Annual Report
2025

KONČAR
D&ST

KONČAR D&ST

KONČAR – Distribution and Special Transformers Inc. for manufacturing

Annual Report, 31 December 2025

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Management Report for 2025

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1. Introductory Word by the Management Board

2025

A year of growth and the start of new strategic projects

Vanja Burul, *President of the Management Board*

Again in 2025, the global environment remained highly dynamic and unpredictable. The war in the Ukraine, conflict in the Middle East, and rising geopolitical tensions continued to have a powerful impact on the global economy and supply chains.

Despite these circumstances, the Company showed exceptional resilience, readiness and agility in 2025, once again surpassing the set business plans.

The strong global expansion of the electrical energy sector, spurred by accelerated energy transition and a growing demand for reliable transmission and distribution solutions created a favourable market position, which the Company effectively capitalised. It further strengthened its position among Europe's leading manufacturers of electrical energy equipment.

Total sales in goods and services in 2025 was EUR 439.8 million, amounting to 9.1% growth year-on-year (EUR 403 million in 2024). Exports rang in at EUR 409.8 million (EUR 382.9 million in 2024), accounting for 93% of all sales, and up 7% over achieved exports one year earlier.

High global demand for transformers, and recognition of the quality and competitiveness of KONČAR-D&ST products, resulted in new contracts valued at EUR 604.3 million, primarily on the demanding EU markets. Backlog at the end of 2025 was higher by 21% over one year earlier, amounting to EUR 924.6 million.

The exceptional sales results positively affected the profitability of operations. Profit before tax in 2025 was at EUR 147.5 million, up 14.3% over one year earlier when it was EUR 129 million.

During 2025, a total of EUR 23.1 million was invested, which was significantly higher than in 2025 (EUR 14.6 million). The majority of investments were part of the investment project "Sustainable SETup", which is set to be completed in the latter half of 2026, and will enable long-term stability of processes, and optimal flow of materials, raw materials, and finished products.

In 2026, activities are expected to intensify on the new factory project in Zaprešić, including design, preparation of technical documentation, acquiring the necessary permits, and contracting key equipment with long delivery deadlines. This project is the most significant expansion of business capacities in the history of KONČAR-D&ST, and in the long-term will ensure stable growth and technological superiority.

The number of employees continued to grow through the year. At the start of 2025, the Company employed 793 people, while this figure at the end of the year was 871, reflecting the growth business activities, and preparations to develop competencies needed in the coming years.

On the Zagreb Stock Exchange, trading on the regular market in 2025 included common and preferred shares of KONČAR-D&ST. At the start of the year, the common share price of KONČAR-D&ST was EUR 1,950, growing by 93% to EUR 3,760 by the end of the year.

Given the results achieved, we can consider 2025 to be a year of exceptional success. The Company proved that it has the strength, knowledge and organisational maturity to succeed in even the most demanding global circumstances. The alignment of interests of all stakeholders—owners, management, employees, customers, suppliers and banks—and the trust we nurture through our long-term partnerships were key in the achievement of such results.

The KONČAR-D&ST Management Board expresses its gratitude to all its partners and employees for this support and confidence, and it is with great pleasure that we present this Report for 2025.

2. Major Figures for 2025 Compared to 2024, 2023 and 2022

Index 2025/2024

net profit	sales
113.1	**109.1**

exports	orders at year's end
107.0	**121.1**

in EUR 000 | Index

Performance Indicators	2025	2024	2023	2022	Δ	25/24
Operating income	**440,932**	**403,927**	**324,583**	**242,475**	**37,005**	**109.2**
Sales - total	439,802	403,003	323,118	241,668	36,799	109.1
Sales - exports	409,807	382,938	291,784	215,817	27,229	107.0
Operating expenses	**297,620**	**278,424**	**263,103**	**219,948**	**19,196**	**106.9**
Operating profit	143,312	125,503	61,480	22,527	17,809	114.2
Operating margin	32.6%	31.1%	19.0%	9.3%		+150 bps
Profit before tax	147,464	128,968	61,674	23,841	18,496	114.3
% profit before tax	33.5%	32.0%	19.1%	9.9%		+150 bps
Net profit (after tax)	121,038	107,014	50,713	22,296	14,024	113.1
% profit after tax	27.5%	26.6%	15.7%	9.2%		+90 bps
Depreciation and Amortisation	4,637	3,946	3,894	3,821	691	117.5
EBITDA	**147,949**	**129,450**	**65,374**	**26,348**	**18,500**	**114.3**
EBITDA margin	33.6%	32.1%	20.2%	10.9%		+150 bps
EBITDA normalised*	147,361	120,102	72,874	25,276	27,259	122.7
EBITDA margin normalised*	33.5%	29.8%	22.6%	10.5%		+370 bps
Contracts	**604,262**	**579,500**	**629,663**	**338,495**	**24,762**	**104.3**
Backlog on 31 Dec	924,577	763,268	585,409	271,621	161,309	121.1
Book to bill ratio	1.37	1.44	1.95	1.40		
Annual sales per employee	524	516	429	332	8	101.6
Dividend per share (EUR)	*	79.54	31.75	13.74		
Investments	23,110	14,620	7,270	7,381	8,490	158.1
Employees (average)	839	781	754	727	58	107.4
Employees (on 31 Dec)	871	793	766	744	105	109.8

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

Conversion rate (2022): 1EUR= 7.5345 HRK

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

3. Organisational Chart for 2025

GENERAL ASSEMBLY

SUPERVISORY BOARD:

