees, with particular focus on key personnel and management. As outlined in the *ESRS 2 – General disclosures chapter*, communication and engagement are carried out through various formal and informal channels. Managers hold regular monthly meetings, while a dedicated annual meeting is organized to present plans and strategies for the upcoming period. Regular surveys are conducted to assess employee satisfaction, organizational climate, and specific aspects of the working environment. Individual conversations are held at least once a year, and more frequently if needed, to further clarify individual needs and gather employee suggestions. Separate procedures are in place for matters related to occupational health and safety, as described later in this chapter.

The main objectives of employee engagement are to improve employee satisfaction and working conditions, increase employee engagement and strengthen employer–employee relations, enhance organizational culture and the quality of collaboration, and ensure timely identification of impacts, risks and opportunities. After data collection and evaluation, key insights directly influence managerial and/or Management Board decisions regarding the implementation of activities and measures (ranging from operational to investment-related).

The results of conducted surveys and implemented measures are transparently communicated to employees to ensure open and two-way communication.

Due to labor shortages expected in the coming years, more intensive recruitment of foreign workers is likely, which will require increased attention to this group of employees, as well as a deeper understanding of the potential impacts, risks and opportunities associated with a foreign workforce.

Given the scope of policies and measures related to the workforce, the structure of this section is divided into thematic areas, within which we describe the corresponding policies and measures.

LABOR AND HUMAN RIGHTS

Policies

S1-1

KONČAR – D&ST Group has adopted a range of policies aimed at ensuring the rights and well-being of its workforce, aligned with the relevant legislative framework and international standards. Companies within the Group have the flexibility to adapt these policies to their operational needs, regulatory requirements and market conditions, as further described in chapter *G1 – Business conduct*.

Employee rights are primarily ensured by the Internal Work Regulations, which are aligned with national labor laws and incorporate key provisions from international conventions on the protection of human rights and worker dignity. The Internal Work Regulations safeguard fundamental employee rights and regulate all aspects of work organization. This document comprehensively governs key areas such as employment contracts, protection of life, health and privacy, probation periods, internships, education and training. It also includes provisions on working hours, rest periods and leave, as well as the basic rights and obligations of employees.

The Internal Work Regulations further define employee responsibilities, termination of employment contracts, and the protection of employee rights, including collective redundancies and material entitlements. They also enable employee participation in decision-making, ensuring that all employees have a voice in the organization's development. In addition to the Internal Work Regulations, our obligations towards employees are established through a set of dedicated policies. With this approach, we foster a safe and supportive work environment where employee rights are respected and actively promoted.

Although no collective agreement is currently in force, all material and other employee rights are fully ensured.

The policies are not directly linked to the prevention and mitigation of risks and negative impacts associated with the transition to greener, climate-neutral operations. However, depending on the sector and position, certain employees participate in targeted upskilling programs to adapt to new business models and technologies related to the green transition and environmental management.



Secure jobs and adequate wages

We place particular emphasis on providing stable conditions for our employees. Permanent employment contracts account for 92% of all contracts within KONČAR – D&ST Group. This approach reflects our commitment to long-term workforce stability and contributes to creating safer working conditions, enabling a dignified life for all our employees.

At the same time, fair compensation fosters motivation and strengthens the trust between employer and employee. Internal regulations provide a framework for determining base salaries, allowances, and variable components, with defined supplements for work under special conditions (such as night and shift work, work on Sundays and public holidays, and overtime), as well as performance-related bonuses.

We continuously monitor and benchmark the cost of living, inflation, and wages in comparable companies to ensure that our employees receive adequate remuneration.

Work-life balance

KONČAR – D&ST Group is committed to maintaining a healthy work-life balance for its employees, contributing to their well-being, reducing stress, and increasing trust and satisfaction. Employees in positions where this is feasible (those not tied to production or shift work) operate under flexible working hours, as defined by the Internal Regulation on Working Hours and use of Daily Breaks. Further improvement of working conditions through a hybrid work model will provide employees with additional work-life balance where such arrangements are possible. The adoption of the Internal Regulations for Remote Work is planned for 2025. We actively encourage all employees, regardless of gender, to take maternity and parental leave, and we offer various benefits for parents.

In accordance with the legal framework and the Internal Work Regulations, companies comply with the prescribed limits on overtime hours as well as regulations on daily, weekly, and annual rest periods. We are also aware of the challenges that may arise from improper workload distribution. Special attention is given to organizing shift work in a way that prevents excessive workloads during periods of increased production. This need is especially relevant due to rising demand driven by the requirements of the green transition and labor shortages. To ensure workload sustainability, we regularly monitor the number of overtime hours at both departmental and individual employee levels, ensuring compliance with legal frameworks and permitted thresholds. We recognize this as a potential challenge and actively monitor it to prevent negative effects and related risks. Additional employee benefits contributing to work-life balance are outlined later in this report.

Human rights

Respect for human rights, as guaranteed by international conventions of the United Nations and the International Labour Organization (ILO), is one of the core principles underpinning the operations of KONČAR – D&ST Group. Any form of human rights violation is unacceptable, and in addition to the Internal Work Regulations mentioned above, our approach to respecting human rights is embedded in various documents and policies, such as the Code of Business Conduct and the Supplier Code of Conduct, both of which are detailed in chapter *GI – Business conduct*. All companies are required to act in accordance with the Statement on the Prevention of Modern Slavery and Human Trafficking, through which we actively address key issues related to the prevention of all forms of modern slavery, including exploitation, forced labor, and human trafficking within our business environment and value chain.

In addition, KONČAR – D&ST is a signatory to the Code of Business Ethics of the Croatian Chamber of Economy, committing to the respect of applicable laws, both collective and individual agreements, and to the protection of human and civil rights, dignity, and the reputation of every employee. In line with the principles of the United Nations Global Compact (UNGC), we continuously monitor and implement measures that ensure the protection of human rights, support equality and the dignity of all our employees, and are actively engaged in preventing all forms of violence and discrimination. Any verbal, non-verbal or physical conduct aimed at or resulting in the violation of a person's dignity, or in the creation of an intimidating, hostile, or offensive working environment, is strictly prohibited.

The Group strictly complies with legal regulations, including the prohibition of employing individuals below the legally defined minimum age. Detailed procedures and control mechanisms are applied during the recruitment process to ensure compliance with applicable legislation. We strongly oppose all forms of child exploitation and are committed to preventing all forms of child labor within our supply chain. Some of the relevant requirements, including the anti-mobbing and anti-discrimination policy, are integrated into the official and prescribed employment rules in accordance with national labor law. Given the Group's growth and the evolving external environment, we plan to develop additional formal policies on specific human rights issues.

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

Policies

S1-1

Diversity and inclusion

Creating a work environment where all employees feel safe and accepted is our ongoing commitment. KONČAR – D&ST Group promotes the equal treatment of all employees, regardless of gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation, political or other affiliation, in all aspects of work and working conditions, including recruitment, promotion, and access to professional training and development. In addition to the Code of Business Conduct, which prohibits any behavior that could undermine the dignity of our employees or create a hostile work environment, KONČAR – D&ST Group companies use their Internal work regulations on employment to define specific business practices that promote equal opportunities.

Gender equality and equal pay for work of equal value

KONČAR – D&ST Group recognizes the importance of gender equality and ensuring equal opportunities for all employees. Our goal is to foster a working environment in which everyone has equal access to professional development and career advancement. Accordingly, we implement a systematic management approach that ensures transparency and fairness in our recruitment, promotion, and remuneration policies.

We have long monitored the share of women in all positions and strive to ensure proportional representation of women in both leadership roles and among key employees. Our remuneration system is based on objective criteria, including job complexity and individual performance. We regularly analyze our pay structure to identify and eliminate any discrepancies, ensuring alignment with best practices and legal requirements.

Furthermore, we actively promote a culture of inclusion through training and initiatives that raise awareness of gender equality. We are committed to enhancing the visibility and representation of women in technical professions. All KONČAR – D&ST managers involved in the recruitment process are required to undergo training on fair and equal employment practices.

The Management Board and top management are responsible for implementing these policies at the strategic level, while operational implementation is delegated to specialized departments. Execution is regularly monitored through the work of dedicated committees and Management Board meetings with the responsible departments. The results are transparently reported to the Management Board, whose members actively engage in communication with employees and supervisory bodies. An employee satisfaction survey is conducted annually, and an organizational climate survey is conducted every two years within the KONČAR Group and its subsidiaries. Survey results are first presented to the Management Board and subsequently to the Supervisory Board at a regular session.

We ensure easy access to all relevant documents and policies through internal digital channels, noticeboards and websites, thereby enabling transparency and accessibility of key information for all employees. Public policies are available on the websites of individual companies and are communicated to external stakeholders upon request or as needed.

MEASURES AND ACTIVITIES

S1-4

Employee benefits

ADDITIONAL PAYMENTS AND JUBILEE AWARDS	SUBSIDIZED SPORTS ACTIVITIES
CONTRIBUTIONS TO THE THIRD PENSION FUND	HEALTH INSURANCE
HOT MEALS AND TRANSPORTATION	BENEFITS FOR PARENTS
DISABILITY COMPENSATION	SUBSIDIZED VEGETABLES FROM LOCAL FAMILY FARMS
PAID LEAVE	



EQUAL PAY Certificate

In April 2023, KONČAR – D&ST became the first organization in Croatia to receive the INC.Q EQUAL PAY Certificate. The certificate is based on a standard that confirms we ensure full pay equality between women and men for work of equal value, and that no gender-based pay discrimination exists.

MAMFORCE Certificate

In December 2024, KONČAR – D&ST was awarded the MAMFORCE GROW Certificate. Through the application of best practices, knowledge, and tools, MAMFORCE ensures that KONČAR – D&ST is creating a more balanced work environment that supports work-life integration, gender equality, and equal opportunities for all. As a result of participating in the MAMFORCE certification process, several initiatives were launched with the aim of improving internal communication, strengthening team spirit, and positively influencing leadership practices and organizational culture. In the past period, we have also placed additional emphasis on employee well-being, achieving work-life balance, and providing benefits that support overall employee wellness.

Payroll mapping

Each pay component is carefully mapped and linked to the corresponding business processes, work tasks, and performance outcomes. Legal requirements, industry standards, and the organization's internal policies are also taken into consideration. This process provides a clearer understanding of the pay structure and helps identify potential issues or inconsistencies. Through this project, we aim to introduce additional benefits for employees—especially mothers and fathers—by promoting work-life balance and employee equality. Plans are also in place to develop a dedicated onboarding process for mothers returning from maternity leave, including the implementation of a more flexible working arrangement during the first weeks following their return to work.

Q BEST Inclusive Employer Awards 2024

Inc.Q recognises outstanding employers who foster exceptional and inclusive work environments and honors organizations that prioritize employee well-being, encourage intergenerational cooperation, and promote diversity in all its forms. As part of the Inc.Q BEST Inclusive Employer Awards 2024, we achieved top results in the following categories:

- Best Technology Company for Diversity and Inclusion
- Best Technology Company for Well-being
- Best Technology Company for Women

This award confirms our company's long-standing efforts to create and maintain a work-life balance, significantly contributing to the overall well-being of our employees. In this context, we have also launched new initiatives such as Mental Health Awareness Month.



Mental health awareness

We are especially proud of the Mental Health Awareness Month, a project organized for the first time at KONČAR – D&ST in 2024. Throughout May, we encouraged our employees to focus on their mental health and engage in activities with a positive impact through a series of lectures and workshops. As part of the initiative, we provided additional employee benefits, further emphasizing the importance of employee well-being.

Students and pupils

Internships and trainee programs play a key role in the development of human resources. These programs not only support the education and professional growth of future experts but also enable us to actively engage with the next generation of employees, gaining insight into fresh ideas, perspectives, capabilities, and skills that are essential for continued success and long-term sustainability. In the context of growing challenges related to recruitment and shortages of qualified labor, such programs represent an important tool for identifying promising individuals. At KONČAR – D&ST, student internships and traineeships are governed by the Internal Regulations on Pupil and Student Internships, which ensure a transparent and structured approach to integrating young people into business processes. This creates mutual value—students gain relevant work experience, while the company benefits from new talent and perspectives.

In 2024, through the public call "Become a stipendD&ST", we awarded scholarships to outstanding students. In addition to financial support throughout the remainder of their studies, scholarship recipients are offered the opportunity to write their thesis on a topic related to the transformer industry and to begin a trainee employment relationship at KONČAR – D&ST upon graduation.

People with disabilities

KONČAR – D&ST and Ferokotao are subject to the mandatory employment quota for people with disabilities. Due to the nature of our manufacturing activities, direct employment of persons with disabilities presents certain challenges. For 2024, KONČAR – D&ST fulfilled the replacement quota, substituting the employment of 55 persons with disabilities. Throughout 2024, we successfully continued our cooperation with the Institution for Professional Rehabilitation and Employment of Persons with Disabilities (URIHO). Based on a business cooperation agreement with a sheltered workshop, KONČAR – D&ST procures production components from URIHO's product range. This not only fulfils the replacement quota for employing persons with disabilities, but more importantly, supports the professional rehabilitation and social inclusion of persons with disabilities in the community.

Corporate volunteering

Corporate volunteering connects employees with the community, creating opportunities for collaboration beyond the workplace. Through volunteer initiatives, we encourage our employees to take collective action, strengthening team spirit, mutual understanding, and awareness of the importance of social responsibility.



Tree planting activities

In 2024, KONČAR – D&ST participated in two major reforestation projects in Croatia, contributing to the restoration and preservation of forests at two locations, in collaboration with experts. Within the KONČAR Group, cooperation continued with Project O2, an initiative focused on environmental protection and climate change mitigation through the active involvement of the community and the private sector. Volunteers, with support from specialists at Project O2, deployed 2,500 seed bombs—containing self-germinating seeds of native and non-invasive tree species—using drones.

In a second initiative under the CO2MPENSATING BY PLANTING project, and in cooperation with the Scout Association of Croatia, HEARTH agency and Croatian Forests, KONČAR – D&ST employees participated in reforestation activities in the Vrbovsko area of Gorski Kotar—a region known for its forests but also affected by increasingly frequent extreme weather events.

A total of 1,000 spruce saplings were planted, marking the fourth such activity in which our volunteers have now planted a total of 4,000 trees.

Run for Down

As part of raising awareness about the importance of sports for the motor and psychosocial development of individuals with Down syndrome, we took part in the Run for Down race. More than 40 of our employees, along with their families, friends and pets, supported the race through donations, participation, and cheering. This was the second time our employees' children, including the youngest ones, also took part in the event.

EMPLOYEE HEALTH AND SAFETY

Policies

S1-1

Providing a safe and healthy working environment is our ongoing commitment. KONČAR – D&ST Group manages health and safety through occupational safety policies and regulations that are aligned with the legislative requirements of the countries in which it operates. Clearly defined rules govern safe work practices, employee and employer responsibilities in terms of safety, and procedures in the event of workplace accidents. Risk assessments and health and safety training plans are integral parts of our management processes. The Group ensures high standards of occupational health and safety and promotes healthy lifestyles and mental well-being, in line with international best practices.

KONČAR – D&ST Occupational Health and Safety Management System is aligned with ISO 45001. Occupational health and safety are managed through the Occupational Safety Committee and the Environmental Protection, Health and Safety Committee. These committees work in coordination to address issues within their respective domains.

The Management Boards of the companies are responsible for defining, adopting and reviewing the Environmental Protection and Occupational Health and Safety Policy, as well as for informing employees and all relevant stakeholders. Each year, the Management Board adopts objectives that drive the improvement of the overall system and support a proactive approach to occupational health and safety. The effectiveness of the occupational health and safety management system is regularly evaluated through committee reports, and internal and external audits.

MEASURES AND ACTIVITIES

S1-4

Injury prevention

KONČAR – D&ST recognizes the importance of involving all stakeholders in eliminating workplace hazards and minimizing the number of injuries. In the event of a workplace injury, all authorized personnel are trained to act in accordance with internal procedures and report every incident using the prescribed methodology.

Non-conformities are systematically addressed through a predefined procedure, specifically the "5 Whys" method, which is used to identify root causes and outline the actions taken and the verification of those actions. All reported non-conformities are tracked using monitoring tools that follow their status and severity in line with organizational procedures aimed at eliminating the root causes. Continuous efforts are made to reduce the number of non-conformities.

The risk assessment process involves all employees, higher and immediate authorized personnel, and employee representatives, either directly (through reporting non-conformities, employee initiatives, or via a web tool) or indirectly (through supervisory levels, representatives, and relevant business committees). Special emphasis is placed on raising awareness among employees and contractors through education and on involving workers in consultation and decision-making processes to eliminate risks.

All our employees receive continuous occupational health and safety training and are encouraged to actively participate in safety management through reporting and initiatives. These forms of engagement are regulated by procedures, and employees have access to a dedicated grievance mechanism related to health and safety. Legally required training is complemented by targeted programs developed based on identified needs.

In addition, KONČAR – D&ST encourages other stakeholders to adopt sustainability principles and occupational health and safety standards. All employees, visitors, and service providers are required to comply with the health and safety measures defined by legal regulations and internal procedures. A dedicated grievance mechanism for health and safety matters is available to all employees.

Medical check-ups and health insurance

Upon employment, KONČAR – D&ST employees are referred for initial health examinations with an occupational health specialist, and undergo regular periodic check-ups, or exceptional medical exams when necessary. In cooperation with the occupational health specialist, specific workplaces are also monitored to identify necessary measures and adjust working conditions where applicable. Through annual reporting, the occupational health specialist informs the Management Board via the Occupational Safety Committee on the health status of examined employees regarding occupational illnesses and work-related diseases.

KONČAR – D&ST and PET provide their employees with a voluntary health insurance policy that includes preventive and targeted medical check-ups, specialist consultations, and diagnostic tests. Employees can undergo these check-ups during working hours. Since 2023, employees have also been provided with a supplementary health insurance policy. All employees are covered by accident and life insurance.



Subsidized sports activities

We are committed to promoting a healthy lifestyle among our employees by encouraging active participation in sports activities. Employees of KONČAR – D&ST and PET are provided with subsidized sports activities.

Our employees also actively take part in sports competitions. In the B2Run corporate race—where teams represent their companies—KONČAR – D&ST's team of 29 runners placed 8th out of more than 300 teams, improving on last year's 11th place.

EMPLOYEE TRAINING AND SKILLS DEVELOPMENT

Policies

S1-1

Professional development and employee training are essential for maintaining a high-quality workforce and for attracting and retaining top talent, enabling us to sustain our market advantage and further develop new products and services. We implement targeted training, upskilling, and education activities to equip employees with the knowledge necessary for successful work performance and personal development. Each year, we aim to increase investment in employee development and to design tailored internal education programs based on specific needs, ensuring timely and effective knowledge transfer through development plans.

As part of the organizational employee development monitoring procedure, an annual Training Plan is prepared based on employee needs and identified competence gaps. Managers identify required training, and an annual training report is created to track the progress of each employee.

The Internal Regulations on Postgraduate and Graduate Studies and Company Support for Education reflect the company's commitment to human capital development by providing transparent participation criteria and incentives for lifelong learning.

MEASURES AND ACTIVITIES

S1-4

Annual performance reviews

The procedure for annual performance reviews at KONČAR – D&ST defines the structure and guidelines for employee evaluation. Reviews include performance appraisal, constructive feedback, and the setting of new objectives. This process enables systematic skill development and helps the organization recognize excellence and address areas for improvement. Transparency and structured assessment motivate employees and support their professional growth.

Individual development plans

We systematically track employee competencies and create individual development plans. In collaboration with managers, employees define professional development activities, including mentorship programs, on-the-job training, and further education. Group training such as workshops, seminars, and internal sessions encourage teamwork and knowledge exchange. Regular evaluations ensure the effectiveness and continuous improvement of programs. In 2024, a performance appraisal procedure was introduced for all management levels up to B-3, with ongoing monitoring and evaluation. Full implementation, including B-2 level senior management, is planned across the KONČAR Group.

Mentorship programs

We are continuously improving our onboarding process, and each new employee is assigned a mentor to support an effective job introduction. In 2023, we began enhancing onboarding for managerial positions and developed a new Manager Handbook, outlining responsibilities in human resources management and values promoted by KONČAR – D&ST in employee relations.

Internal e-learning platform

To support employee training and ensure accessibility, KONČAR – D&ST has made more than 100 training programs available via its internal digital platform. In 2024, 67% of employees accessed the platform.

Leadership academy

Launched in 2022 at the KONČAR Group level, the Leadership Academy supports continuous improvement in human resources management and adapts to changing employee expectations. The program develops leadership, motivation, and people management

skills through five modules. In 2024, 19 KONČAR – D&ST managers participated. To date, all managers at KONČAR – D&ST have completed the Leadership Academy.

Smart Wednesday

As part of the "Smart Wednesday" program, KONČAR – D&ST hosts Wednesday lectures in which employees share knowledge with colleagues. In 2024, a total of 13 Smart Wednesdays were held, with more than 500 participants.

Processes for engaging with own workers and workers' representatives regarding impacts

S1-2

Open communication channels enable regular exchange of information and consultations on labor and human rights issues, with employee interests represented by the Workers' Representative. Stakeholder interests and views are considered in the creation and implementation of policies through ongoing dialogue, annual satisfaction surveys, and targeted working condition surveys, including one conducted as part of the double materiality assessment process.

Collaboration with workers' representatives

Every four years, employees elect their Workers' Representative to the Supervisory Board via direct and secret ballot. The representative participates in the Occupational Health and Safety Committee and other activities requiring worker representation.

The Workers' Representative also acts as the Employee Health and Safety Commissioner and actively participates in all health and safety matters. At Occupational Safety Committee and the Environmental Protection, Health and Safety Committee meetings, they present worker initiatives and internal non-conformities, share perspectives on occupational health and safety issues, and convey observations collected from employees. They take part in inspections and incident investigations and support both employees and the Occupational Safety Committee as a liaison between workers and management.

Suggestions for process improvement

Employees actively submit suggestions for improving productivity, reducing costs, enhancing working conditions, and promoting environmental protection, health, and safety. Suggestions are reviewed by the integrated Environmental Protection, Health and Safety Committee, which meets at least twice a year and includes Management Board members. Valuable initiatives are forwarded to the relevant directors or managers for action. KONČAR – D&ST also regularly conducts internal surveys to gather employee input before making decisions (e.g. on acquiring new sit-stand desks or building a new bicycle parking area). Care is taken to ensure that all employees have access to surveys, which are distributed through various channels and formats. After each survey, employees are informed of the results and upcoming actions.

Employee satisfaction survey

In November 2024, an employee satisfaction survey was conducted across KONČAR Group, covering all KONČAR – D&ST employees via an online platform. The goal was to understand satisfaction levels and employee attitudes toward various aspects of employment. The results serve as a basis for creating action plans to improve identified areas.

The survey had a 45% participation rate. It assessed satisfaction with different job aspects, employee satisfaction index, and willingness to recommend the company as a workplace (eNPS). The highest ratings were given to working conditions and employee status, while the lowest related to pay, recognition, and career advancement opportunities. These findings suggest that while employees appreciate the work atmosphere and relationships, there is dissatisfaction with the reward system and career prospects.

As a result of previous satisfaction surveys and employee suggestions, several actions have been taken over the past and current year to improve working conditions and employee satisfaction.



Internal communication

KONČAR – D&ST promotes clear and regular internal communication to ensure timely dissemination of important information, facilitate collaboration, and foster positive interpersonal relationships. In line with this, the Management Board issued Rules on Communication and Initiatives, which defines communication methods, responsibilities, and obligations for maintaining internal and external communication.

To improve internal communication at the parent company, KONČAR – D&ST launched an intranet portal in 2024, creating a unified online space accessible to all employees, containing important information, regulations, business updates, and company news, along with employee communication tools.

At KONČAR Group level, all employees also have access to the Jenz social network, where they can share personal and professional updates with colleagues.

Noticeboards are available at the entrances of each building and production facility, alongside digital boards that regularly display key employee information. These digital boards can also play videos, which are especially useful for educational content (e.g. health and safety topics) or for delivering important messages. KONČAR – D&ST publishes a quarterly newsletter Novosti, available in print and emailed to all official employee addresses. To further strengthen unity and collaboration, employee teambuilding events have been introduced, designed in cooperation with employees.

Processes to remediate negative impacts and channels for own workers to raise concerns

S1-3, linked to G1

All companies have established procedures for internal reporting of irregularities and for appointing a confidential person, in line with the requirements of the EU Whistleblower Protection Directive and the applicable national regulations of the countries in which the companies operate. The Internal Work Regulations clearly define the procedures for internal reporting, the process and method of appointing a confidential person, and the mechanisms for protecting whistleblowers and their rights. These procedures are further described in chapter S1 – Own workforce.

The appointment of a confidential person is carried out through employee nominations. If an insufficient number of nominations is received or none gains the necessary support, the organization may directly appoint a confidential person and deputy. If the confidential person determines that the report falls under the scope of the Whistleblower Protection Directive, the case is handled in accordance with the Internal Procedure for Reporting Irregularities and Appointment of a Confidential Person, which defines the reporting process in detail.

Any individual who believes the information they report is true is entitled to protection. This protection includes exemption from liability for reporting, confidentiality of identity and information, and safeguards against retaliation.

Irregularities may be reported in writing or verbally, and the confidential person is responsible for ensuring the security of the information. After receiving a report, the confidential person investigates within 30 days and informs the whistleblower and, if necessary, the relevant authority. The confidential person has the authority to assess the report and, if all relevant data has been submitted, to decide. If the irregularity is confirmed, corrective measures are taken, and the whistleblower is informed of the outcome.

Maintaining records of reports, documenting findings, and preserving related documentation are mandatory steps to ensure transparency and proper handling of the procedure. If the confidential person determines that the report does not fall under the scope of the Whistleblower Protection Directive, the case is forwarded to the Legal Department. The Legal Department will assess the report and, depending on the nature of the irregularity, forward it for further action in line with the organization's internal regulations and procedures. The Legal Department may also conduct an internal investigation, including interviews with involved parties and witnesses, and issue findings and recommendations to help prevent similar incidents in the future.

METRICS AND TARGETS

Employees

S1-6

Number of employees by gender	Unit	2024
Men	number	964
Women	number	248
Other/Not reported	number	0
Total employees	number	1,212

Number of employees by country	Unit	2024
Croatia	number	1,103
KONČAR – D&ST	number	793
Ferokotao	number	310
Poland (PET)	number	109

Number of employees by type of contract	Unit	2024		
		Female	Male	Total
Total number of employees	number	248	964	1,212
Permanent employees	number	230	893	1,123
Temporary employees	number	18	71	89
Non-guaranteed hours employees	number	0	0	0
Full-time employees	number	248	957	1,205
Part time employees	number	0	7	7

Employees by type of contract – by country	Unit	2024		
		Croatia	Poland	Group
Total number of employees	number	1,103	109	1,212
Permanent employees	number	1,014	109	1,123
Temporary employees	number	89	0	89
Non-guaranteed hours employees	number	0	0	0
Full-time employees	number	1,097	108	1,205
Part time employees	number	6	1	7

In 2024, a total of 110 employees left the KONČAR – D&ST Group, resulting in a turnover rate of 9.36%.

All employee-related indicators are expressed as the number of employees at the end of the reporting period (31 December), while the average number of employees at year-end is calculated as the average of monthly headcounts throughout the year.

Data is collected through the information system. There are no significant gender distribution differences between companies. The highest share of male employees is in PET (81%), while the lowest is in Ferokotao (77%). The largest number of employees works at the Group's parent company, KONČAR – D&ST (71%). The Group does not employ workers who are not in an employment relationship (non-employees).

Temporary employees are those with fixed-term employment contracts. These are not related to seasonal or temporary roles but serve as time-limited trial periods for new hires. All new employees are hired on permanent contracts with a six-month probation period, except for trainees who are employed under a one-year trainee contract. Part-time employment is used due to a shortage of labor on the market, taking advantage of provisions in national labor legislation that allow retirees to work part-time.

The turnover data includes employees who left voluntarily, due to contract termination, or retirement.



Diversity indicators

S1-9

Management Board diversity 2024	Unit	Male	Female
KONČAR – D&ST	number	3	2
Ferokotao	number	2	0
PET	number	3	0
Total	number (%)	8 (80)	2 (20)

Within the companies of the KONČAR – D&ST Group, there are a total of 10 Management Board members, of which two are women—representing 20% female representation at the highest executive level. The top management level presented in this table includes members of the Management Boards of KONČAR – D&ST, PET, and Ferokotao.

All employees by age group	Mjerna jedinica	2024.
< 30 years	number	242
30 to 50 years	number	771
> 50 years	number	199

Adequate wages

S1-10

All employees are paid an adequate wage in accordance with the applicable benchmark values.

Social protection

S1-11

Coverage of social protection against loss of income	KONČAR – D&ST	Ferokotao	PET
Sickness	80% of the average wage during sick leave up to 42 days Up to 70% of the employee's average wage for sick leave due to pregnancy complications; regular sick leave from the 43rd day onward	Up to 70% of the employee's average wage for regular sick leave from the 43rd day, covered by the Croatian Health Insurance Fund (HZZO)	80% of the wage during sick leave 100% of the wage in case of pregnancy – related complications
Unemployment starting from when the own worker is working for the undertaking	-	-	-
Employment injury and acquired disability	100% of the employee's average wage	100% of the employee's average wage	100% of the employee's average wage
Parental leave	70% of the average wage during parental leave, or up to the child's third year of life for children with developmental disabilities	Parental, maternity, paternity leave, and pregnancy complications The company does not pay the allowance; the compensation is paid by the HZZO	80% of the wage up to one year
Retirement	Severance payment as prescribed by law	Severance payment as prescribed by law	Severance payment as prescribed by law

Training and skills development metrics

S1-13

Participation in regular performance and career development reviews

	Unit	2024
Men	%	100*
Women	%	100*
Total	%	100*

Average number of training hours per employee

	Unit	2024
Men	number	49
Women	number	40
Total	number	48

The data presented refers exclusively to KONČAR – D&ST. While other companies within the Group, such as PET and Ferokotao, also conduct training activities, they do not currently have implemented human resource management systems or other information systems that would allow them to track the training data according to the criteria required by this standard.

In 2024, all employees (100%), regardless of gender, participated in regular performance and professional development reviews. A performance management system was introduced, specifically covering employees in managerial positions. This indicator reflects the company's ongoing commitment to human capital development and ensuring equal opportunities for all employees.

Employee training is a key component of skills development within the company. In 2024, the average number of training hours per male employee was 49, while for female employees it was 40. At the organizational level, this results in an average of 48 training hours per employee.

*All employees participate in annual competency development reviews within the Employee Competency Management System. However, in 2024, the company introduced a performance management system for managerial-level employees (B-1, B-2, B-3), which replaced the previous competency tracking process. As a result, 8% of employees were covered by the performance management system.

Data on participation in performance reviews was collected via internal human resource management systems (AppSkill, HR NET). The participation rate was calculated as the ratio of the number of employees covered by the evaluations to the total number of employees. Data on the average number of training hours is based on records of conducted training sessions and educational programs. The hours include all internal and external training, seminars and workshops, as well as learning through the e-learning platform. The methodology has certain limitations, such as potential variability in capturing data on informal or self-directed learning, which may not always be recorded.

Health and safety metrics

S1-14

Health and safety	Unit	2024
Workforce covered by a health and safety management system	%	100
Fatalities among own workforce	number	0
Fatalities among other workers	number	0
Number of work-related accidents	number	25
Work-related accident rate	Injuries per million working hours	10,39
Lost working days due to injury	number	645

100% of employees in the KONČAR – D&ST Group are covered by a health and safety management system. In 2024, there were no fatalities among own workforce or among other workers operating at company locations due to work-related injuries or ill health.

Only incidents officially recognized by the Croatian Health Insurance Fund (HZZO) as work-related injuries are used for reporting. This year marks the first time the Lost Time Injury Rate (LTIR) has been calculated at the KONČAR – D&ST Group level, so no historical comparison is available.



Work-life balance metrics

S1-15

All employees are entitled to family leave, which includes maternity leave, paternity leave, parental leave, and caregiver leave, as provided under national legislation. In 2024, data was available only for KONČAR – D&ST. A total of 78 employees, or 9.82% of the workforce, used family leave—10 women and 68 men.

Data is collected through the human resource and payroll management information system and reflects actual figures rather than estimates. There is no available information on how many employees were eligible for family leave but they did not use it.

Remuneration metrics

S1-16

Pay gap	Level of complexity	2024
KONČAR – D&ST Group	average	-1%
KONČAR – D&ST	average	-9%
PET	average	-9%
Ferokotao	average	18%

At the level of KONČAR – D&ST Group, there is a 1% pay gap in favor of women. All analyses were conducted based on the contracted Gross I salary. For Ferokotao, to ensure consistency and comparability, the agreed net supplement was excluded from the calculation, as it represents a different payment category and cannot be expressed as Gross I. For PET, the conversion of contracted Gross I salaries from PLN to EUR was made using the Croatian National Bank's middle exchange rate as of 10 March 2025 (1 EUR = 4.1788 PLN). Management Board salaries were excluded from the average salary calculations, in line with the defined sample methodology.

Ratio of total annual compensation

The annual total remuneration ratio of the highest-paid individual to the median annual total remuneration for all employees is 1:5.

The calculation of average annual remuneration for employees is based on total yearly earnings (including salary, bonuses, in-kind benefits, and non-taxable allowances), excluding the earnings of the highest-paid individual to ensure a representative average for the remaining workforce. The data includes all active employees as of 31 December 2024. Employees who left the organization during the year were not included. The calculation is based on actual data from the company's human resource management and payroll systems.

Incidents, complaints and severe human rights impacts

S1-17

In 2024, the KONČAR – D&ST Group recorded no complaints related to serious violations of human rights concerning the company's workforce. Therefore, indicators such as the total amount of fines, sanctions, or compensation for such cases are not applicable. A total of two complaints related to discrimination were submitted; however, following the investigation process, it was determined that no discrimination had occurred in either case.

Targets

S1-5

Targets aligned with the Sustainability Strategy 2024–2026

(Refers to the parent company, KONČAR-D&ST)



Priority area:

HEALTH AND SAFETY

Strategic goal **3**

Maintain a healthy and safe working environment for all employees

- Reduce workplace injuries (LTIFR<10)
- Provide supplemental and additional health insurance for 100% of employees
- 100% of employees included in stress prevention education and promoting the importance of mental health

Priority area:

EMPLOYEE DEVELOPMENT AND SATISFACTION

Strategic goal **4**

Promoting inclusion, diversity and equal opportunities

- 20% female representation in management and expert positions
- Salary equality between men and women (pay gap <5%)
- Provide support to parents after completion of the maternity/parental leave

Strategic goal **5**

Ongoing investments into employee professional growth and development

- Increase the average number of education hours per employee
- 100% of managers included in education to develop leadership skills and competencies
- Stimulate an innovation and cooperation culture

Priority area:

FOCUS ON YOUTH

Strategic goal **6**

Attracting youth and stimulating cooperation with education institution

- Provide student and pupil practical training
- Ongoing cooperation with technical faculties
- Provide stipends for excellent students

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, we will undertake the necessary preparatory measures, in-depth analysis, and alignment activities to ensure that by 2026 we are ready to adopt a Group-level sustainability strategy and targets related to our own workforce.



S2

Workers in the value chain

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
SBM-2	Interests and views of stakeholders	S2 – Workers in the value chain: Our impacts, risks and opportunities	99
		ESRS 2 – General disclosures: Double materiality	31, 35-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S2 – Workers in the value chain: Our impacts, risks and opportunities	98-99
		ESRS 2 – General disclosures: Double materiality	38-39
S2-1	Policies related to value chain workers	S2 – Workers in the value chain: Our management approach	100
S2-2	Processes for engaging with value chain workers about impacts	S2 – Workers in the value chain: Our management approach	100
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	S2 – Workers in the value chain: Our management approach	101
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	S2 – Workers in the value chain: Measures and activities	101-102
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2 – Workers in the value chain: Targets	102

OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, SBM-3, SBM-2

IMPACTS			Value Chain	Time Horizon
POSITIVE IMPACT - ACTUAL	Contribution to secure employment and adequate wages	We nurture long-term partnerships and contracts with suppliers, which can contribute to job stability. Special emphasis is placed on collaboration with local small and medium-sized suppliers, which can positively influence the survival and sustainability of their operations, ensuring stable employment and adequate wages for their workers. (linked to G1 – Business conduct)	Upstream	Short- to long-term
POSITIVE IMPACT - ACTUAL	Contribution to occupational health and safety across the value chain	We require our suppliers to comply with local and international occupational health and safety guidelines. We conduct regular audits of our key suppliers and, when necessary, provide advisory support in developing plans to improve safety conditions, which has a positive impact on workers in the value chain.	Upstream	Short- to long-term
NEGATIVE IMPACT - POTENTIAL	Violations of labor and human rights in the value chain	The risk of labor and human rights violations in the value chain, due to gaps in upstream due diligence processes, may result in the involuntary engagement of suppliers who do not comply with working conditions and human rights, or who collaborate with partners that breach acceptable standards.	Upstream	Short- to long-term

We recognize the importance of workers in the supply chain and their impact on the quality of our products. Our business model integrates principles of social responsibility throughout the entire value chain, thereby enhancing the stability and resilience of supply chains, creating long-term business advantages, and strengthening competitiveness.

While our positive impacts are most evident in the upper levels of the value chain, we are aware that deeper in the chain—where we lack direct relationships—there are potential negative impacts related to poor and unsafe working conditions, unethical hiring practices, and the risk of child and forced labor. These potential negative impacts prompt us to adapt our business strategy and the way we collaborate and engage with our direct suppliers, thereby indirectly influencing lower tiers of the value chain.

The transformer components and semi-products manufacturing industry can potentially lead to unsecure employment, irregular working hours, low wages, and poor work-life balance, which may reduce worker stability and security and negatively affect their quality of life. Through long-term partnerships with our suppliers, we influence the improvement of their working conditions and require them to comply with socially responsible and ethical standards. We actively take measures to ensure that our suppliers respect fundamental workers' rights, including the right to a safe working environment, fair wages, and working conditions in line with international standards. It is of utmost importance that the suppliers we cooperate with comply with national laws and regulations, as well as international standards relating to labor and human rights—particularly children's rights and the prohibition of forced labor.

Managing working conditions and human rights throughout the supply chain not only mitigates potential risks (reputational, legal, economic, and ethical), but also generates significant long-term benefits. These include enhancing the company's image as a responsible actor, increasing competitiveness, attracting ethically conscious consumers and investors, and ensuring business stability and sustainability through responsible supplier relationships. This approach contributes to greater long-term business stability and sustainability, leading to improved financial and market outcomes.

Deeper in the value chain, in mining activities necessary for raw material extraction, there are potential negative impacts associated with poor working conditions, including unfair compensation and unsafe working hours, as well as human rights violations. Although our impact in this part of the value chain is not direct, through our Supplier Code of Conduct—an integral part of contracts with our suppliers—we seek to extend responsibility throughout the entire chain.

In addition to these groups, KONČAR – D&ST can also significantly influence employees of service providers at its operational locations, which includes regular servicing of production machinery and equipment, photocopiers, cleaning services, maintenance services, and more. In this segment, it is especially important to monitor the effects of staffing agencies on migrant workers, due to the significant influx of foreign labor in the countries where we operate.