Gordan Kolak, President
Ivan Paić, Deputy President
Petar Bobek, member
Ana-Marija Markoč, member - employee representative
Mario Radaković, member

↓

MANAGEMENT BOARD

President of the Management board
Vanja Burul

MANAGEMENT BOARD OFFICE

Management Board Advisor
Business Secretary
Marketing

↓

MEDIUM POWER TRANSFORMERS

dir. **Mario Ljubić**
Business Secretary

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

DISTRIBUTION TRANSFORMERS

dir. **Martina Mikulić**
Business Secretary

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

Auditors: **KPMG Croatia d.o.o.**

FINANCE, ACCOUNTING, PURCHASING

dir. **Kristina Dimitrov**

- FINANCE ACCOUNTING CONTROLLING
- STRATEGIC PURCHASING
- OPERATIONAL PURCHASING

PRODUCT & BUSINESS DEVELOPMENT

dir. **Dominik Trstoglavec**

- TECHNICAL SUPPORT INVESTMENTS MAINTENANCE
  - Strategic Investment
  - Investment
  - Maintenance
- PRODUCT DEVELOPMENT & STANDARDI-SATION
- PRODUCTION DEVELOP-MENT I
- PRODUCTION DEVELOP-MENT II
- NEW FACTORY CONSTRUC-TION PROJECT
  - Project of Techology
  - Test Station Project

- LEGAL AFAIRS & HR
- MANAGEMENT SYSTEM DEVELOP-MENT
  - ISO 9001
  - ISO 14001
  - ISO 45001
  - Safety at work
- INCO MING INSPEC-TION
- IT DEPART-MENT
- BUSINESS IT

4. General Position of the Company

The exceptional business results for 2025 confirm the strong market position and stable operations of KONČAR-D&ST Inc., with continuing growth of revenues, profits and contract values, confirming the competitiveness and long-term sustainability of the Company's business model.

The significant backlog ensures full use of production capacities in the forthcoming period, supporting stable growth.

KONČAR-D&ST continuously adjusts its organisational and operating processes to meet the new market demands, both in the distribution transformer segment and in the medium power transformer segment. This approach has enabled the Company to retain its competitive edge and to sustain its high level of agility in the dynamic global circumstances. Its focus on development and sales, active recruitment and systematic inclusion of young experts, with the stimulation of professional development and engagement of employees has proven to be a key element in retaining high operating standards. Through ongoing investments in technology, business process modernisation, and product advancements, the Company is further strengthened to respond to complex business challenges.

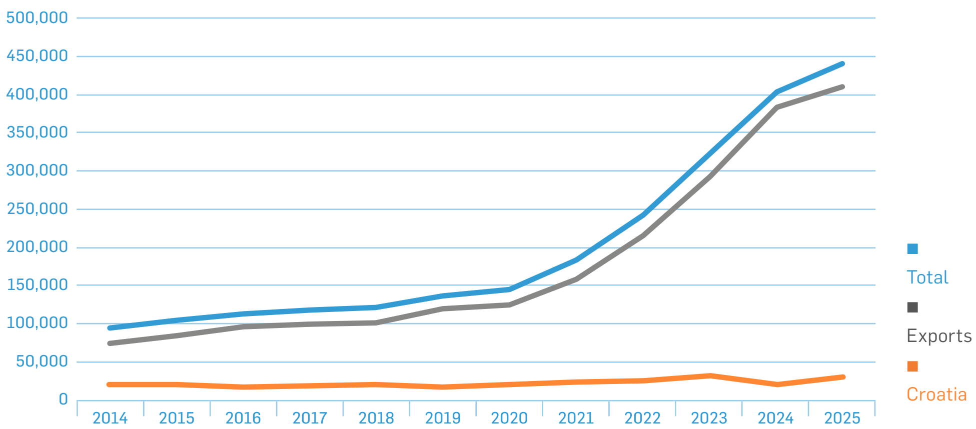
The Sustainable SETup project is an important investment that will increase production capacities, and enable the standardisation and optimisation of operations at the Jankomir site. This will further increase operational stability and efficiency.

In 2026, activities will intensify on the new factory project in Zaprešić, including design, preparation of technical documentation, acquiring the necessary permits, and contracting key equipment with long delivery deadlines. This project is the most significant expansion of business capacities in the history of KONČAR-D&ST, and in the long-term will ensure stable growth and technological superiority.

In line with the global guidelines for a sustainable and circular economy, and digital transformation, KONČAR-D&ST Inc. remains an active participant in energy transition and decarbonisation processes. Thereby, the Company is confirming its commitment to sustainable development and responsible governance.

Overall, KONČAR-D&ST Inc. is entering into the next period as a stable, promising, and market-relevant company, with a clear strategy focused on further growth and a strong position as a regional industry leader.

Sales trends (in EUR 000)



5. Company Organisation and Management in 2025

During 2025, KONČAR-D&ST Inc. was managed by the Management Board in the following composition:

- Vanja Burul, President
- Kristina Dimitrov, member
- Mario Ljubić, member
- Martina Mikulić, member
- Dominik Trstoglavec, member

In 2025, business processes were organised through two profit centres (PC): PC Distribution Transformer and PC Medium Power Transformers, with shared services. The profit centres were managed by a board of directors consisting of the PC director and directors of sales, technical affairs, and production.

In 2025, the Company operated at a single location in the Republic of Croatia: Josipa Mokrovića 8, 10090 Zagreb.