Negative impacts arising from our business activities and supply chain can be both systemic and widespread, particularly in countries or regions with higher risks of child labor, forced labor, and other adverse working conditions. The geographic areas from which we source raw materials and components for our production, where there is a risk of child labor, forced labor, or compulsory labor, include countries in Asia. Additionally, in specific segments of the supply chain, there is a risk of negative impacts linked to isolated incidents, such as industrial accidents, oil spills, or other environmental disasters. These events are often tied to particular business relationships or specific industries, such as mining or oil, where the risks of accidents and pollution are more prominent.



Interests and views of stakeholders

ESRS 2, SBM-2

The perspectives of workers in the value chain are incorporated through various methods of engagement and communication, ensuring a better understanding of their needs, concerns, and suggestions for improving working conditions. This supports our decision-making processes in ways that impact their work and wellbeing. We do not engage directly with all workers in the value chain, but rather through their representatives.

In addition to regular discussions and survey research, we conduct periodic assessments and audits of key suppliers, with particular attention paid to labour and human rights, working conditions, and compliance with relevant sustainability standards. These processes enable us to identify potential impacts, risks and opportunities, while also enhancing cooperation with supply chain partners and encouraging the adoption of sustainable practices. In the coming years, we aim to directly engage with certain groups of workers in the value chain who we believe may be more exposed to negative impacts, to further improve their working conditions through dialogue and collaboration with our suppliers.



OUR MANAGEMENT APPROACH

Policies related to value chain workers

S2-1

In addition to expecting all KONČAR – D&ST employees to uphold ethical principles and maintain professional conduct in their relationships with suppliers, the same is expected of all suppliers during procurement transactions. The key document through which KONČAR – D&ST manages labor in the value chain is the Supplier Code of Conduct, which clearly defines the obligation to comply with ethical business standards. The Code sets out rules including compliance with laws and international standards, respect for human and labor rights, occupational health and safety, environmental protection, anti-corruption, and the safeguarding of confidential information. Suppliers are required to provide a safe working environment and implement preventive measures to protect the health and safety of employees. The Code also includes guidelines that clearly prohibit discrimination, human trafficking, forced labor, and child labor. This approach promotes long-term cooperation based on transparency and integrity and contributes to reducing potential negative impacts in the value chain.

The Code applies to all suppliers, including natural and legal persons and their employees, ensuring consistency in the implementation of responsible business practices. The Code was shared with all existing key suppliers immediately upon its adoption, and it is provided to new suppliers at the start of the business relationship. Suppliers are obliged to accept and adhere to the conditions set out in the Code.

As the parent company of the Group, KONČAR – D&ST is also a signatory of the Code of Ethics of the Croatian Chamber of Economy, which sets out clear requirements for responsible business conduct within the value chain. The Code of Ethics obliges signatories to transparency, accountability, and adherence to ethical standards in relations with business partners, employees, and society at large.

We are firmly committed to the respect of human rights, in accordance with the UN Guiding Principles on Business and Human Rights. As part of the KONČAR Group, we are a member of the UN Global Compact initiative, through which we commit to uphold and protect internationally recognized human rights, prevent discrimination, forced and child labor, and implement active measures to promote fair and safe working conditions for both employees and workers in the value chain. Our human rights approach applies to all workers in the value chain, with particular attention paid to ensuring equal rights and protections for all employees, in line with international standards. By signing the Supplier Code of Conduct, our suppliers and business partners also commit to adhering to these principles to ensure that workers throughout the value chain enjoy an equal level of protection.

Managing conflict metals and minerals

In politically unstable areas, trade in minerals such as 3TG often presents a risk as it may finance armed groups, foster forced labor and other human rights violations, and contribute to corruption and money laundering. To mitigate these risks and ensure responsible sourcing, the Conflict Minerals and Metals Policy has been adopted. The policy is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the EU Regulation on supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas. To ensure its effective implementation, clear procedures for the monitoring and control of raw material procurement have been established, guaranteeing that the sourcing process does not contribute to human rights violations or the financing of conflict.

We regularly review our policies to ensure they reflect new regulatory requirements and stakeholder feedback. We ensure that changes are clearly communicated and easily accessible to all relevant stakeholders. This enables all relevant parties—including those directly affected by the policies and those involved in their implementation—to have a clear understanding of and access to our policies, and to actively participate in their execution. Policies are available through internal communication channels and noticeboards, while external stakeholders can access them via our website or upon request.

Processes for engaging with value chain workers about impacts

S2-2

We actively seek to incorporate the perspectives of workers in the value chain through various methods of engagement and communication. We maintain and develop relationships with supplier representatives, which enables us to gain a better understanding of the challenges faced by their workers. Through negotiations, inquiries, audits, orders, deliveries, performance monitoring, and regular meetings, we ensure that stakeholder perspectives are considered in all processes aimed at improving working conditions. The procurement department and ESG team representative play a key role in maintaining this cooperation. The effectiveness of engagement with workers in the value chain is assessed by monitoring supplier performance and comparing results, i.e. progress over time.



Processes to remediate negative impacts and channels for value chain workers to raise concerns

S2-3

We do not have dedicated channels through which workers in the value chain can directly raise concerns or report irregularities. Instead, we rely on indirect communication mechanisms via supplier representatives. By signing the Supplier Code of Conduct, our suppliers commit to taking all necessary measures to ensure respect for internationally recognized human and labour rights, including the protection of children's rights. The Code requires suppliers to ensure a safe and transparent working environment in which workers can freely express concerns without fear of retaliation.

We require our suppliers to comply with local and international occupational health and safety guidelines. We conduct audits of our key suppliers, which consist of two phases: supplier self-assessment and on-site supplier assessment. Where necessary, we provide advisory support in developing plans to improve safety conditions, which has a positive impact on workers in the value chain. During audits, we verify the existence of effective grievance and reporting mechanisms, such as anonymous reporting boxes, worker representatives, internal hotlines, or digital reporting platforms. In addition, we review their compliance with policies relating to workers in the value chain. We also encourage them to educate their employees about their rights and the available protection mechanisms.

MEASURES AND ACTIVITIES

S2-4

We foster long-term partnerships and contracts with suppliers, which can contribute to enhancing positive and eliminating negative impacts. Emphasis is placed on cooperation with local small and medium-sized suppliers.

In addition, collaboration with industry partners and human rights organizations enables the exchange of experiences and the application of best practices for preventing negative impacts on workers. In this way, we aim to actively reduce risks through joint initiatives and strategic partnerships.

We have established measures to manage key impacts, risks and opportunities related to workers in the value chain. These plans include clear guidelines for supplier assessments as well as collaboration to improve working conditions, protect human rights and ensure occupational safety. We continuously work on improving and developing plans for all KONČAR Group companies.

We require all key suppliers to sign the Supplier Code of Conduct, which reflects our positive approach to socially responsible and ethical business practices. The Code is considered an integral part of the supplier contract and serves as the main guideline in supplier relationships.

Supplier assessment and collaboration

S2-4

Measures for material impacts, risks and opportunities include a range of internal and external activities aimed at improving working conditions, protecting human rights and ensuring workplace safety, as well as the timely identification of potential risks.

We have implemented strict procurement guidelines that, in addition to requiring suppliers to respect human rights and working conditions in line with the Supplier Code of Conduct, include supplier self-assessments and audits, as well as close cooperation in remedying negative impacts. The Supplier Code of Conduct and the supplier assessment process are further detailed in chapter G1 – *Business conduct*. We continuously monitor our suppliers' compliance with relevant legislation and international standards through self-assessments and periodic audits, which include on-site visits and employee interviews.

Conflict minerals and metals

Conflict minerals and metals are critical to many industries, including energy and transformer manufacturing. Their extraction often involves serious social and environmental challenges, particularly in regions affected by conflict, forced labor, and human rights violations. In order to ensure responsible sourcing and protect workers' rights in the value chain, we are committed to excluding the procurement of minerals and metals from conflict-affected and high-risk areas. All our suppliers whose products may contain conflict minerals are subject to regular screening in accordance with international guidelines for responsible business conduct.

Conflict minerals and metals include ores, concentrates, and metals containing tin, tantalum, tungsten, and gold (3TG). According to Annex I of Regulation (EU) 2017/821, analysis of the quantities of materials used in annual production shows that we do not exceed the volume thresholds for 3TG minerals and metals, as noted in section *E5 – Resources and circular economy*.

Supplier performance monitoring

We regularly evaluate supplier performance, including criteria related to sustainability and human rights compliance. A revision of the organizational procedure for supplier evaluation and monitoring in 2023 introduced an improved supplier performance monitoring model with a broader scoring system and expanded criteria—commercial terms, quality, logistics (delivery reliability), technical competence, and commitment to sustainable development.

This revision marked an upgrade compared to the previous monitoring of two key performance indicators: quality and delivery reliability. In 2024, we carried out the first supplier performance evaluation using the new KKPD form. The supplier performance evaluation and monitoring process is one of the key mechanisms through which we ensure a reliable supply chain, and its continuous improvement represents a core responsibility of our organization.

Based on the insights gained, we take actions to mitigate negative impacts such as targeted training and guidelines on best practices in human rights and occupational safety. We also provide advisory support for the development of safety plans, improvement of working conditions, and implementation of preventive measures to reduce the risk of discrimination or other irregularities.

Of the 57 suppliers evaluated, two achieved excellent results (score 4.50–5.00), 51 achieved good results (3.00–4.44), while four received poor results (<2.90), requiring performance improvement measures in the upcoming period.

The enhancement of supplier performance evaluation is directly linked to KONČAR – D&ST's sustainability approaches and linked policies, as it encourages suppliers—key value chain stakeholders—to operate in accordance with environmental, social and governance standards. This evaluation helps reduce risks, strengthen long-term sustainability, and ensure responsible business conduct throughout the supply chain.

The effectiveness of the above measures is monitored through survey results, inspections, performance tracking, and feedback from workers in the value chain and suppliers, ensuring accountability, progress tracking, and that the actions taken deliver tangible results and lasting improvements that contribute to building a strong and responsible workforce in the value chain. Our key resources include dedicated teams for environmental management, human rights, and social responsibility, as well as training for employees in relevant areas.

Targets

E2-5

Targets aligned with the Sustainability Strategy 2024–2026

(Refers to the parent company, KONČAR-D&ST)



Priority area:

RESPONSIBILITY IN THE SUPPLY CHAIN

Strategic goal **9**

Ensure responsibility in the supply chain and actions in line with KONČAR-D&ST values

- 100 % of strategic suppliers verified for ESG risks
- 100 % of suppliers familiar with the Supplier Code of Conduct
- Improvement of supplier performance monitoring (revised target)

(targets linked to [G1 - Business conduct](#))

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, we will undertake the necessary preparatory measures, in-depth analysis, and alignment activities to ensure that by 2026 we are ready to adopt a Group-level sustainability strategy and targets.



S4

Consumers and end-users

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
SBM-2	Interests and views of stakeholders	S4 – Consumers and end-users: Our material impacts, risks and opportunities	104
		ESRS 2 – General disclosures: Double materiality	31, 38-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S4 – Consumers and end-users: Our material impacts, risks and opportunities	104
		ESRS 2 – General disclosures: Double materiality	38-39
S4-1	Policies related to consumers and end-users	S4 – Consumers and end-users: Our management approach	105-106
S4-2	Processes for engaging with consumers and end-users about impacts	S4 – Consumers and end-users: Measures and activities	106-107
S4-3	Processes to remediate negative impacts and channels for consumers and end users to raise concerns	S4 – Consumers and end-users: Measures and activities	107
S4-4	Taking action on material impacts on consumers and end users, and approaches to managing material risks and pursuing material opportunities related to consumers and end users, and effectiveness of those actions	S4 – Consumers and end-users: Measures and activities	106-107
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4 – Consumers and end-users: Metrics and targets	108

OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, IRO-1, SBM-3

IMPACTS			Value chain	Time horizon
POSITIVE IMPACT - ACTUAL	Collaboration and product development	We actively promote two-way communication and feedback from customers to meet the needs of customers, locations and markets.	Downstream	Short- to long-term
POSITIVE IMPACT - ACTUAL	Product quality and safety, and customer information	We implement effective quality management mechanisms and safety standards to protect customers and end users, and we provide transparent and comprehensive product information, including safety features.	Downstream	Short- to long-term
POSITIVE IMPACT - ACTUAL	Customer data protection	We implement robust data protection policies that safeguard customer information in accordance with relevant privacy legislation.	Downstream	Short- to long-term
RISKS				
RISK	Product safety	Risks related to product safety include the possibility that products or services may not meet safety standards or user expectations. This may result in injuries, dissatisfaction, product recalls, and potential legal and reputational consequences.	Downstream	Short- to long-term

Transformers are a key component in electricity supply systems, enabling uninterrupted power transmission. In today's industrialized world – further accelerated by the green transition – the global community depends more than ever on stable and reliable electricity supply. Transformers are designed for a full-service life that can sometimes exceed 50 years. Continuous customer support is of great importance, as timely advice and expert assistance contribute to optimal transformer operation, longevity, and reduced risk of downtime. In this way, stable electricity supply is ensured, which ultimately has a positive impact on the quality of life for the broader community and the sustainability of the overall energy system.

The global presence of KONČAR – D&ST Group is built on the excellence of our products and services delivered worldwide. To ensure the long-term sustainability of our business and foster strong customer relationships, we apply an integrated approach to managing impacts, risks and opportunities. Risk assessment and opportunity identification are embedded in business processes through regular operational meetings at all decision-making levels. Our focus is on the quality and safety of products and services, the availability and accessibility of deliveries, and the protection of customers' personal data.

Interests and views of stakeholders

ESRS 2, SBM-2

Systematic engagement of customers and strategic partners in key business processes forms the foundation of our stakeholder relationship management approach. The interests and views of our customers influence almost every stage of the product life cycle – from conceptual design to after-sales support. Ongoing dialogue and collaboration enable us not only to identify current needs, but also to anticipate future technological and regulatory challenges. This approach ensures that the interests and views of our customers and end users remain at the core of our strategy and business model, allowing us to successfully adapt to changing market demands while contributing to broader sustainability and energy transition goals. Customer engagement, collaboration, and the channels through which we engage them are described further in this section, as well as in the chapter [ESRS 2 – General disclosures](#).



OUR MANAGEMENT APPROACH

Policies related to consumers and end-users

S4-1

At the core of our business lies a commitment to quality, safety, and the availability of products and services. Additionally, the protection of customers' personal data is a key element in building trust and long-term relationships. To ensure consistency in these areas, we have adopted policies that define our approaches and obligations.

We operate in line with internationally recognized frameworks, including the UN Global Compact (of which we are a member as part of KONČAR Group), the International Labour Organization (ILO) Conventions, the United Nations Universal Declaration of Human Rights, and the European Convention on Human Rights. Adherence to these international principles is reflected across all our operational values.

Product quality and safety

Due to the strategic importance of transformers, product quality and safety are fundamental to our business. High-quality products not only reduce environmental impact and energy losses, but also optimize operational costs, lower the number of complaints and returns, and minimize potential legal risks. This strengthens customer trust and reinforces our market position. On the other hand, product safety is not merely a technical requirement—it is also an ethical responsibility toward users and society.

Our Quality Management Policy is based on a comprehensive approach that ensures product excellence and customer satisfaction. The policy is aligned with long-term business development and tailored to the size and nature of our companies.

In line with this policy, an established and documented quality management system covers all stages of production—from raw material inputs to finished products—and is certified according to the ISO 9001 standard. This guarantees the implementation of efficient processes that meet customer needs and applicable regulations while supporting continuous business improvement.

COSTUMER FOCUS	CONTINUOUS IMPROVEMENT
We actively collect customer feedback and integrate their requirements and insights into our product development and business processes.	We are committed to refining and enhancing our quality management system, adjusting to market demands and improving business processes, products, and services.
EMPLOYEE DEVELOPMENT	PARTNERSHIP RELATIONS
Product quality and safety depend on the continuous training and motivation of employees and the preservation of organizational knowledge.	We establish partnerships with suppliers to raise their quality standards, which is essential for the overall quality of our products.

Key principles of quality management

The quality management system also relies on the implementation of our human resources management policy, which clearly defines responsibilities, continuous training, education, and the development of employee skills and experience. Our approach is based on the joint commitment of all employees, aimed at maintaining high safety and quality standards across all aspects of our operations. Every employee, regardless of their role, contributes to quality through their knowledge, skills, and dedication.

We have also implemented an environmental management system in accordance with ISO 14001:2015 and an occupational health and safety management system in line with ISO 45001:2018, as described in chapters [E2 – Pollution](#) and [S1 – Own workforce](#). All our products comply with the EU Eco-design Directive, ensuring regulatory compliance and reducing the risk of non-conformance.

Company management boards assume primary responsibility for the implementation and continuous improvement of product and service quality and safety. This responsibility cascades throughout the organizational structure, including directors, department heads, and all production employees.

The Quality Management Policy, along with details on our compliance with the ISO 9001:2015 standard, is publicly available on our website, as well as through internal communication channels and bulletin boards. We regularly update this information and actively communicate all changes and improvements to stakeholders, ensuring that our partners, customers, and the wider public always have access to the latest information.

Availability of products and services

In addition to ensuring the quality and safety of our products, we place great importance on timely and reliable delivery. The On-Time Delivery Management Policy, Revenue Management Policy, and Productivity Management Policy are designed to support a high level of operational excellence, resource optimization, and continuous improvement of business processes.

The On-Time Delivery Management Policy is aligned with ISO 9001 and ISO 14001 standards and follows supply chain management guidelines. It actively involves all key stakeholders—from customers, through systematic collection and analysis of feedback, to suppliers, with whom the Group maintains close cooperation to ensure timely procurement of materials. The goal is to ensure reliable and accurate deliveries, thereby strengthening customer trust and optimizing supply chain efficiency.

The Productivity Management Policy applies to all departments and employees. It is aligned with Lean management principles and the requirements of the ISO 9001 standard. The focus is on continuous process improvement and the elimination of unnecessary losses, increasing production efficiency and ensuring sustainable business growth. At the operational level, policy implementation is the responsibility of supervisors and team leaders, while strategic oversight is provided by the company director.

Customers personal and business data protection

In the area of privacy protection for our customers and partners, we take all necessary technical and organizational measures in accordance with relevant practices and legal obligations. The Personal Data Protection Policy for business partners applies to all personal data we collect, use, and process within the context of our business relationships. We implement all appropriate security measures to protect personal data from unauthorized access, loss, or misuse.

The IT Security Policy clearly defines guidelines for safeguarding confidential information, including data related to clients, business plans, technological innovations, and other sensitive information. All business partners have the right to access, rectify, delete, and restrict the processing of their personal data. The policy is aligned with the General Data Protection Regulation (GDPR) and other relevant personal data protection regulations.

Company management boards are responsible for the implementation and continuous improvement of this policy. Depending on the company, it is available via internal communication channels, bulletin boards, and company websites.

MEASURES AND ACTIVITIES

Collaboration with customers and partners

S4-2

Our vision of sustainable business and innovative business models is inseparably linked to the active involvement of our customers in product development processes. Customer focus is not only a matter of business ethics but a key factor in our long-term success, which is why building and maintaining strong customer relationships is one of our strategic priorities.

The green transition has accelerated the adoption of renewable energy sources, driving rapid developments in the energy sector—significantly impacting the technological advancement of transformers. In this segment, there is a clear trend toward reducing environmental impacts of products while increasing the operational safety of transformers. Together with our customers and partners, we successfully respond to these challenges, as further described in chapters [E1 – Climate change](#) and [E5 – Resource use and circular economy](#).

Production is tailored to precisely defined customer requirements, demanding a high degree of flexibility, agility, and close cooperation with external partners. This synergy enables us to continuously improve our offerings and meet high standards of customer responsibility. Collaboration with customers allows us to deeply understand their specific needs and challenges. We proactively identify potential safety risks and continuously enhance the safety features of our products. At the same time, we jointly develop innovative solutions to anticipate future industry requirements and environmental changes, including climate challenges. Our ability to quickly and accurately adapt products and services to these requirements is the foundation of long-term trust and ensures real value and competitive advantage for our customers. In collaboration with customers and certification bodies, projects are also conducted to measure and certify the carbon footprint of transformers.

In 2024, we continued our cooperation with institutes and the academic community – KONČAR Institute of Electrical Engineering, the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, and the Faculty of Technical Sciences at Poznań University of Technology in Poland.



The end of the year was marked by positive feedback from a new French customer, who added us to its list of approved suppliers for the Medium Power Transformer profit center following a successfully completed factory audit, with a strong focus on environmental issues and the general management system. This reflects our growing access to new sales markets.

Non-conformities and complaints

S4-3, S4-4

The quality control system includes three types of non-conformities: internal non-conformities, deviation reports to suppliers, and customer complaints. Quality is monitored through three key stages—at goods receipt (incoming inspection), during the production process (in-process inspection), and before product delivery (final inspection). In the event of deviations from requirements, internal non-conformities or deviation reports are recorded depending on the source of the issue.

In addition to the grievance channels described in chapter *GI – Business conduct*, customers also have access to a dedicated channel for submitting complaints related to products and services.

Q MODULE

The implementation of the quality management system in line with ISO 9001 enables swift resolution of complaints and tracking of customer feedback. Significant progress has been made through the introduction of a new Q module, which allows for more efficient categorization and processing of customer complaints. The system was implemented at the end of 2023 and beginning of 2024.

In addition to complaint tracking, the Q MODULE improves the management of supplier deviations, audits, and quality control plans. The results of these efforts are evident in the reduction of major and financially significant complaints, despite a slight increase in the overall number of complaints (up 12% compared to 2023), demonstrating the company's commitment to continuous improvement of quality and customer satisfaction.

Every error notification received from a customer is registered in our Q module system as a complaint and is handled in accordance with the relevant organizational procedure, which prescribes the necessary steps for resolution, complaint tracking, and the assignment of responsibilities.

Each complaint is thoroughly analyzed to determine the root cause, followed by the definition and implementation of corrective and preventive measures to avoid recurrence. Regular internal quality meetings play an important role in this process, where current challenges are discussed, and pre-defined corrective actions are planned. Solutions are implemented in agreement with customers.

Customer satisfaction

Customer satisfaction, as a key performance indicator, is assessed through regular meetings, surveys, and complaint tracking. Surveys are conducted at least once a year, following a detailed procedure that includes analysis of all projects and deliveries from the previous year. The customer satisfaction report is submitted to the Management Board as a mandatory input for the quality management system review. If survey results do not meet the minimum acceptable threshold, findings are analyzed in direct cooperation with the customer and corrective measures are implemented.

Development of safety instructions and user guides

The Service and After-Sales Department of DT is responsible for creating manuals for distribution transformers, which are delivered with each transformer. Customized manuals for special transformers are developed upon customer request. In addition to general instructions, we also produce RAMS (Risk Assessment and Method Statement) for minor repairs and other specialized interventions on transformers.

To ensure an optimal user experience, we also provide customers with technical support throughout the entire lifecycle of the transformer. This includes guidance on proper handling and maintenance, rapid response to reported issues, and access to additional training and educational sessions. Our goal is to ensure the reliability, longevity, and maximum efficiency of the equipment through high-quality after-sales support.

METRICS AND TARGETS

S4-5

As part of our business strategy and our first sustainability strategy, we are continuously working to minimize material negative impacts, enhance positive impacts, and manage key risks and opportunities related to customers. Collaboration with customers is not formulated as a standalone target but is integrated across all aspects of our operations—from product development to ensuring quality and safety.

One of the strategic goals of the first sustainability strategy is to enhance information security, with a target of achieving 100% training coverage by 2026 for employees with assigned email addresses. In addition, the business strategy defines goals related to product and service quality, which are essential for ensuring reliability, customer satisfaction, and the long-term sustainability of our operations.

In line with the quality management system, measurable quality objectives are set at the beginning of each year within profit centers. For each objective, general activities, implementation methods, responsible teams, and the necessary resources are defined. Once set, the objectives are made available to all employees via the DMS system, and progress is regularly monitored, along with the actions taken toward achieving the defined goals.

General quality-related targets include:

1. REDUCTION OF COMPLAINTS

The aim is to reduce the frequency of complaints related to specific technical product deficiencies, with a particular focus on the mechanical resilience of key components.

2. REDUCTION OF NON-CONFORMITIES

This target focuses on improving production processes to decrease the occurrence of technical non-conformities that affect product functionality and reliability. Key aspects include optimizing components and controlling production parameters to reduce the need for additional corrective actions.

3. IMPROVEMENT OF THE QUALITY MANAGEMENT SYSTEM

The objective is to enhance existing mechanisms for identifying and resolving quality deviations through more efficient monitoring and management of quality issue reports.





GOVERNANCE

110. G1 Business conduct

G1

Business conduct

ESRS 2, IRO-2

List of disclosure requirements		Chapter	Page
GOV-1	The role of the administrative, supervisory and management bodies	ESRS 2 – General disclosures – Managing sustainability	22-27
		Organization and governance of the Group in 2024	11
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	G1 - Business Conduct: Our material impacts, risks and opportunities	111-112
		ESRS 2 – General disclosures: Double materiality	34-37
G1-1	Corporate culture and business conduct policies and corporate culture	G1 - Business Conduct: Our management approach	112-114
G1-2	Management of relationships with suppliers	G1 - Business Conduct: Our management approach	114-115
		S2 - Workers in the value chain: Actions and measures	100-102
G1-3	Prevention and detection of corruption and bribery	G1 - Business Conduct: Our management approach	115-116
G1-4	Confirmed incidents of corruption or bribery	G1 - Business Conduct: Metrics and targets	116
G1-5	Political influence and lobbying activities	Not material	-
G1-6	Payment practices	G1 - Business Conduct: Metrics and targets	116



OUR MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

ESRS 2, IRO-1, SBM-3

IMPACTS			Value chain	Time horizon
POSITIVE IMPACT - ACTUAL	Clearly defined and ethically grounded corporate culture	A clearly defined and ethically grounded corporate culture fosters responsible behavior within the organization, contributes to employee satisfaction, and supports the creation of a positive working environment.	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Availability of grievance mechanisms and whistleblower protection	Ensuring safe mechanisms for reporting irregularities and protecting whistleblowers is key to preventing and detecting illegal and/or unethical practices. (linked to S1 – Own workforce)	Own operations	Short- to long-term
POSITIVE IMPACT - ACTUAL	Maintaining fair and transparent supplier relationships	Fair contracting, respecting payment deadlines, and responsible sourcing reduce risks, foster long-term partnerships, and enable a more resilient supply chain.	Upstream, Own operations	Short- to long-term
RISKS				
RISK	Delayed detection of corruption and/or inadequate response	Failing to detect corruption or respond appropriately to corruption reports may lead to reduced stakeholder trust, legal consequences, and threaten our reputation and legal compliance.	Upstream, Own operations	Short- to long-term
RISK	Erosion of trust in whistleblowing channels	Inadequate employee awareness and training may undermine trust in whistleblowing mechanisms and discourage employees from using them, which can contribute to the emergence of unwanted behavior within the company. (linked to S1 – Own workforce)	Own operations	Short- to long-term

During the double materiality assessment process, we identified several material impacts and risks relevant to our business operations (as presented in the table). Business conduct within KONČAR – D&ST Group is founded on strong ethical principles and values that guide all aspects of operations. Establishing a clear and ethically grounded corporate culture not only ensures compliance with regulatory requirements—thus reducing reputational and legal risks—but also contributes to building and maintaining a positive and transparent environment that strengthens stakeholder trust. This, in turn, enhances long-term relationships and business resilience.

One of the key aspects of sustainable business for us is maintaining fair and transparent relationships with suppliers. Fair contracting, adherence to payment terms, and responsible procurement not only reduce operational and financial risks, but also foster long-term partnerships, contribute to business stability, and support a more resilient supply chain. This approach ensures sustainability within our own operations and more broadly, through positive upstream impacts in the supply chain. Risks related to procurement are further detailed in the chapter *Key Business Risks of the Group*.

However, a lack of timely detection of corruption or an inadequate response to reported irregularities can seriously undermine stakeholder trust, lead to regulatory sanctions, and disrupt business stability. In addition, insufficient employee awareness of the available whistleblowing channels may reduce their trust in the system, resulting in lower effectiveness of these mechanisms and increased reputational risks.

We also acknowledge that trust in these mechanisms is not solely dependent on our internal governance but may also be influenced by the broader societal context. Therefore, we are continuously working on strengthening a culture of open communication and raising awareness about the importance of reporting irregularities—efforts that we will further reinforce in the coming period.

OUR MANAGEMENT APPROACH

KONČAR – D&ST Group operates in compliance with applicable laws and regulations in all countries where it conducts business. At the same time, Group companies are granted the freedom to adapt their governance policies to their specific operational needs, regulatory requirements, and market conditions. This decentralized approach allows for greater flexibility, faster decision-making, and increased accountability for business outcomes. However, we also recognize the importance of establishing common guidelines that ensure a balance between local adaptability and strategic alignment at the Group level. This enables us to manage business conduct topics more effectively, reduce risks, and further strengthen relationships with key stakeholders.

Compliance with laws and regulations on fair competition, anti-corruption, anti-money laundering, and all other relevant legal provisions is a fundamental principle embedded in our operations. KONČAR – D&ST Group likewise expects all its business partners to operate in accordance with applicable laws and regulations.

Corporate culture and business conduct policies and corporate culture

G1-1

We are committed to developing a clearly defined and ethically grounded corporate culture. By fostering a culture of integrity, open communication, and fair business practices, we promote a healthy working environment and mitigate legal and reputational risks. Business conduct and corporate culture topics are deeply embedded in various internal documents and policies that guide operational activities and internal relationships. This ensures compliance with regulatory requirements and strengthens a culture of trust, transparency, and ethical business.

The parent company of the Group, KONČAR – D&ST, has established a Code of Business Conduct that sets clear guidelines for professional and ethical behavior by all employees and business partners. Its purpose is to promote the Group's core organizational values and provide a framework that clearly defines expected behavior in the business environment. The Code highlights key ethical principles, including legality, professionalism, integrity, sustainability, social responsibility, and transparency. It also sets clear rules aimed at preventing unethical conduct and raising awareness of the importance of ethical business practices.

Special attention is given to the protection of fundamental employee rights, promoting equality, ensuring the right to dignified work and a safe working environment, and prohibiting all forms of discrimination, forced labor, or child labor. The Code is publicly available to all stakeholders and is updated every three years, as needed, to ensure alignment with relevant legislative changes and established best practices. Although not all companies within the Group have established their own Code of Business Conduct, the following shared values and ethical principles are reflected in other internal documents and policies:

1. INTEGRITY AND HONESTY	4. COMPLIANCE WITH LAWS
Obligation to avoid all forms of corruption, including the giving and receiving of bribes, gifts, or other benefits that could influence business decisions. Requirement for transparency in all business transactions and communication with clients, suppliers, and other stakeholders. Promotion of a culture that upholds integrity and ethical values across all areas of business.	Review of relevant laws, regulations, and internal rules applicable to the company's operations, as well as employee training on their obligations and responsibilities. Implementation of monitoring mechanisms and enforcement of legal requirements, along with regular reviews of practices to ensure alignment with the regulatory framework.
2. CONFIDENTIALITY	5. DIGNITY AND RESPECT
Clearly defined guidelines for the protection of confidential information, including client data, business plans, technological innovations, and other sensitive data. Obligation to safeguard confidential documents and limit access to such information to authorized individuals only.	Promotion of diversity, inclusiveness, and respect for differences among employees. Commitment to ensuring a safe working environment and encouraging collaboration and team spirit among all employees. Zero tolerance for any form of violence, discrimination, or harassment.
3. CONFLICT OF INTEREST	6. ACCOUNTABILITY
Establishment of clear rules for identifying situations that may present a conflict of interest, such as personal relationships with clients or business partners. Obligation to report potential conflicts of interest to the company's relevant bodies for assessment and resolution.	Definition of clear responsibilities and authorities for each employee, and promotion of autonomy, initiative, and personal accountability in task execution. Establishment of mechanisms for monitoring and evaluating the fulfilment of obligations to ensure consistent application of the Code of Conduct and identify opportunities for improvement





The parent company of the Group is a signatory of the Corporate Governance Code issued by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA), thereby committing to the application of standards of transparency, accountability, and the protection of stakeholder interests. A compliance questionnaire is completed once a year and provides a detailed overview of the implementation of the Code's provisions, as well as identifying areas for further improvement in corporate governance. The completed questionnaire is publicly available on the official websites of the Zagreb Stock Exchange and KONČAR – D&ST.

KONČAR – D&ST is also a signatory of the Code of Business Ethics issued by the Croatian Chamber of Economy, committing to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, good faith, and adherence to sound business practices in relation to business partners, the business and social environment, and its own employees.

As a member of KONČAR Group, we are signatories of the United Nations Global Compact (UNGC), thereby committing to conduct business in line with high standards of responsibility and sustainability. KONČAR – D&ST is dedicated to operating according to principles that ensure business success and financial profit are not achieved at the expense of people or the environment, but through ethical and sustainable business practices.

Company management boards are responsible for overseeing the consistent implementation and compliance with the Code of Business Conduct and related policies. Line managers play a key role in monitoring their teams' adherence to policy provisions. They are expected to actively communicate core principles to employees, identify training needs in a timely manner, and ensure participation in organized trainings.

Information on business conduct is communicated during onboarding, and policies and relevant documents are—depending on the company—available via internal digital platforms, bulletin boards, corporate websites, or upon request. All new employees at KONČAR – D&ST are required to sign a declaration confirming their familiarity with the content of the Code of Business Conduct.

The Code is complemented by a Corporate Culture and Communication Handbook, which provides employees with clear guidelines on expected behavior, values, and communication standards. In addition, an e-learning course is available on the internal training platform, enabling employees to understand the key provisions of the Code and apply ethical guidelines in their daily work. This training will become mandatory for all company employees in 2025.

Whistleblower reporting channels and protection

Linked to S1

All companies within KONČAR – D&ST Group have established whistleblowing systems by legal requirements. Whistleblowers are protected through anonymous reporting channels, a whistleblower protection policy, and internal support mechanisms, including dedicated email addresses and case status tracking. The system is easily accessible and enables swift action in response to reported irregularities. While these mechanisms are primarily intended for employees, KONČAR – D&ST and PET companies also allow external stakeholders to submit reports.

Reports are received by a confidential person appointed by the Employer, ensuring impartiality and confidentiality in the process. The handling of reports is carried out in accordance with an internal Rulebook, aligned with the Whistleblower Protection Act and the relevant EU Directive. If a report meets the criteria prescribed by law and the EU Directive, the confidential person initiates the procedure in accordance with the Internal Whistleblowing Rulebook. Otherwise, the report is forwarded to the Legal Department, which decides on further steps, including the possibility of an internal investigation. The confidential person undergoes specialized training to effectively manage the reporting process.

Special attention is given to the protection of employee dignity and the prevention of discrimination. Internal documents define a clear procedure for reporting and resolving such cases, as well as the roles and responsibilities of designated individuals.

Information on the whistleblowing procedure is available on bulletin boards and internal digital platforms.

We recognize that trust in reporting channels may be undermined by fear of retaliation or doubts about the effectiveness of the process. Therefore, we are continuously strengthening the reliability of the system by ensuring anonymity, impartiality, and timely processing of reports. Our goal is to foster an organizational culture in which irregularities are identified, reported, and addressed in a transparent and responsible manner. Further details of these procedures are provided in chapter [G1 – Business Conduct](#).

Management of relationships with suppliers

G1-2

To ensure the continuity and quality of procured products and services, we continuously monitor the procurement market and geopolitical developments through our risk management system, as well as track supplier performance. Maintaining fair and transparent relationships encourages long-term partnerships and supply chain resilience. In addition, we aim to avoid dependence on a single source of supply and to introduce alternative sources. Supplier audits are conducted annually or as needed in the event of significant changes.

To support the domestic economy and reduce transport-related emissions, we strive to collaborate with local suppliers whenever possible. However, due to specific technical requirements, raw material availability, and limited production capacity in the local market, currently 29% of materials are sourced locally. The remaining 71% comes predominantly from suppliers within the European Union, with a smaller share originating from the United States and Asia (South Korea, Japan, China, India). Despite these challenges, we continuously explore opportunities to increase the share of local procurement, aiming to strengthen the regional economy and further reduce the carbon footprint of inbound transport.

In 2023, KONČAR – D&ST acquired a majority stake in Ferokotao d.o.o., one of the region's largest manufacturers of tanks for distribution, power, and special transformers, based in Donji Kraljevec. This acquisition ensures a reliable supply of transformer tanks, further strengthening the competitive advantage of KONČAR – D&ST Group.

Supplier assessment and verification

We regularly carry out supplier assessment processes in two phases: a self-assessment via questionnaire, followed—when necessary—by an additional audit, which may include visits to production sites, warehouses, and testing and inspection areas. In certain cases, an analysis of existing reports or the experience of other clients allows for supplier approval without a direct audit. Strategic suppliers are subject to regular assessments, while others are evaluated as needed.

During audits, the aim is to gain a comprehensive overview of the supplier's operations across several key aspects. Primarily, we assess compliance with quality management systems, environmental protection, occupational health and safety, and relevant legal obligations. Particular attention is given to corporate responsibility and regulatory compliance, as well as an evaluation of business practices from a sustainability perspective—including social responsibility and environmental impact. Finally, the supplier's capacity to meet contractual obligations is evaluated, including production capacity, competencies, and consistency in delivering the required quality.

To gain insight into the maturity level of sustainability practices within the supply chain, we conduct annual surveys of key suppliers. Supplier selection is based on the 80:20 principle within specific material categories, allowing focus on the most significant suppliers.



in categories such as transformer core steel, carbon steel, copper, aluminum, insulating fluids, solid insulation, and transport services. This analysis provides insight into sustainability practices across the supply chain and enables the identification of areas for improvement and relationship development.

Effective supplier assessment and support for process improvements are crucial for the stability and resilience of the supply chain, with continuous evaluation of assessment criteria and opportunities to enhance the process. This topic is further elaborated in chapter *S2 – Workers in the Value Chain*.

Supplier Code of conduct

All partners in the supply chain are expected to adhere to high standards of business practice, which are clearly defined in the Supplier Code of Conduct. This document outlines guidelines for responsible business conduct and emphasizes key values such as compliance with laws, protection of human and labor rights, occupational health and safety, environmental responsibility, anti-corruption, and confidentiality.

Particular attention is paid to respecting human and labor rights. Suppliers are required to ensure fair and equal working conditions without discrimination based on race, nationality, social or marital status, gender, sexual orientation, disability, age, religion, or political beliefs. Hiring, evaluation, and remuneration of employees must be based solely on their professional qualifications and skills. Suppliers are also required to comply with labor laws and industry standards regarding working hours and wages and to strictly uphold the prohibition of child and forced labor. All forms of modern slavery, human trafficking, and forced labor are unacceptable.

A strong emphasis is placed on employee health and safety, with expectations for the creation of safe and healthy working conditions and the implementation of occupational safety measures. At the same time, suppliers are expected to manage their environmental responsibilities and minimize negative impacts on the environment.

KONČAR – D&ST Group maintains a zero-tolerance policy for bribery and corruption and expects its suppliers to act in accordance with principles of honesty, transparency, and accountability. Special emphasis is also placed on the protection of confidential information and information security in business relationships.

All key suppliers received the Code immediately upon its adoption, while new suppliers receive it upon establishing a business relationship. Acceptance and consistent implementation of the Code is a fundamental condition for continuing cooperation with KONČAR – D&ST.