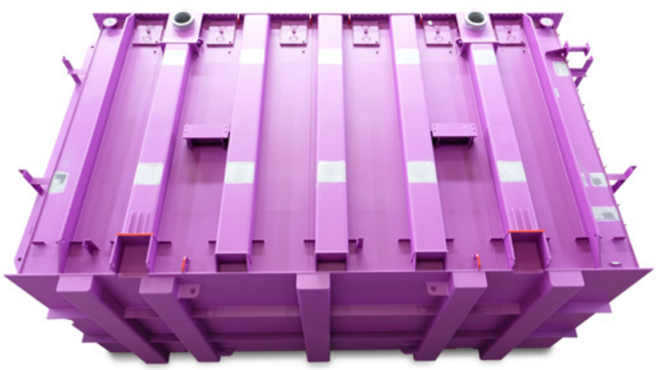
6. Subsidiaries - PET (Poland), Ferokotao and Novi Feromont (Croatia)

The company Power Engineering Transformatory Sp. z o.o. Czerwonak (PET) in Poland is under 100% ownership of the company KONČAR-D&ST Inc. and it operates at the address: Czerwonak, Gdinjska 83, Poland.

The company performs the activities of sale, development, production, and servicing of medium power transformers from 5 to 63 MVA and 145 kV.

Despite its traditional focus on the Polish market, PET is increasingly achieving significant results on international markets. Thanks to stable movements on the transformer market and continued support from Zagreb, in 2025, PET achieved exceptional business results. It is expected that these positive results will contribute to further strengthening of operations, laying the foundations for new investments into infrastructure, equipment and machinery, and creating better financial conditions for existing employees and attracting new experts.

As of 31 December 2025, PET Poland employed 128 people.



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

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

As of 31 December 2025, the company Ferokotao employed 341 people.

On 5 November 2025, KONČAR-D&ST Inc. attained an additional 35.79% ownership share in the company Novi Feromont d.o.o., thereby becoming owner of a 54.72% share in the company equity. During December 2025, additional shares were acquired, making KONČAR – D&ST owner of an 81.20% share in the company equity. Novi Feromont d.o.o. is a regional producer of tanks for power and special transformers. It is seated at Donji Kraljevec and is a long-term supplier for KONČAR-D&ST. As of 31 December 2025, Novi Feromont d.o.o. employed 285 people.

7. Market Position and Sales by Country and Product Group

In 2025, there was a stagnation of market demand for energy transformers and reduced demand in the segment of distribution transformers, marking a shift in the trend of exceptionally high demand in previous years. This is due to a slowing of investments in renewable energy sources and smart grids, and regulations stimulating grid modernisation and the integration of energy efficient systems. European Union Member States are continuing to implement programmes to strengthen energy independence, digitalisation and the integration of renewables, though slower and in a somewhat reduced scope, with about 60% of energy investments made into distribution grid development. Prices of raw materials, equipment and production costs remained high, with continued long delivery periods for equipment and raw materials. In the medium power transformer segment, this was seen in the multiyear planning and earlier contracting, while for distribution transformers, the Company is planning and offering delivery periods of less than one year, to meet customer demand.

In 2025, transformer prices were retained in part, with a downward tendency in relation to the record 2023 prices, primarily in the distribution transformer segment. In the distribution programme, booking was carried out for 2025 and 2026, while for medium power transformers, booking is typically two and more years in advance, according to the available capacities and project dynamics. High market activity spurred manufacturers from non-European countries to take a more aggressive stance and take a part of the European market with lower prices and shorter delivery periods. Meanwhile, many European producers increased their production capacities, acquiring smaller producers, and taking a more aggressive approach on the market.

Maintaining and further strengthening the previously won market position has become a key priority, particularly in this period of dynamic market trends. Thanks to a strong engagement throughout the year on virtually all markets, partnership and professional relations towards customers, and continued advancements of the product portfolio – including higher energy efficiency and lower carbon footprint solutions – the Company has further strengthened its market position. The reliability of deliveries, consistent quality, and technical excellence resulted in exceptional business results in 2025, confirming the Company's competitive edge in the demanding global environment.

In 2025, sales of goods and services recorded growth of 9% over 2024, and totalled EUR 439.8 million.

Sales activities in 2025 resulted in a total contract value of EUR 604.3 million, up 4% compared to 2024.

Total contract value at the end of the year was EUR 924.6 million, up 21% over the end of 2024.

Changes by product groups in 2025 in relation to 2024 were:

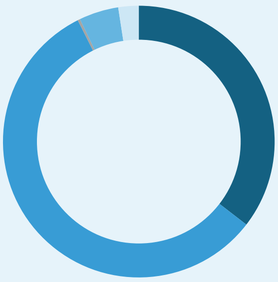
↘ DISTRIBUTION TRANSFORMERS: 2% DECLINE

↗ MEDIUM POWER TRANSFORMERS: 18% GROWTH

↗ DRY AND SPECIAL TRANSFORMERS: 18% GROWTH.