Prevention and detection of corruption and bribery

G1-3

KONČAR – D&ST Group enforces a zero-tolerance policy for bribery and corruption, and consistently works to prevent, detect, and sanction corrupt practices. Corruption includes any abuse of power or position for unfair advantage, whether for an individual, a group, or an organization. In addition to personal financial gain, corrupt practices may involve assigning positions to unqualified individuals based on family, political, or personal connections, or selectively applying laws to favor certain entities. We take a clear stance against any form of corrupt behavior in our operations.

Anti-corruption measures are, depending on the company, embedded in the Internal Work Regulations, Code of Business Conduct, Supplier Code of Conduct, and procedures governing ethical and professional behavior in procurement. The Code of Business Conduct of the parent company was updated in early 2024 to reinforce provisions related to anti-corruption.

The Rulebook on Ethical and Professional Conduct in the Procurement Process at KONČAR – D&ST outlines employee obligations and responsibilities and sets behavioral standards for suppliers, including adoption of the Supplier Code of Conduct. Regular reviews of the Code and supplier evaluations are carried out to ensure alignment with ethical standards. Any inconsistencies may result in the termination of cooperation.

Functions most exposed to corruption and bribery risks include those involving direct interaction with external stakeholders and participation in negotiations and contract execution—primarily procurement and sales departments, but also other departments involved in the purchase of equipment or services.

Informing and continuously educating employees and partners is a key method of combating corruption. Depending on the company, policies are available via internal digital channels, bulletin boards, and company websites.

In 2024, KONČAR – D&ST developed an internal training program for all employees. The training covers anti-corruption policies, rules on gifts and hospitality, practical examples of desirable and undesirable behavior, and mechanisms for reporting suspected corruption. The training is available via the e-learning platform and is mandatory from 1 July 2024 for all KONČAR – D&ST employees with access to a computer. Plans are underway to extend the training to PET and Ferokotao companies.

Anti-Corruption and Bribery training 2024	At-risk functions	Managers	AMSB	Other own workers
Training coverage				
Total	52	55	12	693
Total receiving training	42	50	7	202
Delivery method and duration				
Computer-based training	1 hour per person	1 hour per person	1 hour per person	1 hour per person
Frequency				
Training frequency	Once per year	Once per year	Once per year	Once per year
Covered topics				
Definition of corruption	x	x	x	x
Examples of desirable and undesirable behavior	x	x	x	x
Anti-corruption policies	x	x	x	x
Procedures in case of suspicion/delivery	x	x	x	x
Rules on gifts and hospitality	x	x	x	x

Employees are expected to act impartially and professionally in the performance of their duties. If an employee finds themselves in a situation that may be perceived as corrupt behavior, they are obligated to inform their immediate manager or the Management Board. KONČAR – D&ST and Ferokotao have established procedures for the prompt investigation of incidents and timely notification of the Management Board. These procedures outline how to proceed in the event of illegal or other incident-related situations.

The Management Board takes all necessary actions depending on the severity and impact of the incident or failure on business processes. PET is currently developing its procedures, with implementation expected by the end of 2026.

To resolve complaints, the Management Board typically appoints an ad hoc committee to investigate. The goal is for committee members to be qualified professionals who are not affiliated with the management line involved, to ensure objectivity and impartiality in the process. If necessary, the Management Board will take further steps and notify the relevant national authorities. All actions are reported regularly to the Supervisory Board during scheduled meetings.

METRICS AND TARGETS

Confirmed incidents of corruption or bribery

G1-4

In 2024, KONČAR – D&ST Group recorded no cases of corruption or bribery, and therefore indicators such as the number of convictions and the number of fines related to breaches of anti-corruption and anti-bribery regulations, as well as measures taken to address breaches of procedures and standards, are not applicable.

Payment practices

G1-2, G1-6

Timely settlement of financial obligations is critical to the stability and sustainability of the business ecosystem. Aware of the importance of liquidity—particularly for small and medium-sized enterprises—KONČAR – D&ST enforces a clear policy to prevent late payments. This policy ensures transparency in financial transactions, compliance with agreed payment terms, and the development of long-term, reliable relationships with business partners, regardless of company size.

By consistently applying this policy, we aim to minimize the risk of payment delays, ensure predictable cash flows for our suppliers, and support a healthy business environment. Our goal is to act responsibly and ethically, recognizing that timely payments are not only a financial obligation but also a marker of corporate responsibility and respect for partners—especially those whose business success strongly depends on timely inflows.

The liquidity team meets weekly to analyze the current situation and medium-term outlook. Based on these insights, strategies are



developed and implemented for effective liquidity management. In periods where available cash is insufficient to meet obligations to suppliers, the company secures additional sources of funding to ensure timely payments.

At the Group level, the accounts payable turnover ratio is 7.11, with an average days payable outstanding (DPO) of 51 days. We apply different payment practices with suppliers, typically ranging from 30 to 90 days, which corresponds to the reported DPO. No legal proceedings related to late payments were recorded.

Payment practices	Unit	2024
Percentage of payments made in accordance with the company's standard payment terms	%	78%
Average time taken to pay invoices from the start date of the contractual or statutory payment term	Number of days	45

To calculate the average time taken to pay invoices in relation to the contractual or statutory payment term, for all companies within the Group, we used a sample consisting of the top 90% of supplier transactions by volume, to obtain the most representative dataset possible.

Targets

Targets aligned with the Sustainability Strategy 2024–2026

(Refers to the parent company, KONČAR-D&ST)



Priority area:

RESPONSIBLE AND TRANSPARENT GOVERNANCE

Strategic goal **8**

Ensuring responsible and ethical governance, and integrating sustainability into operations

- Integrate ESG criteria into risk assessment and risk management plans by 2025
- Strengthen the ESG governance structure
- Incorporate ESG criteria into managerial KPIs
- Compulsory ongoing education of management on ESG topics
- Provide ESG education for all employees
- Zero-tolerance policy for bribes and corruption
- Improve information security
- Participate in global sustainability initiatives and continuous improvement of the ESG rating

Priority area

RESPONSIBILITY IN THE SUPPLY CHAIN

Strategic goal **9**

Ensure responsibility in the supply chain and actions in line with the KONČAR - D&ST values

- 100 % of strategic suppliers verified for ESG risks
- 100 % of suppliers familiar with the Supplier Code of Conduct

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, we will undertake the necessary preparatory measures, in-depth analysis, and alignment activities to ensure that by 2026 we are ready to adopt a Group-level sustainability strategy, including alignment of business conduct-related goals.

Annex I

List of Disclosure Requirements in the ESRS covered by the undertaking's sustainability statement

ESRS 2 IRO-2

		Chapter	Page
ESRS 2 – GENERAL DISCLOSURES			
BP-1	General basis for preparation of the sustainability statement	ESRS 2 – General disclosures: Basis for preparation of the sustainability report	22
BP-2	Disclosures in relation to specific circumstances	ESRS 2 – General disclosures: Basis for preparation of the sustainability report	22
GOV-1	The role of the administrative, management and supervisory bodies	ESRS 2 – General disclosures: Managing sustainability	22-27
		Group Organization and Governance in 2024	11
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ESRS 2 – General disclosures: Managing sustainability	22-23
GOV-3	Integration of sustainability-related performance in incentive schemes	ESRS 2 – General disclosures: Managing sustainability	23
GOV-4	Statement on due diligence	ESRS 2 – General disclosures: Managing sustainability	28
GOV-5	Risk management and internal controls over sustainability reporting	ESRS 2 – General disclosures: Managing sustainability	29
		Main risks in the Group's operations	15
SBM-1	Strategy, business model and value chain	ESRS 2 – General disclosures: S strategy and business model	30-33
		Strategy for further development	31 35-36
SBM-2	Interests and views of stakeholders	ESRS 2 – General disclosures: Double materiality	
		As part of topical standards: Our material impacts, risks and opportunities	S1 82 S2 99 S4 104
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2 – General disclosures: Double materiality	38-39
		As part of topical standards: Our material impacts, risks and opportunities	E1 42-43 E2 55 E5 60-61 S1 81-82 S2 98-99 S4 104 G1 111
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	ESRS 2 – General disclosures: Double materiality	34-37
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	ESRS 2 – General disclosures: Double materiality	118-121 E1 41 E2 54 E5 59 S1 80 S2 97 S4 103 G1 110



E1 – CLIMATE CHANGE

GOV-3	Integration of sustainability-related performance in incentive schemes	ESRS 2 – General disclosures: Managing sustainability	23
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	E1 – Climate change: Our material impacts, risks and opportunities	42-43
		ESRS 2 – General disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	E1 – Climate change: Our material impacts, risks and opportunities	42-44
		ESRS 2 – General disclosures: Double materiality	34-37
E1-1	Transition plan for climate change mitigation	E1 – Climate change: Our management approach	44
E1-2	Policies related to climate change mitigation and adaptation	E1 – Climate change: Our management approach	45
E1-3	Actions and resources in relation to climate change policies	E1 – Climate Change: Measures and actions	45-46
E1-4	Targets related to climate change mitigation and adaptation	E1 – Climate Change: Metrics and Targets	53
E1-5	Energy consumption and mix	E1 – Climate Change: Metrics and Targets	47
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	E1 – Climate Change: Metrics and Targets	48
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	Not applicable	-
E1-8	Internal carbon pricing	Not applicable	-
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Application of the phasing-in provision	-

E2 - POLLUTION

SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	E2 – Pollution: Our material impacts, risks and opportunities	55
		ESRS 2 – General Disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	E2 – Pollution: Our material impacts, risks and opportunities	55
		ESRS 2 – General Disclosures: Double materiality	
E2-1	Policies related to pollution	E2 – Pollution: Our management approach	34-37
E2-2	Actions and resources related to pollution	E2 – Pollution: Measures and actions	58
E2-3	Targets related to pollution	E2 – Pollution: Metrics and targets	58
E2-4	Pollution of air, water and soil	E2 – Pollution: Metrics and targets	58
E2-5	Substances of concern and substances of very high concern	Not material	-
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	Application of the phasing-in provision	-

E5 – RESOURCE USE AND CIRCULAR ECONOMY

SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and business model	E5 - Resource use and circular economy: Our material impacts, risks and opportunities	60
		ESRS 2 - General disclosures: Double materiality	38-39
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities related to resource use and the circular economy	E5 - Resource use and circular economy: Our material impacts, risks and opportunities	60
		ESRS 2 - General disclosures: Double materiality	34-37
E5-1	Policies related to resource use and circular economy	E5 - Resource use and circular economy: Our management approach	61
E5-2	Actions and resources related to resource use and circular economy	E5 - Resource use and circular economy: Metrics and targets	62-63
E5-3	Targets related to resource use and circular economy	E5 - Resource use and circular economy: Metrics and targets	66
E5-4	Resource inflows	E5 - Resource use and circular economy: Metrics and targets	64
E5-5	Resource outflows	E5 - Resource use and circular economy: Metrics and targets	65-66
E5-6	Anticipated financial effects from impacts, risks and opportunities related to resource use and circular economy	Application of the phasing-in provision	-

S1 – OWN WORKFORCE

SBM-2	Interests and views of stakeholders	S1 - Own workforce: Our material impacts, risks and opportunities	82
		ESRS 2 – General disclosures: Double materiality	31 35-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	S1 - Own workforce: Our material impacts, risks and opportunities	81
		ESRS 2 – General disclosures: Double materiality	38-39
S1-1	Policies related to own workforce	S1 – Own workforce: Our management approach	82-84 87, 89
S1-2	Processes for engaging with own workers and workers' representatives regarding impacts	S1 – Own workforce: Our management approach	90-91
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	S1 – Own workforce: Our management approach	91
		G1 – Own workforce: Our management approach	114
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1 – Own workforce: Measures and activities	84-90
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S1 - Own workforce: Metrics and targets	96
S1-6	Characteristics of the undertaking's employees	S1 - Own workforce: Metrics and targets	92-93
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Not material	-
S1-8	Collective bargaining coverage and social dialogue	Not material	-
S1-9	Diversity metrics	S1 - Own workforce: Metrics and targets	93
S1-10	Adequate wages	S1 - Own workforce: Metrics and targets	93
S1-11	Social protection	S1 - Own workforce: Metrics and targets	93
S1-12	Persons with disabilities	Not material	-
S1-13	Training and skill development metrics	S1 - Own workforce: Metrics and targets	94
S1-14	Health and safety metrics	S1 - Own workforce: Metrics and targets	94
S1-15	Work-life balance metrics	S1 - Own workforce: Metrics and targets	95
S1-16	Compensation metrics (pay gap and total compensation)	S1 - Own workforce: Metrics and targets	95
S1-17	Incidents, complaints and severe human rights impacts	S1 - Own workforce: Metrics and targets	95

S2 – WORKERS IN THE VALUE CHAIN

SBM-2	Interests and views of stakeholders	S2 - Workers in the value chain: Our impacts, risks and opportunities	99
		ESRS 2 - General disclosures: Double materiality	31 35-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S2 - Workers in the value chain: Our impacts, risks and opportunities	98-99
		ESRS 2 - General disclosures: Double materiality	38-39
S2-1	Policies related to value chain workers	S2 - Workers in the value chain: Our management approach	100
S2-2	Processes for engaging with value chain workers about impacts	S2 - Workers in the value chain: Our management approach	100
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	S2 - Workers in the value chain: Our management approach	101
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	S2 - Workers in the value chain: Measures and activities	101-102
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2 - Workers in the value chain: Metrics and targets	102



S4 – CONSUMERS AND END-USERS

SBM-2	Interests and views of stakeholders	S4 - Consumers and end-users: Our material impacts, risks and opportunities	104
		ESRS 2 – General disclosures: Double materiality	31 38-36
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S4 – Consumers and end-users: Our material impacts, risks and opportunities	104
		ESRS 2 - General disclosures: Double materiality	38-39
S4-1	Policies related to consumers and end-users	S4 – Consumers and end-users: Our management approach	105-106
S4-2	Processes for engaging with consumers and end-users about impacts	S4 - Consumers and end-users: Measures and activities	106-107
S4-3	Processes to remediate negative impacts and channels for consumers and end users to raise concerns	S4 - Consumers and end-users: Measures and activities	107
S4-4	Taking action on material impacts on consumers and end users, and approaches to managing material risks and pursuing material opportunities related to consumers and end users, and effectiveness of those actions	S4 - Consumers and end-users: Measures and activities	106-107
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4 - Consumers and end-users: Metrics and targets	108

G1 – BUSINESS CONDUCT

GOV-1	The role of the administrative, supervisory and management bodies	ESRS 2 – General disclosures: Managing sustainability	22-27
		Organization and governance of the Group in 2024	11
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	G1 – Business Conduct: Our material impacts, risks and opportunities	111-112
		ESRS 2 – General disclosures: Double materiality	34-37
G1-1	Corporate culture and business conduct policies and corporate culture	G1 – Business Conduct: Our management approach	112-114
G1-2	Management of relationships with suppliers	G1 – Business Conduct: Our management approach	114-115
		S2 - Workers in the value chain: Actions and measures	100-102
G1-3	Prevention and detection of corruption and bribery	G1 – Business Conduct: Our management approach	115-116
G1-4	Confirmed incidents of corruption or bribery	G1 – Business Conduct: Metrics and targets	116
G1-5	Political influence and lobbying activities	Not material	-
G1-6	Payment practices	G1 – Business Conduct: Metrics and targets	116

Annex II

List of data points in cross-cutting and topical standards deriving from other EU legislation

The table below includes all data points stemming from other EU legislation, as referenced in ESRS 2, Appendix B, along with references to the chapters and pages of this report where the respective information can be found. Data points are not included if they relate to a topic deemed "Not material" or "Not applicable" to the business activities of KONČAR – D&ST Group.

Reqmt	Data point		Reference to SFDR	Reference to Pillar 3	Reference to Benchmark Regulation	Reference to European Climate Law	Section/Chapter
ESRS 2 GOV-1	21d	Board's gender diversity	x		x		ESRS 2 – Managing sustainability
							S1 – Metrics and targets
ESRS 2 GOV-1	21e	Percentage of board members who are independent			x		ESRS 2 – Managing sustainability
ESRS 2 GOV-4	30	Statement on due diligence	x				ESRS 2 – Managing sustainability
ESRS 2 SBM-1	40d-i	Involvement in activities related to fossil fuel activities	x	x	x		Not applicable
ESRS 2 SBM-1	40d-ii	Involvement in activities related to chemical production	x		x		Not applicable
ESRS 2 SBM-1	40d-iii	Involvement in activities related to controversial weapons	x		x		Not applicable
ESRS 2 SBM-1	40d-iv	Involvement in activities related to cultivation and production of tobacco			x		Not applicable
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				x	E1 – Our material impacts, risks, and opportunities
ESRS E1-1	16g	Undertaking excluded from Paris-aligned benchmarks		x	x		E1 – Our material impacts, risks, and opportunities
ESRS E1-4	34	GHG emission reduction targets	x	x	x		E1 – Metrics and targets
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x	x	x		Not applicable
ESRS E1-5	37	Energy consumption and mix	x				E1 – Metrics and targets
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	x				E1 – Metrics and targets
ESRS E1-6	44	Gross scope 1,2,3, and total GHG emissions	x				E1 – Metrics and targets
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x		E1 – Metrics and targets
ESRS E1-7	56	GHG removals and carbon credits				x	Not applicable
ESRS E1-9	66	Exposure to the benchmark portfolio to climate-related physical risks			x		Application of phase-in provision
ESRS E1-9	66a	Disaggregation of monetary amounts by acute and chronic physical risks		x			Application of phase-in provision
ESRS E1-9	66c	Location of significant assets at material physical risk		x			Application of phase-in provision
ESRS E1-9	67c	Breakdown of the carrying value of its real estate assets by energy-efficiency classes			x		Application of phase-in provision
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	x				Not material
ESRS E2-4	28	Amount of each pollutant listed in annex II of the E-PRTR regulation emitted to air, water, and soil	x				Not material



ESRS E3-1	9	Water and marine resources	x				Not material
ESRS E3-1	13	Dedicated policy	x				Not material
ESRS E3-1	14	Sustainable oceans and seas	x				Not material
ESRS E3-4	28c	Total water recycled and reused	x				Not material
ESRS E3-4	29	Total water consumption in m3 per net revenue on own operations	x				Not material
ESRS 2 SBM-3 E4	16a-i	Activities negatively affecting biodiversity-sensitive areas	x				Not material
ESRS 2 SBM-3 E4	16b	Land degradation, desertification, or soil sealing	x				Not material
ESRS 2 SBM-3 E4	16c	Threatened species	x				Not material
ESRS E4-2	24b	Sustainable land/agriculture practices or policies	x				Not material
ESRS E4-2	24c	Sustainable oceans/seas practices or policies	x				Not material
ESRS E4-2	24d	Policies to address deforestation	x				Not material
ESRS E5-5	37d	Non-recycled waste	x				E5 – Metrics and targets
ESRS E5-5	39	Hazardous waste and radioactive waste	x				E5 – Metrics and targets
ESRS 2 SBM-3 – S1	14f	Risk of incidents of forced labour	x				Not material
ESRS 2 SBM-3 – S1	14g	Risk of incidents of child labour	x				Not material
ESRS S1-1	20	Human rights policy commitments			x		S1 – Our management approach
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8	x				S1 – Our management approach
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				Not material
ESRS S1-1	23	Workplace accident prevention policy or management system	x				S1 – Our management approach
ESRS S1-3	32c	Grievance/complaints-handling mechanisms	x		x		S1 – Our management approach
ESRS S1-14	88b, 88c	Number of fatalities and number and rate of work-related accidents	x				S1 – Metrics and targets
ESRS S1-14	88e	Number of days lost to injuries, accidents, fatalities, or illness	x		x		S1 – Metrics and targets
ESRS S1-16	97a	Unadjusted gender pay gap	x				S1 – Metrics and targets
ESRS S1-16	97b	Excessive CEO pay ratio	x				S1 – Metrics and targets
ESRS S1-17	103a	Incidents of discrimination	x		x		S1 – Metrics and targets
ESRS S1-17	104a	Non-respect of UNGPs on Business & Human Rights, ILO principles, or OECD guidelines	x				S1 – Metrics and targets
ESRS 2 SBM3 S2	11b	Significant risk of child labour or forced labour in the value chain	x				S2 – Our management approach
ESRS S2-1	17	Human rights policy commitments	x				S2 – Our management approach
ESRS S2-1	18	Policies related to value chain workers	x		x		S2 – Our management approach
ESRS S2-1	19	Non-respect of UNGPs on Business & Human Rights, ILO principles, or OECD guidelines	x				S2 – Our management approach

ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8	x				S2 – Our management approach
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x				S2 – Metrics and targets
ESRS S3-1	16	Human rights policy commitments	x		x		Not material
ESRS S3-1	17	Non-respect of UNDPs on Business & Human Rights, ILO principles, or OECD guidelines	x				Not material
ESRS S3-4	36	Human rights issues and incidents	x				Not material
ESRS S4-1	16	Policies related to consumers and end-users	x		x		S4 – Our management approach
ESRS S4-1	17	Non-respect of UNGPs on Business & Human Rights and OECD guidelines	x				Not material
ESRS S4-4	35	Human rights issues and incidents	x				Not material
ESRS G1-1	10b	United Nations Convention against Corruption	x				G1 – Our management approach
ESRS G1-1	10d	Protection of whistleblowers	x		x		G1 – Our management approach
ESRS G1-4	24a	Fines for violation of anti-corruption and anti-bribery laws	x				G1 – Metrics and targets
ESRS G1-4	24b	Standards of anti-corruption and anti-bribery	x				G1 – Metrics and targets







Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

To the Shareholders of KONČAR - Distribution and Special Transformers Inc. for manufacturing

Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated Sustainability Report of KONČAR - Distribution And Special Transformers Inc. for manufacturing ("the Company") and its subsidiaries (collectively, "the Group"), included in the *Sustainability Report* section of the Group's Management Report as of and for the year ended 31 December 2024 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law ("the Accounting Law").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Sustainability Report as of and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with the Accounting Law, including:

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *Double materiality* section thereof; and
- Compliance of the disclosures in the *EU Taxonomy* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

Our conclusion on the Sustainability Report does not extend to any other information that accompanies or contains the Sustainability Report and our limited assurance report thereon, nor to any information within the Sustainability Report not in scope of our assurance engagement. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the Group's consolidated financial statements as of and for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's report thereon is also included with the other information.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics of Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), together with the ethical requirements that are relevant to our assurance engagements on the Sustainability Reports in Croatia.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter – Comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods. Our conclusion is not modified in respect of this matter.





Independent Auditor's Limited Assurance Report on the Sustainability Report (continued)

Responsibilities for the Sustainability Report

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *Double materiality* section of the Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- Identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- Assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Developing methodologies and making assumptions that are reasonable in the circumstances.

The Management Board of the Company is further responsible for the preparation of the Sustainability Report in accordance with the Accounting Law, including:

- Compliance with the ESRS;
- Preparing the disclosures in *EU taxonomy* section of the Sustainability Report, in compliance with Article 8 of the Taxonomy Regulation;
- Designing, implementing and maintaining such internal controls that the Management Board of the Company determines are necessary to enable the preparation of the Sustainability Report such that it is free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Report.

Inherent limitations in preparing the Sustainability Report

There are inherent limitations regarding the measurement or evaluation of the sustainability matters presented in the Sustainability Report subject to limited assurance, which have been set out below:

- As described in the *Basis of preparation of Sustainability Report* section, greenhouse gas emissions quantification is subject to inherent uncertainty;
- Certain metrics reported within the Sustainability Report may be subject to inherent limitations, for example, value chain information relating to emissions data provided by third parties.
- In reporting forward-looking information in accordance with the ESRS, the Management Board is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected;
- In determining the disclosures in the Sustainability Report, the Management Board interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.



Independent Auditor's Limited Assurance Report on the Sustainability Report (continued)

Our responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the Company's shareholders. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Report, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *Double materiality* section.

Our other responsibilities in respect of the Sustainability Report include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures focused on disclosures in the Sustainability Report where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work we performed as the basis for our conclusion

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. We designed and performed our procedures to obtain evidence about the Sustainability Report that is sufficient and appropriate to provide a basis for our conclusion.

The nature, timing and extent of our procedures depended on our understanding of the Sustainability Report and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Report. We exercised professional judgment and maintained professional skepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
 - performing inquiries to understand the sources of the information used by management (including stakeholder engagement, business plans and strategy documents); and
 - inspecting the Group's internal documentation of its Process.
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in the *Double materiality* section.





Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report

Summary of the work we performed as the basis for our conclusion (continued)

In conducting our limited assurance engagement with respect to the Sustainability Report, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Report by performing inquiries of the relevant personnel and inspecting the Group's internal documentary evidence;
- Evaluating whether material information identified by the Process is included in the Sustainability Report;
- Evaluating whether the structure and the presentation of the Sustainability Report is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Report;
- Performing substantive assurance procedures on a sample basis on selected disclosures in the Sustainability Report;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Report;
- Evaluating whether the standardized reporting templates required by the Taxonomy Regulation were appropriately used to present the key performance indicators;
- Assessing whether the taxonomy disclosures are reconciled, where relevant, with the Group's consolidated financial statements; and
- Performing substantive assurance procedures on selected taxonomy disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG Croatia d.o.o. za reviziju

Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

14 April 2025

2 | Report on the Application of the Corporate Governance Code

The parent company of the Group is listed on the Zagreb Stock Exchange and it implements the Corporate Governance Code pursuant to the rules of that exchange.

Končar D&ST Inc. 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, Končar D&ST Inc. 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 reports of the Company and the Group as of 31 December 2024 and 2023. Shareholders can vote electronically with attendance at the Shareholders' Assembly. Preferred shares of the Company do not carry the right to vote.



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



Consolidated Statement of Comprehensive Income

for the year ended 31 December 2024

	Note	2024 EUR'000	2023 EUR'000
Revenue	4	467,479	342,033
Other operating income	5	1,882	1,366
Operating income		469,361	343,399
Change in inventories of work in progress and finished goods		463	26,394
Materials, consumables, goods and services used	6	(259,653)	(244,776)
Personnel costs	7	(53,743)	(37,142)
Depreciation and amortisation		(5,506)	(4,178)
Other operating expenses	8	(9,727)	(19,006)
Operating expenses		(328,166)	(278,708)
Operating profit		141,195	64,691
Financial income		3,392	821
Financial expenses		(785)	(412)
Net financial result	9	2,607	409
Share of profit of equity accounted investee	16	135	139
Profit before tax		143,937	65,239
Corporate income tax	10	(26,225)	(11,232)
PROFIT FOR THE YEAR		117,712	54,007
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of financial assets		-	1,574
Items that can be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		346	(138)
Other comprehensive income		346	1,436
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		118,058	55,443
Profit for the period attributed to:			
Owners of the Company		116,574	54,007
Non-controlling interest		1,138	-
Comprehensive income for the period attributed to:			
Owners of the Company		116,920	55,443
Non-controlling interest		1,138	-
Earnings per share (basic and diluted) in EUR	11	230,25	105,64

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



Consolidated 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	12	434	518
Property, plant and equipment	13	64,193	47,530
Right-of-use assets	14	662	911
Investment property	15	304	327
Investments accounted for using the equity method	16	1,189	1,119
Financial assets at FVOCI	17	233	233
Deferred tax assets	10	2,833	2,894
		69,848	53,532
Current assets			
Inventories	18	122,755	122,164
Trade and other receivables	19	99,075	67,539
Other assets	20	11,624	8,479
Loans to related companies	21	19,000	-
Financial assets at amortized cost	22	79,916	-
Cash and cash equivalents	23	88,092	60,418
		420,462	258,600
TOTAL ASSETS		490,310	312,132
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
Reserves from exchange rate recalculation		1,764	1,418
Retained earnings		177,684	77,342
- from which profit for the year		116,574	54,007
Attributable to the owners of the Company	24	239,883	139,195
Non-controlling interest	33	6,842	5,876
EQUITY		246,725	145,071
Borrowings	25	5,815	7,895
Financial liabilities through profit or loss	26	109	89
Provisions for warranty repairs	27	11,294	12,162
Other provisions	27	1,776	2,119
Deferred tax liability		394	394
Non-current liabilities		19,388	22,659
Borrowings	25	2,197	2,235
Financial liabilities through profit or loss	26	432	386
Income tax liability		3,363	10,584
Trade and other payables	28	66,578	50,554
Contract liabilities	29	143,653	76,619
Provisions for warranty repairs	27	7,918	3,710
Other provisions	27	56	314
Current liabilities		224,197	144,402
Total liabilities		243,585	167,061
TOTAL EQUITY AND LIABILITIES		490,310	312,132

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

	Note	2024 EUR'000	2023 EUR'000
Cash flows from operating activities			
Cash proceeds from trade receivables		515,080	373,355
Cash proceeds from insurance reimbursements		22	613
Cash proceeds from tax returns		14,254	9,813
Cash paid to trade payables		(272,462)	(257,035)
Cash paid to employees		(51,083)	(35,343)
Taxes paid		(41,104)	(6,562)
Cash paid for insurance related to reimbursements		(410)	(399)
Other cash proceeds and payments		(2,152)	(1,317)
Cash from operations		162,145	83,125
Interest paid		(148)	(233)
Net cash flows from operating activities		161,997	82,892
Cash flows from investment activities			
Cash proceeds from sale of non-current tangible and intangible assets		48	17
Cash proceeds from dividend		68	193
Cash proceeds from interests		2,973	267
Cash receipts from the maturity of deposits		3,744	-
Cash receipts from the repayment of loans granted	21	8,000	-
Cash payments for purchase of non-current tangible and intangible assets		(19,412)	(5,339)
Acquisition of a subsidiary		-	(1,995)
Cash payments for the acquisition of financial instruments		(14,903)	-
Cash payments for the time deposit of funds		(68,736)	-
Cash outflows for loans granted	21	(27,000)	(100)
Other investment proceeds and payments		(37)	-
Net cash used in investing activities		(115,255)	(6,957)
Cash flows from financing activities			
Cash proceeds from borrowings	25	-	1,604
Repayment of borrowings	25	(2,060)	(19,913)
Principal portion of lease payments	25	(284)	(164)
Dividends paid		(16,403)	(7,025)
Other cash proceeds and payments		(321)	1,397
Net cash used in financing activities		(19,068)	(24,101)
Net increase in cash and cash equivalents		27,674	51,834
Cash and cash equivalents at the beginning of the period		60,418	8,584
Cash and cash equivalents at the end of the period	23	88,092	60,418

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



Consolidated Statement of Changes In Equity

for the year ended 31 December 2024

Attributable to the owners of the Company								
	Share capita	Legal reserves	Statutory reserves	Other reserves	Fair value reserves	Retained earnings	Non- controlling interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2023	20,356	1,018	30,636	6,103	(18)	32,682	-	90,777
Profit for the year	-	-	-	-	-	54,007	-	54,007
Other comprehensive income								
Foreign currency translation	-	-	-	-	(138)	-	-	(138)
Revaluation of financial assets	-	-	-	-	1,574	-	-	1,574
Total comprehensive income	-	-	-	-	1,436	54,007	-	55,443
Transfers	93	-	2,229	-	-	(2,322)	-	-
Dividend	-	-	-	-	-	(7,025)	-	(7,025)
Total transactions with owners	93	-	2,229	-	-	(9,347)	-	(7,025)
The impact of acquiring subsidiaries	-	-	-	-	-	-	5,876	5,876
As at 31 December 2023	20,449	1,018	32,865	6,103	1,418	77,342	5,876	145,071
Profit for the year	-	-	-	-	-	116,574	1,138	117,712
Other comprehensive income								
Foreign currency translation	-	-	-	-	346	-	-	346
Revaluation of financial assets	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	346	116,574	1,138	118,058
Dividend	-	-	-	-	-	(16,232)	(172)	(16,404)
Total transactions with owners	-	-	-	-	-	(16,232)	(172)	(16,404)
As at 31 December 2024	20,449	1,018	32,865	6,103	1,764	177,684	6,842	246,725

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

1. General Information about the Company and Group

Končar – Distribution and Special Transformers, Inc., Zagreb, Josipa Mokrvića 8, ("the Company") is a subsidiary of the Končar – Electrical Industry Group („the Group“) where the ultimate parent company and the ultimate owner 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.

The Group consists of the Company and two subsidiaries, Power Engineering Transformatory Ltd., fully owned, and Ferokotao Ltd., owned 51%. The primary activity of Power Engineering Transformatory Ltd. is the design, production, marketing, and servicing of medium power transformers up to 63 MVA and voltage up to 145 kV. The primary activity of Ferokotao Ltd. is the production of metal products, machinery manufacturing, and supplying metal parts for the transformer industry.

The Group also has an associated company, Elkakon Ltd., in which it holds a 50% stake. As of 31 December 2024, the Group had 1,210 employees, while as of 31 December 2023, it had 1,138 employees.

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 since 30 January 2024
- Josip Ljulj, Member until 30 January 2024
- Ana-Marija Markoč, Member - 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 31 to the financial statements.

The fees paid to auditors for the audit of both non-consolidated and consolidated financial statements for the year 2024 amounted to EUR 83.6 thousand (2023: EUR 52.5 thousand), while the audit fees for the audit of the financial statements of subsidiaries amounted to EUR 46.5 thousand. The audit services provided in 2023 mainly relate to the costs of auditing and reviewing consolidated annual report (including consolidated financial statements and consolidated management report which contains sustainability report), as well as auditing statements prepared for regulatory purposes. During 2024, as well as during 2023, non-audit services were not provided by the auditors.

2. Material accounting policy information

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

BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with the International Financial Reporting Standards (IFRS)



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgment in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The consolidated financial statements are denominated in Euro (EUR) as the Group's functional and reporting currency and are presented in thousands of euros (EUR '000). The reported amounts are rounded to the nearest thousand euros.

The Group has prepared these consolidated financial statements in accordance with the Croatian laws. The Company has also prepared separate financial statements in accordance with IFRS, which were approved by the Management Board simultaneously with these consolidated financial statements.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective standards, amendments to standards and implementations – adopted in 2023

In 2024 the following standards, amendments or interpretations came into force:

- Amendments to IAS 1 *Presentation of Financial Statements – classification of liabilities to current and non-current and non-current with liabilities with restrictive conditions*;
- Amendments to IAS 7 *Statement of cash flows and IFRS 7 Financial instruments: Disclosures*;
- Amendments IFRS 16 *Loans: Lease liability in a sale and leaseback transaction*.

Adoption of these standards and amendments did not have substantial effects on the amounts recognized in consolidated statement of financial position or consolidated comprehensive income statement or on disclosure of accounting policies.

Standards, amendments to standards and interpretations issued but not yet effective

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

A) BASIS FOR CONSOLIDATION

The consolidated financial statements of the Group include the financial statements of the Parent company and the financial statements of the companies controlled by the Parent company (subsidiaries).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from minority shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

B) INVESTMENTS IN ASSOCIATES

Associate companies are companies in which the Group has between 20% and 50% of voting power and in which the Group has significant influence, but not control. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting.

C) BUSINESS COMBINATIONS (MERGERS)

Business combinations are accounted for by applying the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

D) GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

E) REVENUE RECOGNITION

The Group recognises revenue from:

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

The Group 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 Group's customers. The revenue is recognised in the amount of transaction price the Group expects in return for the transfer of the promised goods or services to customers. The transaction price the Group agrees for the sale of transformers is generally a base price which, due to the volatility of prices (of key materials, and the instability related to inflation in labor, energy, and consequently equipment costs), is determined using a sliding formula, and is finalized at the moment of revenue recognition (subsequent adjustments are generally not significant).

Revenue from the sale of transformers: In general, the contracts the Group enters into with customers related to the sale of transformers contain multiple performance obligations, which include the sale of the transformer itself and, depending on the contract, accompanying services such as transportation or installation. The Group 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 performance of these services is short in duration and generally coincides with, and does not significantly deviate from, the delivery of the transformer and the recognition of the related sales revenue. In addition, the Group has a smaller portion of contracts with customers related to the sale of materials, for which revenue is recognized at the point of delivery.

The moment of revenue recognition for transformer sales 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, contracts with customers are presented as a contract liability, contract asset or receivable in the statement of financial position, depending on the relationship between the Group's performance and the customer's payment. Contract assets and liabilities are presented as short-term because they arose within the normal operating cycle.

Sales of services: Revenue is recognised over time on a straight-line basis or as services are provided, i.e. according to the measurement of expenses incurred up to a certain date in relation to the total expected costs required for the performance of the contract obligations as described in the previous section.

Sales of goods: Revenue is recognised at a time when control of goods passes to the buyer, usually after the delivery of the goods. Invoices are issued at that time and are usually paid within the deadlines defined by the contractual provisions.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

F) 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.

G) TAXES

The Group accounts for taxes in accordance with applicable 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 Group is estimated to be able to achieve during the period of the related incentive measure. Deferred tax assets recognized as a result of the tax credit for investments are cancelled during the period of the incentive measure, that is, until the end of the credit (if specified) in accordance with the availability of tax liabilities in the following years that can be reduced as a result of using the benefit.

H) SEGMENT INFORMATION

The Group 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.

I) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss 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.

J) 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 Group's shareholders.

K) 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Foreign exchange losses and gains arising on translation are included in profit or loss for the current year and are presented in Note 9 in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences on borrowings).

L) NON-CURRENT INTANGIBLE AND PROPERTY, PLANT AND EQUIPMENT

Position of property, plant and equipment includes the following types of assets: land, buildings, facilities and equipment, tools, operating inventory, furniture and transportation vehicles, advances, and other long-term tangible assets.

Long-term intangible assets are non-monetary assets without physical characteristics that can be identified and include the following types of assets: licenses, software, advances for intangible assets, and other intangible assets.

Long-term intangible assets and real estate, facilities, and equipment are initially recognized at cost, which includes the purchase price, including import duties and non-refundable taxes after deducting trade discounts and rebates, as well as all costs directly attributable to bringing the assets to the location and operational condition for intended use.

After initial recognition, the assets are recognized at their cost less accumulated depreciation and accumulated impairment losses.

Costs of current maintenance and repairs, replacements, and minor-scale investment maintenance are recognized as expenses in the period in which they are incurred.

Depreciation is calculated by allocating the acquisition cost of each individual asset, except for land and long-term intangible and tangible assets under construction, over the estimated useful life of the asset 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%
Tools	5% - 25%

M) FINANCIAL ASSETS AND LIABILITIES

Classification and measurement of financial assets

The items of assets are classified and measured as disclosed in Note 32.

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 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 impairment of receivables from customers and contractual assets are measured at an amount equal to the expected credit losses over their lifetime, or by applying the simplified approach to expected credit losses.

In measuring expected credit losses, the Group utilizes historical observations (over a minimum of 3 years) of payment delay days adjusted for estimated future expectations in debt collection. Customer receivables are divided into portfolios based on the country rating of the customer's domicile and according to the age structure.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Besides the aforementioned assets subject to the simplified approach, when subsequent measuring financial assets in assessing credit loss, a general impairment approach consisting of three stages is applied. The value of financial assets is reduced for expected credit losses, and the impairment loss or gain is recognized in the profit or loss account, except for debt instruments where credit losses are recognized in the profit and loss account without reducing the carrying amount but rather recognizing revaluation reserves. Objective evidence of financial asset impairment for expected credit losses includes:

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, e.g., payment delays or non-payment of interest or principal and/or
- Likely initiation of bankruptcy or financial restructuring proceedings by the debtor.

Mere exceeding the maturity date alone are not an absolute indicator of increased credit risk after initial recognition. The assumption of significant increase in credit risk after initial recognition due to exceeding the maturity date can be rebutted by the Group if it has reasonable and supportable information demonstrating that there has not been a significant increase in credit risk, although it may be an indicator of increased credit risk if no other available information exists.