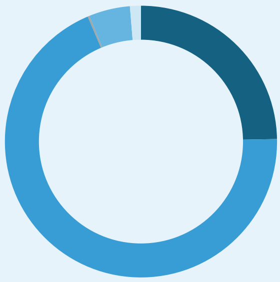
Sales structure by product line in 2025

- Distribution transformers 36 %
- Power transformers 57 %
- Materials and semi-finished products 0 %
- Dry and special transformers 5 %
- Services 2 %



Structure of new contracts by product line in 2025

- Distribution transformers 25 %
- Power transformers 69 %
- Materials and semi-finished products 0 %
- Dry and special transformers 5 %
- Services 1 %



Sales structure by markets in 2025

- Croatia 7 %
- Other European countries 74 %
- Asia, Africa and the Americas 3 %
- Neighbouring European countries 16 %

New contracts by markets in 2025

- Croatia 6 %
- Other European countries 77 %
- Asia, Africa and the Americas 5 %
- Neighbouring European countries 12 %

Sales by main markets were as follows:

↗ Croatia

in 2025, deliveries were valued at EUR 30 million, or an increase of 49% compared to 2024 (EUR 20.1 million)

↘ Neighbouring European countries

deliveries in 2025 were valued at EUR 71.2 million, down 24% over 2024 (EUR 94.3 million)

↗ Other European countries

deliveries in 2025 were valued at EUR 323.6 million, up 14% over 2024 (EUR 283.1 million)

↗ Asia, Africa and the Americas

deliveries in 2025 were valued at EUR 15 million, an increase of 168% over 2024 (EUR 5.6 million).

8. Company's Financial Position (Balance Sheet)

On 31 December 2025, the assets of KONČAR-D&ST Inc. totalled EUR 567.8 million, up EUR 140.3 million or 32.8% over one year earlier.

The significant annual growth of the Company balance sheet by nearly a third is the result of business events, the most important of which are outlined below.

Non-current assets accounted for 16% of the total asset structure and totalled EUR 93.5 million at the end of 2025. These are growing at a faster rate than current assets, and therefore their share in the total assets was higher in comparison to 31 December 2024 when they accounted for 14%.

During 2025, the investment project entitled "Sustainable SETup" was brought to a high level of implementation, with a total CAPEX of EUR 23.1 million (EUR 14.6 million in the previous year). This increase pertained to the asset class property, plant and equipment, which was increased by EUR 16.3 million or 34.3%. In addition to these material increases, the increase in non-current assets was also due to non-current financial assets, through non-current loans issued to subsidiary companies in the amount of EUR 8.0 million, and an increase in the ownership share in the company Novi Feromont, which had an accounting effect of EUR 5.3 million. With this, KONČAR-D&ST took a majority stake in Novi Feromont.

Current assets on 31 December 2025 totalled EUR 474.3 million, accounting for 84% of total assets. In comparison with the position at the end of the previous year, this was an increase of 29.2% or EUR 107.2 million.

Inventory increased by EUR 14.2 million or 12.7% and totalled EUR 125.3 million. In the structure of total assets, inventory accounted for 22%, while in the balance sheet at the end of 2024, that share was 26%.

The most significant impact on the growth of overall assets was given by current financial assets, totalling EUR 173.5 million and accounting for 31% of all assets. In relation to the previous year, this marked an increase of EUR 74.6 million or 75%. The strong liquidity of the Company is also confirmed by the standing of cash in account, which totalled EUR 78.4 million or 14% of all assets.

On the other side of the balance sheet, capital and reserves accounted for 54% of total sources of financing assets, with a value of EUR 304.1 million. This marked an increase of EUR 81.2 million or 36.5% in comparison with the previous year, when capital and reserves totalled EUR 222.9 million. This increase in capital and reserves was due to the retention of a portion of the net profit generated in 2024 in the Company's reserves. Also, the net profit of the current year increased by EUR 14.0 million or 13.1% to EUR 121.0 million.

Company liabilities totalled EUR 263.7 million, or 46% of all sources of funds as of 31 December 2025. The value of non-current liabilities was EUR 28.0 million, up EUR 13.4 million or 91.8%. The reason for the prominent growth in this item is the utilisation of a previously contracted loan to finance part of the project "Sustainable SETup".

Current liabilities totalled EUR 235.7 million, marking an increase year-on-year of EUR 45.7 million or 24.1%. In the structure of current liabilities, all line items marked a slight increase or decrease in absolute values. Only the item liabilities for received advances continues to grow. As of 31 December 2025, liabilities for received advances was up EUR 46.9 million to EUR 169.1 million, accounting for 30% of the total sources of Company financing.

Received advances are the consequence of good Company booking, and are one of the main reasons for the increase in the most liquid class of assets.

Changes in the balance sheet as of 31 December 2025 in relation to the previous year indicate positive trends of liquidity indicators, which is very good from the stance of standards that appoint for similar manufacturing companies. The Company continued to have low indebtedness and the existing structure of assets, liabilities and equity ensures good financial stability.

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

In 2025, KONČAR-D&ST generated EUR 439.8 million in revenue from the sale of transformers and associated services.

The growth of sales in 2025 in comparison with 2024 was EUR 36.0 million, or 9.1%. In total sales, EUR 30 million (6.8%) was achieved in Croatia, while the majority of EUR 409.8 million was achieved abroad, with deliveries to some 40 countries. On the export market, the most important markets are the European Union Member States, where 80% of products are services were sold.

The ratio of medium power transformers in sales was 60%, while 40% was achieved from sales of distribution transformers.

In the cost structure, the most significant were raw materials and consumables, totalling EUR 204.1 million. The costs of materials, together with other production costs, follow the trends of revenue growth.

The next highest costs were for personnel, which totalled EUR 52.3 million in 2025, which was 22.1% or EUR 9.5 million more than the year before. This increase was due primarily to an increase in the number of employees. At the start of the year, there were 793 employees, which grew to 871 by the end of the year, for a growth of 9.8%. The remainder of the personnel expenditure is the result of an increase in the material rights of employees with the aim to retain Company competitiveness on the labour market.

Operating revenues and operating expenses resulted in a operating profit of EUR 143.3 million, which represents a 32.5% share in operating revenues. Since this ratio was 31.1% in 2024, it can be concluded that profitability from core operations was improved in 2025.