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 (under the current Articles of Association) and other reserves stated separately.

N) INVENTORIES

The Group'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 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.

O) 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 the expected credit losses and impairment losses.

P) 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Q) 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.

R) 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 Group. The right-of-use assets are presented separately in the statement of financial position.

Lease payments are discounted using the interest rate implicit in the lease if that rate is readily determinable, or by applying the Group's incremental borrowing rate.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortization periods for the right-of-use assets are as follows:

- | | |
|---|-------------|
| - right of use for 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 Group applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognized with 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 Group 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 to 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 Group is potentially exposed to that are not reflected in the measurement of the lease liability. The Group does not provide any residual value guarantees.

S) PROVISIONS

The Group recognizes the following categories of provisions: provisions for estimated warranty repair costs, provisions for onerous contracts, and provisions for termination benefits and jubilee awards as described in point (t). Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Increases in provisions are reflected within other operating expenses, as well as the elimination of provisions recognized net of the cost of new provisions, given that this inherently represents a change in estimate rather than revenue from sales or other income.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

T) EMPLOYEE BENEFITS

i. Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes payments to privately operated mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes.

ii. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as expenses when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

iii. Regular retirement benefits

Retirement benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

iv. Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

v. Short-term employee benefits

The Group recognises accrued employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Q) RECLASSIFICATIONS AND COMPARATIVE DATA

The Group 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates may result in amounts that may differ from actual results. The following estimates and assumptions have been determined by the Group's Management:

a) Revenue recognition

International Financial Reporting Standard 15 Revenue from Contracts with Customers (IFRS 15) requires Management to assess and determine the revenue recognition methodology for the Company's core activities, which includes evaluating the timing of revenue recognition, the number of performance obligations, and the existence of a significant financing component, as described below:

The Group recognises revenue at a point in time for delivery of goods 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 Group 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 the transformer itself and, depending on the contract, additional 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 performance of such services is short in duration and typically coincides with, and does not significantly deviate from, the delivery of the transformer and the recognition of related sales revenue. Furthermore, in certain Group contracts, the sale of equipment is agreed upon where production may take longer than one year from the date of contract signing. Considering that the Group generally receives advances from customers, the period between the customer's payment and the transfer of promised goods or services may exceed one year. In such cases, which are considered exceptions, the advance received for such contracts is treated as a discounted transaction price. The Group has conducted an analysis of customer contracts and determined that most of the performance obligations under the Group's customer contracts are fulfilled within one year. Accordingly, the Group has not identified contracts with a significant financing component.

Based on all of the above, Management believes that the revenue recognition methodology applied in these consolidated financial statements is in accordance with the provisions of IFRS 15 and that the risk of a potential subsequent adjustment to the amount of sales revenue is not significant.

b) Warranty provisions

As part of its customer arrangements, the Group assesses whether such extended warranties have the characteristics of a non-standard warranty that would represent a separate performance obligation and require recognition in accordance with IFRS 15. Given the limited number of contracts where the warranty period deviates from the average duration and considering that such deviations are generally not significant compared to industry practice, which shows a general trend of extending warranties for such products, the Group has concluded that the portfolio of existing contracts do not involve significant non-routine warranties that could be considered a separate performance obligation.

Management assesses provisions for warranty period 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.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

4. Revenue

	2024 EUR'000	2023 EUR'000
<i>Type of goods or services</i>		
Sales of distribution and special transformers	179,347	151,806
Sales of medium power transformers	256,064	170,713
Sales of materials	22,906	8,882
Sales of services	9,162	10,632
Total revenue from contracts with customers	467,479	342,033
<i>Geographic areas</i>		
Croatia	20,644	31,334
EU member states	394,055	274,525
Bosnia & Herzegovina, Macedonia, Serbia, Montenegro	8,437	7,034
Other European countries	38,755	21,507
Africa	371	923
Asia	5,186	6,048
Other countries worldwide	31	662
Total revenue from contracts with customers	467,479	342,033
<i>Revenue recognition time:</i>		
At a point in time	458,317	331,401
Over time (services)	9,162	10,632
Total revenue from contracts with customers	467,479	342,033

Revenue from services is recognized over time as the services are performed rather than at a specific point in time. However, due to the nature, amount, and short duration of these services (such as field maintenance and similar services), this does not have a significant impact on the reported level of revenue from contracts with customers.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

5. Other operating income

	2024 EUR'000	2023 EUR'000
Revenue from approved discounts, rebates, and similar items	552	101
Inventory surplus	175	67
Net gain from the sale of fixed assets	136	14
Rental income	35	248
Insurance recoveries	22	663
Other income	962	273
	1,882	1,366

6. Materials, consumables, goods and services used

	2024 EUR'000	2023 EUR'000
Raw materials and consumables	222,180	211,827
Cost of goods sold	951	8,152
Transport services	10,078	7,263
External production related services	6,422	3,050
Maintenance and servicing	3,132	1,961
Other external costs	16,890	12,523
	259,653	244,776

7. Personnel costs

	2024 EUR'000	2023 EUR'000
Net salaries and wages	31,798	21,624
Taxes and contributions from salaries	12,925	9,472
Contributions on salaries	6,722	4,826
Reimbursement of employee expenses, gifts and grants	2,298	1,220
	53,743	37,142

In 2024, pension fund contributions amounted to EUR 7,501 thousand (2023: EUR 6,083 thousand).

In 2024, personnel costs include EUR 163 thousand of retirement and termination benefits (2023: EUR 149 thousand).

The average number of employees during 2024 was 1,172 employees (2023: 835 employees).



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

8. Other costs

	2024 EUR'000	2023 EUR'000
Net effects in provisions for warranty repairs	5,948	7,285
Impairment of inventories, net	(3,625)	2,697
Net effects of penalty costs and similar accrued costs	(1,543)	1,504
Net effects of jubilee and termination provisions	(138)	1,300
Representation services	989	857
Transportation costs for employees	1,166	736
Bank charges and commissions	1,027	653
Insurance	762	538
Daily allowances and business trip related costs	732	507
Premiums and benefits for voluntary pension pillar	322	295
Professional training costs	315	271
Intellectual services	356	214
Fees payable to Supervisory board members	40	14
Effects of provisions for ongoing legal disputes	(135)	-
Effects of provisions for onerous contracts	(185)	(744)
Other non-production related costs	1,125	852
Other operating costs	2,571	2,027
	9,727	19,006

9. Net financial result

	2024 EUR'000	2023 EUR'000
Positive exchange rate differences	-	422
Interest income	3,377	303
Dividends and share in profits	3	93
Other financial income	12	3
Total financial income	3,392	821

	2024 EUR'000	2023 EUR'000
Interest and similar expenses	190	379
Negative exchange rate differences	595	-
Other finance costs	-	33
Total financial expenses	785	412
Net financial result	2,607	409

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

10. Corporate income tax

	2024 EUR'000	2023 EUR'000
Current tax	26,164	12,088
Deferred tax	61	(856)
Income tax expense	26,225	11,232

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

	2024 EUR'000	2023 EUR'000
Accounting profit (before tax)	143,937	65,239
Tax at 18%	25,909	11,743
<i>Adjustments for:</i>		
Non-deductible expenses	138	95
Non-taxable profit reductions	144	(72)
Temporary differences for which no deferred tax assets were recognized	(21)	92
Change in recognized deferred taxes, including incentives	502	(255)
Effect of different tax rate	(416)	(353)
Share of profit of equity accounted investee	(31)	(18)
Income tax expense	26,225	11,232
Effective tax rate	18,22%	17,22%

Investment incentives

The request for obtaining the incentive holder status for the new project was submitted on 23 December 2021, under the abbreviated name "Sustainable SETup". On 2 March 2024, MINGO issued a resolution granting the Group the incentive holder status for this project in the amount of EUR 5,464 thousand, for which the Group has the ability to reduce future tax liabilities related to corporate income tax for years up to 24 December 2031.

In the financial statements for the year 2024, the Group did not utilize incentives for this project, while in the previous periods, it utilized EUR 5,237 thousand for the same purpose (part of which was used to reduce current corporate income tax, while the remainder was used to reduce additional corporate income tax).

Additionally, through business combinations during 2023, the Group acquired the right to utilize additional tax relief for investment promotion by reducing tax liabilities by 100%, with a potential utilization framework of EUR 1.3 million. The Group recognized deferred tax assets on this amount, considering the full utilization of this framework is expected. The amount used under this incentive was EUR 536 thousand in 2024.

As of 31 December 2024, the Group did not have any unused carried forward tax losses for which deferred tax assets were not recognized.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Deferred tax asset and relevant movement was as follows:

	31 December 2024	Recognized in profit and loss	31 December 2023	Recognized in profit and loss	Acquired through business combinations	31 December 2022
Deferred tax assets						
Trade receivables impairment temporary difference	23	23				
Impairment of non-current assets	59	(1)	60	1	-	59
Inventory impairment	39	(678)	717	685	-	32
Carried forward unutilised tax losses	-	(12)	12	12	-	-
Unrecognized provisions	448	173	275	245	-	30
Unused amount of incentives according to the Investment Promotion Act	1,144	(536)	1,680	(200)	1,253	627
Taxable deferred income	1,120	970	150	113	-	37
Deferred tax assets	2,833	(61)	2,894	856	1,253	785

11. Earnings per share

Basic and diluted earnings per share:

	2024	2023
Net result in EUR thousands	117,712	54,007
Total and weighted average number of shares	511,232	511,232
Earnings per share	230,25	105,64

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

12. Non-current intangible assets

	Licenses, software and other rights EUR'000	Assets under construction EUR'000	Total EUR'000
Cost			
As at 1 January 2023	2,188	83	2,271
Additions	13	234	247
Effect of acquiring a subsidiary	35	-	35
Transfer	243	(243)	-
Disposals	(4)	-	(4)
As at 31 December 2023	2,475	74	2,549
Additions	32	82	114
Transfer	156	(156)	-
Disposals	(7)	-	(7)
As at 31 December 2024	2,656	-	2,656
Accumulated amortization			
As at 1 January 2023	1,857	-	1,857
Charge for the year	178	-	178
Disposals	(4)	-	(4)
As at 31 December 2023	2,031	-	2,031
Charge for the year	197	-	197
Disposals	(6)	-	(6)
As at 31 December 2024	2,222	-	2,222
Carrying amount			
As at 31 December 2023	444	74	518
As at 31 December 2024	434	-	434

The cost of intangible assets fully amortised and still in use as at 31 December 2024 amounts to EUR 1,881 thousand (31 December 2023: EUR 1,927 thousand).



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

13. Property, plant and equipment

	Land	Buildings	Plant and equipment	Tools and furniture	Assets under construction and advances	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
As at 1 January 2023	3,787	32,659	37,368	4,602	1,078	79,494
Additions	-	397	259	218	3,460	4,334
Effect of acquiring a subsidiary	1,206	5,047	4,347	290	386	11,276
Transfers	10	47	2,013	271	(2,341)	-
Disposals	14	-	(183)	(107)	-	(276)
Exchange rate difference	4	103	(13)	50	41	185
As at 31 December 2023	5,021	38,253	43,791	5,324	2,624	95,013
Additions	-	-	-	-	21,702	21,702
Transfers	731	3,378	2,352	504	(6,965)	-
Disposals	(16)	-	(470)	(96)	(42)	(624)
Exchange rate difference	3	38	54	(40)	11	66
As at 31 December 2024	5,739	41,669	45,727	5,692	17,330	116,157
Accumulated depreciation						
At 1 January 2023	7	14,976	25,333	3,679	-	43,995
Charge for the year	2	1,307	2,118	347	-	3,774
Disposals	-	-	(180)	(106)	-	(286)
As at 31 December 2023	9	16,283	27,271	3,920	-	47,483
Charge for the year	2	1,745	2,799	434	-	4,980
Disposals	-	-	(417)	(82)	-	(499)
As at 31 December 2024	11	18,028	29,653	4,272	-	51,964
Carrying amount						
As at 31 December 2023	5,012	21,970	16,520	1,404	2,624	47,530
As at 31 December 2024	5,728	23,641	16,074	1,420	17,330	64,193

As at 31 December 2024, the net book amount of mortgaged properties amounts to EUR 18,422 thousand (31 December 2023: EUR 17,963 thousand). Mortgages have been registered over these properties worth EUR 3 million (31 December 2023: EUR 3 million) in the total amount of EUR 62 million (31 December 2023: EUR 50 million). There is a pledge of EUR 8 million on movable assets (31 December 2023: EUR 8 million) with a net carrying amount of EUR 1,394 thousand (31 December 2023: EUR 1,682 thousand) (note 25).

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).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

14. Right-of-use assets

Right-of-use assets relate to the following:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Buildings	320	291
Plant and equipment	47	312
Transport vehicles	278	225
Land	17	83
	662	911

The movement during the year is shown below:

	2024 EUR'000	2023 EUR'000
As at 1 January	911	834
Increase - new leases	1,116	240
Decrease – termination of leases	(1,070)	(4)
Depreciation	(306)	(203)
Exchange rate difference	11	44
As at 31 December	662	911

15. Investment property

	Total EUR'000
Cost	
As at 1 January 2023	465
Additions	-
As at 31 December 2023	465
Additions	-
As at 31 December 2024	465
Accumulated depreciation	
As 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
As at 31 December 2023	327
As at 31 December 2024	304

The Group owns certain business premises for which the market value is estimated in the amount of EUR 599 thousand.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

16. Investment using the equity method

	31.12.2024 EUR'000	31.12.2023 EUR'000
<i>Investment in an associate accounted for using the equity method</i>		
Elkakon Ltd., Zagreb (50% share)	1,189	1,119
	1,189	1,119

The Group holds a 50% ownership share in Elkakon Ltd., company engaged in the production of industrial conductors and a strategic and associate of the Company. The relevant financial information with respect to the equity-accounted investee is as follows:

	Elkakon Ltd.	
	31.12.2024 EUR'000	31.12.2023 EUR'000
Income	16,433	17,628
Expenses	(16,101)	(17,287)
Profit before tax	332	341
Corporate income tax	(62)	(63)
Profit after tax	270	278
Non-current assets	1,250	1,340
Current assets	3,234	3,550
Total assets	4,484	4,890
Total liabilities	2,112	2,653

Changes in the investment in the equity-accounted investee during the year were as follows:

	Elkakon Ltd. EUR'000
As at 1 January 2023	1,080
Profit of the associate (50% share)	139
Dividend payment by the associate	(100)
31 December 2023	1,119
Profit of the associate (50% share)	135
Dividend payment by the associate	(65)
31 December 2024	1,189

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

17. Financial assets at FVOCI

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

Fair value measurement

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 Group 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.

18. Inventories

	31.12.2024 EUR'000	31.12.2023 EUR'000
Raw materials and consumables	49,464	46,626
Production work-in-progress	46,782	42,464
Finished products	26,509	33,074
	122,755	122,164

The cost of goods sold in 2024 amounted to EUR 242,520 thousand (2023: EUR 214,186 thousand).

19. Trade and other receivables

	31.12.2024 EUR'000	31.12.2023 EUR'000
Receivables from foreign customers	89,048	56,780
Receivables from domestic customers	3,907	6,897
Other receivables	2,309	280
Value Added Tax receivable	3,335	3,257
Prepayments	476	325
	99,075	67,539



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

As at 31 December, the ageing structure of the Group's trade receivables was as follows:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Not yet due	75,649	54,928
< 60 days	16,490	8,182
60-90 days	340	309
90-180 days	383	215
180-365 days	25	43
> 365 days	67	-
	92,955	63,677

Maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The following table explains the changes in the expected credit loss for trade receivables between the beginning and the end of the period:

	31.12.2024 EUR'000	31.12.2023 EUR'000
As at 1 January	75	49
Net change in ECLs	(28)	(3)
Written-off	92	26
Effect of change in foreign exchange rate	1	3
As at 31 December	140	75

20. Other assets

	31.12.2024 EUR'000	31.12.2023 EUR'000
Assets recognized based on acquisition costs of contracts with customers	11,384	7,977
Given advances for inventory	240	502
	11,624	8,479

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

21. Loans to related companies

	31.12.2024 EUR'000	31.12.2023 EUR'000
Loans given to companies within Končar Group	19,000	-
Impairment of given loans	-	-
	19,000	-

The Group approved loans to related companies in the total amount of EUR 27 million during 2024. In 2024, at the group level, Končar conducted an analysis of market interest rates, based on which interest rates were calculated in the range of 2.00% - 4.00% annually (2023: 1.71% - 3.42%).

Changes in the given loans during the year were as follows:

	Loans given EUR'000
As at 1 January 2023	-
Cash outflows	-
Cash proceeds	-
As at 31 December 2023	-
Cash outflows	27,000
Cash proceeds	(8,000)
As at 31 December 2024	19,000

22. 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 Group earns interest on deposits over 3 months at a rate ranging from 2.21% to 2.68%, while Treasury bills of the Republic of Croatia carry an interest rate of 2.60%.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

The Group deposits money in banks that, according to the S&P 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	-

23. Cash and cash equivalents

	31.12.2024 EUR'000	31.12.2023 EUR'000
Cash in bank	26,852	30,411
Cash on hand	2	2
Overnight deposits up to 3 months	61,238	30,005
	88,092	60,418

Interest rate on the Group's cash in bank and deposits up to 3 months is from 2.05% - 2.95% (2023: 3.55% - 3.60%) .

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

	31.12.2024 EUR'000	31.12.2023 EUR'000
A+	3,362	7,781
A-	14,712	17,198
BBB+	23,000	-
BBB	15,757	29,198
BBB-	10,476	1,293
Without grade	20,783	4,946
	88,090	60,416

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

24. Equity

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 Group was as follows:

Shareholder	31 December 2024		31 December 2023	
	No of shares	Ownership share %	No of shares	Ownership share %
Interkapital vrijednosni papiri / Končar – Elektroindustrija Inc.	269,596	52.73	269,596	52.73
OTP banka Inc. / AZ OMF kategorije B	24,903	4.87	28,249	5.53
Agram brokeri Inc. / Knežević Nikola	20,014	3.91	21,304	4.17
Floričić Kristijan	14,110	2.76	13,299	2.60
Hita-vrijednosnice Inc. / Berkopić Dražen	12,500	2.45	19,832	3.88
Zagrebačka banka Inc. / Zbirni skrbnički račun Zagrebačka banka Inc. / DF	9,498	1.86	8,255	1.61
Interkapital vrijednosni papiri / Radić Antun	7,886	1.54	7,886	1.54
Vulić Tomislav	4,800	0.94	4,800	0.94
Other	147,925	28.94	138,011	27.00
	511,232	100.00	511,232	100.00

As at 31 December 2024 and 2023, the Group'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 Group's shareholders in 2024 amounted to EUR 31.75 (2023: EUR 13.74 per share) and totalled EUR 16,232 thousand (2023: EUR 7,025 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).



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

25. Borrowings

	31.12.2024 EUR'000	31.12.2023 EUR'000
Non-current borrowings		
Leases	227	247
Bank loans	5.588	7.648
	5.815	7.895
Current borrowings		
Leases	137	175
Bank loans	2.060	2.060
	2.197	2.235
Total borrowings	8.012	10.130

Liabilities to banks as at 31 December 2024 relate to the following:

- loan granted by Raiffeisenbank Austria Inc, in April 2019 in the amount of EUR 8 million with a fixed interest rate of 1.85% p.a., which was used to finance the purchase of a 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.
- loan granted by Raiffeisenbank Austria Inc, amounting to EUR 6,050 thousand, approved in July 2021, with a fixed interest rate of 1.10% per annum, is used for the closure of principal and fees for the early repayment of existing loan tranches with Privredna banka Zagreb Inc. Security instruments include 2 blank promissory notes, 1 debenture in the amount of EUR 6,050 thousand, mortgage rights on real estate and movable property to be executed based on 4 promissory notes, each amounting to EUR 2,100 thousand euros, totalling EUR 8,400 thousand.
- loan granted by Raiffeisenbank Austria Inc, amounting to EUR 1 million, approved in July 2021, with a fixed interest rate of 1.10% per annum, is intended for working capital. Security instruments include 2 blank promissory notes, 1 debenture in the amount of EUR 1 million euros, and mortgage rights on real estate and movable property to be executed based on 4 promissory notes described in the previous loan.