Profits from financial operations were achieved in the amount of EUR 4.2 million. This result is the consequence of management of liquidity surpluses through investments in various forms of financial instruments of acceptable risk.

The Company net profit for 2025 was EUR 121.0 million, which represents a ratio of 27.5% in the sales revenues. Net profits were up EUR 14.0 million or 13.1% in comparison with the previous year. The EBITDA for 2025 was EUR 148.0 million, giving a margin of 33.6% of total sales revenues (compared to the EBITDA margin of 32.1% in 2024).

In conclusion, with a strong growth in sales, presence on multiple markets, and uniform performance of both main product lines, KONČAR-D&ST has succeeded in maintaining (and even increasing) its impressive level of profitability.

These good business results were also recognised on the capital markets. Trading of KONČAR-D&ST shares on the Zagreb Stock Exchange in 2025 saw a significant increase in price per share and trade volumes.

At the end of 2024, the share price for KODT-R-A was EUR 1,950, while at the end of 2025, it totalled EUR 3,760, which is an increase of 93%. At the end of 2024, the share price for KODT-P-A was EUR 1,980, and increased to EUR 3,560 by the end of 2025, for an increase of 80%.

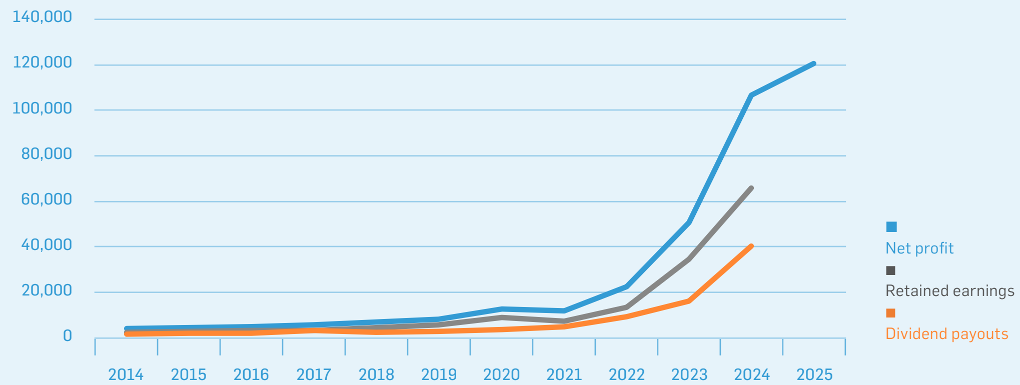
Based on the price of the common share on the final day of 2025, the P/E indicator was 15.9.

During 2025, total trading of both company shares (KODT-R-A and KODT-P-A) was valued at EUR 68.4 million, as opposed to EUR 40.0 million the year before, which is a growth in volume of 71%.

Due to the rise in the KODT share price, market capitalisation was also increased and on 31 December 2025 totalled EUR 1,897.7 million, up 90% over the same date year-on-year, when it was EUR 1,000.6 million.

During 2025, the Company did not perform any share buybacks.

Net profit and profit allocation (in EUR 000)



10. Main Operating Risks

In 2025, the Company reviewed its Rulebook on Risk Management and Risk Management Policy, which is in compliance with standard ISO 31000:2018 (Risk Management — Guidelines) and with the ERM (Enterprise Risk Management) principles. In accordance with this policy, risk management in the Company is:

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

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

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

In line with the defined risk management methodology, the Risk Catalogue was revised in late 2025, to once again identify, analyse, and evaluate the main strategic, operational, and financial risks and specific risk reduction measures, as well as the persons responsible for risk management (risk owners). Risks have been identified in all organisational units of the Company.

The 2025 business year was marked by geopolitical tensions and trade wars, inflationary pressures and price spikes associated with energy and raw materials. Further, economic growth of key export markets (European Union, especially Germany and Italy) slowed due to protectionary measures, energy spikes and the growing cost of doing business, which in turn has a significant impact on industrial production.

The Company responded adequately to these risks, mitigating them with the available measures and actions, and the 2025 business year ended without significant impacts on Company operating results, which can be assessed as exceptional.

Demand for transformers on target markets of KONČAR-D&ST Inc. is one of the main risk factors for Company operation. Investments in decarbonisation projects, renewable energy (with a focus on wind and solar energy), and electrical mobility, especially in the European Union Member States, resulted in stable demand for electrical energy equipment, including transformers. Thanks to its strong market position, technical excellence, and presence on demanding international markets, the Company successfully capitalised on new sales opportunities, which resulted in an increase in both revenues and profits in 2025.

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

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

Risks on the procurement market were again pronounced in the 2025 business year, primarily due to demand which continued to exceed supply, extend delivery periods, and increase price pressures on key materials caused by market and geopolitical upsets. The global production of grain-oriented electrical steel (GOES) remains concentrated among a small number of manufacturers, meaning that demand is growing faster than the available capacities due to the intensive development of renewable energy sources and electrical energy infrastructure. The price of GOES is highly volatile and sensitive to the prices of raw materials and energy, trade barriers, and regional supply disturbances.

Copper is key and one of the most critical materials, particularly for medium power transformers. The increased demand has been spurred by green transition (renewables, electric vehicles, and data centres), and since the start of 2025, its price has been on a strong upward trajectory (about +30%). Production is still not keeping up with demand, leading to pronounced deficits on the market. Aluminium is partly used as a more cost-effective substitute, though its application is limited by the technical demands and high influence of energy prices and production that is concentrated in only a handful of countries.

Transformer oil, both mineral and ester, is also exposed to price and supply risks due to reliance on petroleum and the chemical chain, logistics disturbances, and a limited number of suppliers that can meet strict quality standards.

The market of high quality insulation materials is recording strong growth, while the availability of materials remains limited due to the galloping demand that is exceeding the tempo of manufacturer investments, alongside constant price increases of raw materials and production costs.

During 2025, road and container transport also faced increasing prices, a lack of transport capacities, regulatory pressures, and increased risks associated with geopolitical tensions, the avoidance of certain maritime routes, and harbour congestion.

Secure and stable suppliers are gaining a more significant competitive edge, even at somewhat higher procurement costs. Therefore, the Company has placed its focus on concluding multiyear contracts for all critical materials. Key activities to mitigate risks include:

- long-term capacity reservations with suppliers of critical raw materials;
- introduction of price indexation for materials in contracts where this was not previous applicable;
- inclusion of new qualified supply sources, where possible from various geographic regions;
- systematic monitoring of raw material market prices and geopolitical risks.

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

Strategic investment and acquisition risks. In 2025, work 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. Also in 2025, the Company acquired the company Novi Feromont d.o.o., also seated in Donji Kraljevec, and also with the core activity of producing transformer tanks. This acquisition further strengthened the position of the Company in this supply chain.

The Company has also intensified activities focused on increasing production capacities. For that purpose, it purchased a large plot of land in the area of Falečnjak, near Zaprešić, in 2025, as the precondition for further investments and development of the production programme.

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

Credit risk arises as the danger that a particular debtor of the Company (e.g., customer to whom delivery is made without sufficient payment security) will not be able or willing to make payments to the Company within the contractual deadlines. Such situations can result in financial losses for the Company in write-offs or diminished accounts receivable. Therefore, the timely assessment of customer credit standing, together with the appropriate use of security instruments, is key for effective management of this risk. The Company protects itself from credit risks through payment security instruments (letters of credit, guarantees, promissory notes, etc.) and an assessment of customer solvency in co-operation with external agencies that assess solvency and creditworthiness. Further, it also seeks security for accounts receivable from certain customers to be issued by specialised institutions.

Liquidity risk refers to the possibility that the Company will not be able to perform its obligations towards creditors within the agreed terms. To ensure a stable and secure level of liquidity, the Company has a contractual relationship with commercial banks for framework loans, which enables it to quickly overcome the current need for liquid funds, subject to known terms. This approach enables the Company to respond quickly to temporary needs for liquidity, and to reduce any potential negative effects of short-term financial pressures. In 2025, financial advances from customers continued to increase significantly, favourably affected the standing of Company liquidity.

Management and personnel risks. The usual fluctuations and changes in management, leading experts, and employees do not affect significantly the stability and continuity of Company operations. However, sudden and more extensive fluctuations in the management, key and other employees might have an unfavourable affect the Company's business results. The Company systematically monitors and actively manages these risks through planning of personnel needs, employee development, and ensuring continuity of key functions.

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

11. Investments and Technology Modernisation

During 2025, a total of EUR 23.1 million was invested (in comparison with EUR 14.6 million in 2024).

Through 2025, activities were continued on implementation of the project "Sustainable SETup for the development of socially and environmentally responsible production" (Sustainable SETup). The aim of the project, implemented in the four-year period 2022–2025, is to standardise the existing level of production by increasing warehouse, production and administrative space, so as to achieve better flow of materials and finished projects and more efficient organisation of production processes. During 2025, contracting the key production equipment needed for project implementation was completed. This equipment is expected to be delivered and assembled through 2025 and 2026, in accordance with the investment and technology plans.

The first part of construction works, included erecting a new building (CiO) and reconstruction and expansion of the existing hall (South hall), began in June 2024, and were completed during 2025. The technical inspections have been conducted and the use permits obtained. Parallel with the final phases of construction, installation began of the new equipment, and once operational, should ensure complete standardisation of production.

At the end of 2024, construction began on the second phase of the project, the expansion of the SET2 assembly facility. Works were completed in December 2025 and the technical inspection was performed in January. Due to need to amend the scope of works in the Expansion of the SET1 facility, the main project was revised and a new Construction permit issued in November 2025, when works began. The installation of equipment in these facilities is expected in mid-2026.

The 1.1 MW solar plant produced 1,260 MWh of electricity during 2024, resulting in the in-house generation of 20% of the company's energy needs. In mid-2025, following repairs to the roof, works began to instal additional solar plant capacities on the roof of the South hall and Cutting centre buildings with a capacity of 375 kW plant, which has been contracted with co-financing by the Modernisation fund. The new solar plant is currently in the test phase and the permit for its permanent operation is expected from Croatian Electric (HEP).

In line with the adopted 2025 annual plan, special machinery and devices in production were modernised and procured.

Investments in 2025 focused on advancing the production process of medium power transformers, thanks to a contracted series of assembly platforms (to be delivered during 2026) 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. During 2025, preparations were made and migration executed onto the corporate domain, koncar.hr.