In 2024, the Group also signed a long-term loan agreement with OTP Bank in the total amount of EUR 12 million with an annual interest rate of 3.99%, with the final instalment due on 30 September 2033. However, the agreement had not been executed by the end of the reporting period, and the entire approved amount remained unused.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

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

	Bank loans EUR'000	Leases EUR'000	Other borrowings EUR'000	Total EUR'000
As at 1 January 2023	15,618	478	8,000	24,096
Acquisition	4,458	-	-	4,458
Cash proceeds	1,604	-	-	1,604
Cash repayments	(11,913)	(221)	(8,000)	(20,134)
Other non-cash transactions	-	198	-	198
Foreign exchange rate changes	(59)	(33)	-	(92)
As at 31 December 2023	9,708	422	-	10,130
Cash repayments	(2,060)	(284)	-	(2,344)
Other non-cash transactions	-	223	-	223
Foreign exchange rate changes	-	3	-	3
As at 31 December 2024	7,648	364	-	8,012

Non-current liabilities to banks mature as follows:

	31.12.2024 EUR'000	31.12.2023 EUR'000
up to 1 year	2,060	2,060
1 - 2 years	1,977	2,060
2 - 3 years	1,860	1,977
3 - 4 years	1,501	1,860
4 - 5 years	250	1,501
over 5 years	-	250
	7,648	9,708

26. Financial instruments at fair value through profit or loss

	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 Group used forward contracts with commercial banks with the intention of managing the fluctuations of foreign currencies (GBP and SEK primarily). The nominal value of currency forwards as at the reporting date amounted to EUR 37,255 thousand, with the contracts maturing in the period from 2024 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'.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

27. Provisions

	Warranty repairs	Jubilee awards and retirement benefits	Provisions for onerous contracts	Other provisions	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2023	10,861	592	929	84	12,466
Acquisition	417	-	-	185	602
Increase	7,376	1,474	-	666	9,516
Release	-	(2)	(744)	(670)	(1,416)
Exchange rate fluctuations	6	4	-	6	16
Utilised	(2,788)	(44)	-	(47)	(2,879)
As at 31 December 2023	15,872	2,024	185	224	18,305
Increase	5,948	232	-	50	6,230
Release	-	(370)	(185)	(185)	(740)
Exchange rate fluctuations	19	4	-	2	25
Utilised	(2,627)	(128)	-	(21)	(2,776)
As at 31 December 2024	19,212	1,762	-	70	21,044
of which:					
- non-current	11,294	1,718	-	58	13,070
- current	7,918	44	-	12	7,974

Warranty provisions

Warranty provisions are determined on the basis of Management's best estimate. The provision is made based on the Group's estimates and experience, as well as that of other transformer manufacturers. The Group provides to customers long-term warranties for delivered transformers, which typically last over 5 years and can extend exceptionally up to 10 years. Based on historical data regarding repair costs during the warranty period, the number of sold transformers, and the prevailing duration of the warranty period, the Management estimates and creates a provision for repairs during the warranty period. The value of the provision amounts to EUR 19.2 million (2023: EUR 15.9 million) and has increased as a result of revenue growth, increase in the number of transformers delivered to customers as well as specifically identified warranty claims during 2024.

Provisions for long-term employee benefits

The long-term portion of the provisions for termination benefits and jubilee awards in the amount of EUR 2,278 thousand (2023: EUR 2,024 thousand) relates to the estimated amount of termination benefits and jubilee awards in line with the Collective Agreement, to which Group employees are entitled to at the end of their employment (either upon retirement or meeting the conditions for obtaining jubilee awards). The present value of these provisions is calculated by the independent actuary based on the number of employees, number of years of service at the Group and the statistics of paid termination benefits and the discount rate of 2.94% (2023: 3.67%).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

28. Trade payables and other liabilities

	31.12.2024 EUR'000	31.12.2023 EUR'000
Payables to domestic suppliers	11,807	8,810
Payables to foreign suppliers	31,000	21,263
Payables to employees	2,127	1,680
Other taxes, contributions and fees payable	3,119	1,805
Deferred income	144	145
Unused holiday	948	869
Interest payable	24	30
Liabilities for share in profits	29	21
Agency commissions	13,791	10,198
Other accrued costs	1,137	4,568
Other liabilities	2,452	1,165
	66,578	50,554

29. Contract liabilities

	31.12.2024 EUR'000	31.12.2023 EUR'000
Contract liability – advances received from customers	143,653	76,619
Total contract liability	143,653	76,619

Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to EUR 194,678 thousand (2023: EUR 136,404 thousand).

Contract liabilities at the reporting date relate to contracts with customers with a total value of EUR 295,442 thousand (31 December 2023: EUR 246,318 thousand), for which performance obligations are to be fulfilled in the next reporting period. This amount represents the best estimate based on current knowledge and the estimated delivery dates of transformers; however, deviations are possible in cases of delivery delays by the customer, adjustments based on the agreed escalation formula, and similar. At the end of the reporting period, there are unfulfilled performance liabilities based on advances received from customers, amounting to EUR 532,584 thousand (31 December 2023: EUR 351,917 thousand).



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

30. Off-balance-sheet items

Off-balance sheet items as of 31 December 2024 include the following: joint guarantees issued on behalf of the PET subsidiary to banks and clients 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 December 2023: EUR 8,592 thousand and EUR 2,812 thousand). In total, the Company issued insurance instruments (bank guarantees) to related companies and third parties in the amount of EUR 379,746 thousand (31 December 2023: EUR 238,134 thousand), while related companies and third parties issued insurance instruments to the Company in the amount of EUR 36,698 thousand (31 December 2023: EUR 14,101 thousand). The management estimates that the fair value of issued guarantees/warranties is not significant, using an exceptionally low probability of a damaging event occurring, taking into account the fact that no guarantee has been activated in the past.

Balance of the Group's concluded contracts (order book) based on active projects as of 31 December 2024 amounts to EUR 822.4 million (31 December 2023: EUR 623 million).

31. 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 Group'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 Group's related parties are the Company's Management Board and Supervisory Board.

During 2024, the Group 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:

Related party	Operating activities					
	Receivables	Liabilities	Advances given	Advances received	Revenue	Expense
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Končar Group companies	399	661	147	-	7,024	4,432
Končar – Electrical Industry, Inc.	389	1,159	-	9	1,664	7,259
Associates	71	835	-	904	492	14,671
	859	2,655	147	913	9,180	26,362

During 2023, the Group 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:

Related party	Operating activities					
	Receivables	Liabilities	Advances given	Advances received	Revenue	Expense
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Končar Group companies	1,869	276	245	1,560	10,231	4,164
Končar – Electrical Industry, Inc.	1	1,132	-	-	3	4,006
Associates	927	1,224	-	-	8,199	12,613
	2,797	2,632	245	1,560	18,433	20,783

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Key management remunerations

During 2024 total remuneration of EUR 824 thousand (fixed and variable) was paid to Management Board of the Group (31 December 2023: 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 417 thousand (31 December 2023: EUR 369 thousand). Management Board has 5 members (2023: 5 members). During 2024 Management Board of subsidiary Power Engineering Transformatory Ltd received total remuneration of EUR 155 thousand (2023: EUR 72 thousand). Management Board of subsidiary has 3 members (2023: 3 members). During 2024, the management of the subsidiary Ferokotao Ltd. was paid EUR 144 thousand in compensation. The management of this subsidiary consists of 2 members.

32. Risk management

Capital risk management

Financial leverage ratio

	31.12.2024 EUR'000	31.12.2023 EUR'000
Debt (current and non-current) = D	(8,012)	(10,130)
Short-term deposits in banks (over 3 months)	65,000	-
Cash and cash equivalents	88,092	60,418
Net cash / (debt)	145,080	50,288
Equity = E	(246,725)	(145,071)
Financial leverage ratio = D/(D+E)	3.15%	6.53%



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Financial risk management

The Group operates with international customers and finances its operations to an extent using foreign currency denominated borrowings. The Group's operations are therefore exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. Categories of financial instruments and method for measuring fair values are as follows:

	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	92,955	63,677
Loans given	n/a	19,000	-
Deposits and other investments	n/a	79,916	-
Cash and cash equivalents	n/a	88,092	60,418
Total financial assets at amortised cost		279,963	124,095
Total financial assets		280,196	124,328
Leases payable	n/a	364	422
Bank loans payable	n/a	7,648	9,708
Trade payables	n/a	42,807	30,073
Total financial liabilities at amortised cost		50,819	40,203
Derivative instruments	Level 2	541	475
Total financial liabilities at FVTPL		541	475
Total financial liabilities		51,360	40,678

A) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of a financial instrument is the amount at which it could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The Group uses the following hierarchy for determining the fair value of financial instruments:

- level 1: quoted prices (unadjusted) in active markets for such assets or liabilities
- level 2: other techniques where all inputs which have a significant effect on the fair value are observable on the market, directly or indirectly
- level 3: techniques where all inputs which have a significant effect on the fair value are not based on the observable market data.

The fair value of the Group's financial assets and liabilities generally approximates the carrying amount of the Group's assets and liabilities.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Derivative financial instruments

The fair value of financial instruments that are not traded in an active market presented in level 2 is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity-specific estimates.

In addition to investing in equity instruments, the Group used the following methods and assumptions in estimating the fair value of financial instruments:

Receivables and bank deposits

For assets that mature within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the contracted interest rates do not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

Borrowings

Fair value of current liabilities approximates their carrying value due to the 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 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 Group's operations are exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. MARKET RISK

Market risk is the fluctuation risk of fair value or future cash flows of financial instruments resulting from changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks. There were no significant changes to the Group's exposure to market risk or the manner in which it measures and manages the risk.

a) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk through sales, purchases, and loans denominated in a currency other than the Group's functional currency. The currency primarily subject to risks is SEK. The Group mitigates its exchange rate risk by entering into forward currency contracts with commercial banks for all currencies based on materiality criteria.

The relevant exchange rate for EUR and SEK 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 Group's exposure to the currency risk of the specified currencies as of the reporting date is shown below. Also, an analysis of the effect of changes in relevant exchange rates on the net result was presented, except for the euro currency, considering the introduction of the euro as a functional currency on 1 January 2023.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

	Denominated in GBP	
	31.12.2024 EUR'000	31.12.2023 EUR'000
Trade receivable	1,827	-
Cash and cash equivalents	2,576	7,446
Derivatives	(541)	-
	3,862	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 receivable	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 Group 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 and other loans based on a fixed interest rate	7,648	9,708
Leases based on a fixed interest rate	364	422
	8,012	10,130

The Group analyses the exposure to interest rates at the reporting date by taking into account the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is deemed a reasonably possible change in interest rates. The estimated effect of the reasonably possible change in variable interest rates on the result before tax is not material. The Group does not hedge against interest rate risk.

2. CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group'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 Group 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

Credit risk for the Group 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 32 to the financial statements. The Group 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 Group will not be able to meet its 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 Group manages liquidity risk by continuously monitoring the anticipated and actual cash flow comparing it with the maturity of financial assets and liabilities.

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

	Net book value	Contractual cash flows	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
as at 31 December 2024	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<i>Non-interest bearing liabilities:</i>						
Trade payables	42,807	42,807	42,807	-	-	-
<i>Interest bearing liabilities:</i>						
Leases payable	364	403	155	94	154	-
Bank loans	7,648	7,891	2,164	2,051	3,677	-
	8,012	8,294	2,319	2,145	3,831	-
	50,819	51,101	45,126	2,145	3,831	-

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

	Net book value	Contractual cash flows	up to 1 year	1 - 2 years	2 - 5 years	over 5 years
as at 31 December 2023	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<i>Non-interest bearing liabilities:</i>						
Trade payables	30,073	30,073	30,073	-	-	-
	30,073	30,073	30,073	-	-	-
<i>Interest bearing liabilities:</i>						
Leases payable	422	466	187	118	147	14
Bank loans	9,708	10,106	2,205	2,165	5,483	253
	10,130	10,572	2,392	2,283	5,630	267
	40,203	40,645	32,465	2,283	5,630	267



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

33. Business combinations

On 20 December 2023, the Company acquired control over Ferokotao Ltd. from Donji Kraljevac, with a 51% stake. Prior to the acquisition date, the Group held a 16% interest in this company. The value of the existing ownership stake was adjusted to fair value, resulting in a profit of EUR 1.57 million, which was recognized within comprehensive income in accordance with the Company's accounting policies.

Cost of acquisition	EUR'000
Purchase price for 51% ownership stake	6,426
Fair value recognized during acquisition	
Fair value of identifiable assets and liabilities of Ferokotao on the acquisition date is	
	EUR'000
Assets	
Intangible assets	34
Land and buildings	6,254
Property and equipment	5,024
Deferred tax assets	1,253
Inventories	4,524
Trade and other receivables	3,742
Cash and cash equivalents	2,415
	23,246
Liabilities	
Deferred tax	394
Total liabilities	10,852
	11,246
Total recognized net assets at fair value	12,000
Gain on bargain purchase / goodwill	
	EUR'000
Acquisition cost adjusted for premium	6,124
Non-controlling interest	5,876
Total recognized net assets at fair value	(12,000)
Gain on bargain purchase / goodwill	-

From the acquisition date (20 December 2023) until the end of the year, that is, 31 December 2023, there were no significant transactions, and the Group used financial information as at 31 December 2023 for calculating the effects of acquiring a controlling interest in Ferokotao Ltd. Therefore, the business effects of this company from the acquisition date until the end of the year are not reflected in the comprehensive income and cash flows of the Group.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

If all acquisitions were carried out on 1 January 2023, the total revenue and profit of the Group would be as follows:

	2023 EUR'000
Sales revenue until the acquisition date	
Ferokotao Ltd.	20,505
Consolidated revenues of the Group	342,033
Total revenues if the acquisition was conducted at 1.1.2023	362,538
Profit until the acquisition date	
Ferokotao Ltd.	1,675
Net profit of the Group	54,007
Total net profit if the acquisition was conducted at 1.1.2023	55,682

Methods and assumptions for calculating the fair value of net identifiable assets:

Asset/liability item	Valuation technique
Property, plant and equipment	When assessing the value of land, the market approach was used, specifically the method of comparable transactions. This method relies on the assumption that the value of the asset can be determined based on the analysis of recent market purchase prices. For assessing the value of buildings, the income approach was utilized, employing the method of earnings capitalization. This approach is based on the assumption that the value of the asset is the present value of its future cash flows belonging to the owner of the asset. In evaluating the value of a significant portion of plant and equipment, the cost approach was used, applying the method of depreciated replacement cost. This approach assumes that the value of the asset is equal to the costs of reproduction or replacement of the asset, adjusted for depreciation. For assessing the value of vehicles and forklifts, the market approach was used, specifically the method of comparable transactions. This method is based on the assumption that the value of the asset can be determined based on the analysis of recent market purchase prices.
Intangible assets	It mainly consists of software. The fair value of intangible assets corresponds to its book value.
Inventories	The fair value of inventory acquired in a business combination is estimated as follows: <ul style="list-style-type: none"> • Raw materials – at replacement cost as of the Valuation Date. • Work in progress (WIP) – at the selling price reduced by completion costs, disposal costs, and a reasonable profit margin for completion and sale. • Finished goods and merchandise – at the selling price reduced by disposal costs and a reasonable profit margin.
Current receivables and current liabilities	Accounts receivable, other receivables, accounts payable, and other liabilities are estimated at their present value of the amounts expected to be collected, which is determined based on appropriate interest rates, adjusted for impairment allowances and collection costs if necessary. Since these receivables and liabilities are short-term in nature, their fair value is approximately equal to their carrying value.
Financial liabilities	Financial liabilities are valued at their present value of the amounts that will be paid in settlement of obligations determined by the appropriate interest rate. The increase in long-term liabilities upon acquisition results from recognizing deferred tax liabilities as a result of temporary timing differences arising from the initial recognition of acquired net assets at fair value.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2024

34. Events after the reporting period

Changes in the Supervisory Board and the respective committees of the Company:

Mr. Mario Radaković and Mr. Petar Bobek were appointed as members of the Supervisory Board as of 1 January 2025, replacing Josip Lasić and Miki Huljić.

On 17 January 2025, the Supervisory Board appointed the following:

- a) The following were appointed as members of the Audit Committee as of 1 January 2025:
 - 1. Mario Radaković, President
 - 2. Gordan Kolak, Member
 - 3. Ivan Paić, Member
- b) The following were appointed as members of the Nomination Committee as of 1 January 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 1 January 2025:
 - 1. Ivan Paić, President
 - 2. Mario Radaković, Member
 - 3. Petar Bobek, Member

Apart from the above, there were no other events after the reporting period and until the approval date of the financial statements that would significantly affect the Group's annual consolidated financial statements for the year 2024, which should therefore be disclosed.



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 consolidated financial statements of KONČAR - Distribution And Special Transformers Inc. for manufacturing ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Revenue from customer contracts for the sale of transformers recognized in profit or loss in 2024 amounts to EUR 467,474 thousand (2023: EUR 342,033 thousand). Refer to notes: Material accounting policy information 2e) <i>Revenue recognition</i> , Key accounting estimates 3a) <i>Revenue recognition</i> and note 4 <i>Revenue</i> in the financial statements.	
Key audit matter	How we addressed the matter
<p>The Group'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 <i>Revenue from Contracts with Customers</i>.</p> <p>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 Group also receives advance payments from customers, which are presented as contract liabilities until the related performance obligations are fulfilled.</p> <p>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.</p> <p>Given the complexity and volume of transactions, this area required increased audit attention and was determined to be a key audit matter.</p>	<p>Our procedures performed in this area included:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation of selected controls over the revenue cycle; • Assessing the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard; • For a sample of contracts or contract equivalents with key customers in force during the reporting period: <ul style="list-style-type: none"> - challenging the Group's identification of performance obligations included therein; - critically assessing the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations; - 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 Group'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.



Independent Auditors' 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)

Warranty provisions

Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2024 amounted to EUR 19,212 thousand (31 December 2023: EUR 15,872 thousand). Refer to notes: Material accounting policy information 2s) *Provisions*, Key accounting estimates 3b) *Warranty provisions* and note 27 *Provisions* in the financial statements.

Key audit matter

The Group'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.

How we addressed the matter

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:
 - warranty terms and durations as outlined in customer contracts;
 - historical trends in product warranty claims and associated costs;
 - available industry data on statistical failure rates, where relevant;
 - market experience from other manufacturers of comparable products;
- On a sample basis, evaluating the utilisation of warranty provisions by:
 - obtaining an understanding of the nature of actual product warranty repairs incurred during the year, through inquiries with operational and technical personnel;
 - inspecting relevant customer contracts and warranty terms as well as source documentation such as correspondence with customers with respect to warranty claims, where applicable;
 - 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.





Independent Auditors' 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 (together with Sustainability Statement) and Corporate Governance Report included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report, and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



Independent Auditors' Report to the shareholders of KONČAR - 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit.





Independent Auditors' Report to the shareholders of KONČAR - 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

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 consolidated 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 years 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 statutory audit relates, we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Igor Gošek.



Independent Auditors' 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 consolidated financial statements of the Group as at and for the year ended 31 December 2024, as included in the attached electronic file „549300DOZHICNEMG593-2024-12-31-0-hr-Konsolidirano.zip“, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “RTS on ESEF”).

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable XHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.





Independent Auditors' Report to the shareholders of KONČAR - 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 consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2024, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

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

14 April 2025



**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