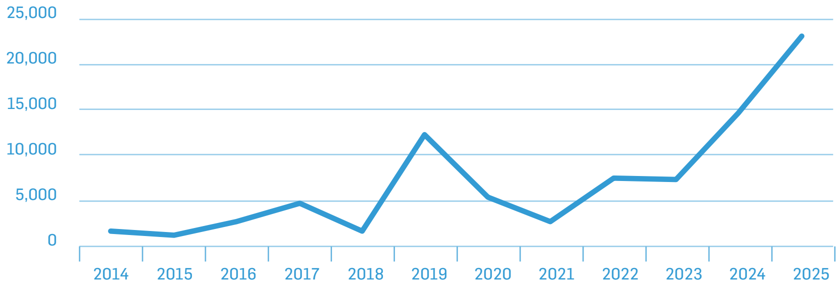
Construction of the new factory

In mid-2025, the Supervisory Board approved the launch of an investment to construct a new factory, the larger infrastructure investment in the company's history. To that aim, land was purchased near Zaprešić, in the Falečnjak commercial zone. Its size and position will enable the long-term development and consolidation of production capacities.

At the end of 2025, activities were started on the factory design, including the draft design and preliminary technology solutions, and a definition of the functional units of the planned factory. In this phase, the emphasis has been placed on optimising future production flows, energy efficiency, and safety and environmental protection requirements.

The start of construction is envisaged for 2027, once the project and technical documentation is complete and the necessary permits obtained. Its completion and operation are planned for 2029. It is expected that the new factory will enable a significant increase in capacity, more flexible management of production, and further secure long-term growth and company competitiveness.

Investments (in EUR 000)



12. Technical Development and Product Innovation

During 2025, several new experts in the fields of electrical engineering and mechanical engineering were recruited into the Product Development and Production Development departments, thereby further strengthening the capacities and expertise of the departments.

During the year, a number of changes were made towards optimising the design of transformers, with the aim of increasing resistance to mechanical strain, reducing noise, improving cooling, and controlling electromagnetic fields and other phenomena. All activities were carried out with the goal of developing more reliable, sustainable, and competitive products.

During 2025, technical development experts actively participated in the work of local technical committees and expert working groups of international engineering societies, thereby contributing to the development of standards and tracking the relevant technological trends. They also participated in relevant IEEE conferences, where they exchanged knowledge and followed the newest expert and scientific findings in the field of energy transformers.

Professional cooperation was continued with the KONČAR – Electrical Engineering Institute, and with the University of Zagreb (*Faculty of Electrical Engineering and Computing and Faculty of Mechanical Engineering and Naval Architecture*).

13. Human Resources at KONČAR-D&ST

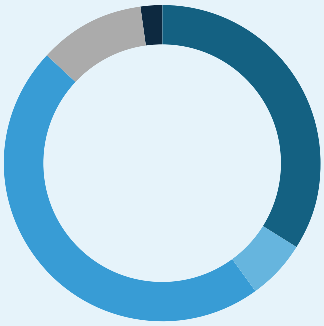
At the start of 2025, KONČAR-D&ST had 793 employees. By the end of the year, 108 new employees were recruited and 30 left the company, closing the year with 871 employees. The youngest new recruit in 2025 was 19 and the oldest 54 years. The average age at KONČAR-D&ST is 39 years.

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

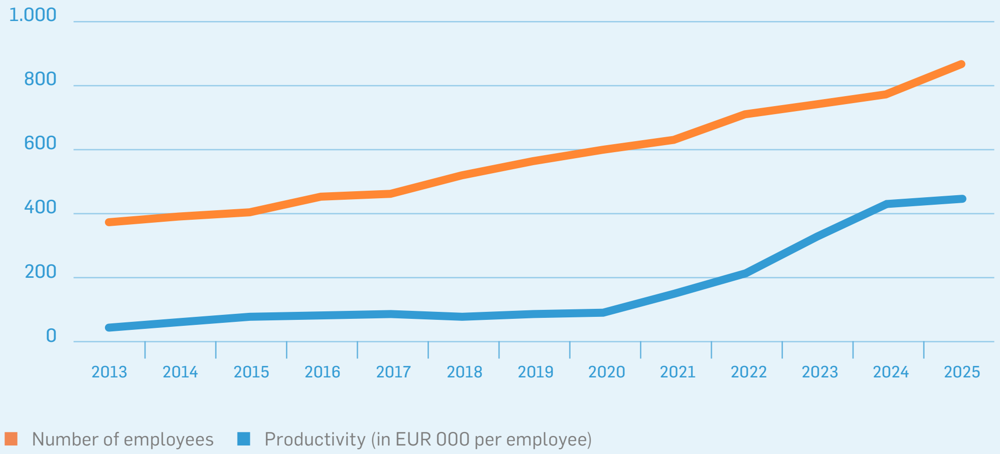
Productivity measured as sales per employee in 2025 was EUR 524,000, which is an increase of 1.6% in comparison with the previous year.

The education structure of employees at the end of the year:

	%	2025	2024
University degree (16+ years of education)	34	296	266
College and Bachelor's degree (14–15 years of education)	6	52	47
Secondary school (12 years of education)	47	409	404
Vocational school (11–13 years of education)	11	96	58
Trained workers with primary school (8 years of education)	2	18	18
Total		**871**	**793**



Number of employees and productivity trends



14. Quality Management, Environmental Protection, and Occupational Health and Safety

In May 2025, the quality management system was recertified according to the standard ISO 9001:2015 by the certification company Bureau Veritas, and the certificate validity extended for the next three years. At the same time, supervisory audits were held for the two other management systems (environmental protection ISO 14001:2015 and occupational health and safety ISO 45001:2018).

The ISO 9001:2015 recertification audit was completed without any incompliances, and the received recommendations for improvement were validated and implemented for the purpose of continuous improvements to the management systems.

The six-month audit cycle, both of external and internal audits, continues as a good practice of ongoing oversight and permanent improvements to the set management systems.

In mid-2025, a project was started to introduce an energy management system in line with standard ISO 50001. The documentation of the energy management system is integrated with the existing HSE documentation, and an audit was conducted of the overall documentation, with the addition of new documentation as required under the standard ISO 50001:2018.

Internal audits are conducted by in-house employees who are regularly trained in the field through internal and external education. Due to the introduction of the energy management system, seven people were trained to audit this standard. In total, there is a total of 26 internal auditors.

In early 2025, the Audits module of the BabtecQ software became functional, and all audits (internal, external by customers and interested parties, and supplier audits) are now carried out via this module.

Throughout the year, all other legal requirements were adhered to towards line ministries, the Environmental Protection and Energy Efficiency Fund, Bureau of Statistics and other bodies; requirements associated with standards ISO 14001 and ISO 45001, requirements pertaining to occupational safety, and sustainability requirements adopted by KONČAR-D&ST.

In the PC Distribution Transformers, customer environmental requirements increased in 2025. Sustainability and transparency of product environmental impacts are becoming key elements in transformer procurement procedures, and in many cases, a contractual requirement after signing the contract.

More and more often, customers are requiring a calculation of the carbon footprint of products and the drafting of standardised environmental studies, including the Life Cycle Assessment (LCA), Environmental Product Declaration (EPD), Carbon Footprint of Product (CFP) and/or Product Environmental Profile (PEP) studies. In 2025, for the first time, environmental criteria accounted for up to 20% of the total bid evaluation, meaning that this significantly impacts the competitiveness of our solutions and bids on the global market.

An additional emphasis has been placed on the transparency of the origin and properties of materials built into transformers, with the introduction of the Raw Material Passport (RMP). Data on the share of recycled content must be supported by relevant supplier documentation, such as LCA/EPD studies or official statements on recycled content of materials. In addition to recycled materials, another category of green products, low carbon metals, is gaining in significance. These are metals produced using cleaner and more sustainable technology, such as an electric arc furnace (EAF) and using renewable energy. Data on the use of sustainable technologies and production of these types of green products also needs to be backed with the relevant documents, including EPD/LCA studies or plans to transition to lower carbon intensity production methods.

These requirements are an important impetus to the Company to further improve the system of monitoring environmental indicators, to expand cooperation with sustainable suppliers, and to continue aligning our products with the highest international sustainability standards.

During 2025, the PC Medium Power Transformer saw a tendency of increased environmental requirements, primarily for the calculation of the carbon footprint and, as in the year before, for the issuance of the RMP. During 2025, environmental criteria in tender procedures began to carry far more points than ever before, making it clear that the “green” topics are increasingly important to customers. In the middle of the year, a new LCA was prepared for a 36 MVA medium power transformer for a French customer, together with an adapted LCA for a 40 MVA transformer. At the end of the year, the development of a new LCA for a 20 MVA transformer for a Dutch customer was announced, and this is expected to be completed in mid-2026. The successful fulfilment of our environmental requirements is contributing to continued cooperation with our existing customers, and increasing our competitiveness on certain new markets, like France.

15. Sustainability

In 2025, the first Consolidated Annual Report of the KONČAR-D&ST Group was revised and published for the preceding year, in line with the legal requirements under the Accounting Act and the European Sustainability Reporting Standards.

The Consolidated Sustainability Report for 2024, which is an integral part of the Consolidated Annual Report, for the first time in 2025 also included data for the two daughter companies, PET and Ferokotao.

Throughout 2025, activities were continued with the aim of meeting targets sets in the Sustainability Strategy 2024–2026, showing ongoing commitment to sustainability topics. Emphasis was placed on the effective use of resources, advancing the circular economy, and investing in employee health, safety and development. Particular focus was placed on increasing the share of renewables in the total electricity consumption, which included the project of installing solar plants at Company facilities.

Pursuant to the strategy, and in line with the defined strategic goal "Reducing Scope 1 and 2 emissions with the start of the net-zero transition", a project was launched to introduce an energy management system according to standard ISO 50001:2018. Its completion is expected by Q2 2026.

In the second half of the year, a data collection system was developed for the drafting of the consolidated annual report on sustainability for all companies in the KONČAR-D&ST Group.

For the first time, the carbon footprint was calculated for Scopes 1, 2 and 3 for all Group companies.

During 2025, a project was implemented to develop a Climate Transition Plan for the Group, and its implementation is expected in line with the set schedule.

> The trend of increasing requirements for the calculation of transformer carbon footprints continued all year. In addition to the requirements for drafting LCA and EPD studies, customers also demanded the issuance of RMPs, Sensitivity analysis studies, and Recycled materials studies.

All these requirements and projects are a strong impetus for the Company to further improve the system of monitoring environmental indicators, expand cooperation with sustainable suppliers, and continue to ensure project compliance with the highest international sustainability standards, thereby confirming the importance of sustainability as a key element for market competitiveness and long-term development.

The Company continuously invests in employee training and development, and care for the community. Numerous initiatives have confirmed the Company's dedication to sustainable and corporate social responsibility from the perspective of human resources management. This systematic approach to employee development, the quality of the HR processes, and application of best practices has also been recognised externally: in 2025, KONČAR–D&ST received the certificate of Employer Partner, as confirmation that the company meets the very high criteria and applies the best HR practices in the areas of development, rewards, efficiency management, and organisational culture. Additionally, the Company was awarded the Inc.Q BEST Inclusive Employer Awards 2025 in the category of Best Large Company for Benefits, Best Large Company for Well-being, and Best Technology Company for Professionals, thereby further confirming the Company's commitment to creating a motivating, inclusive, and adaptable work environment. We believe that these projects bring benefits to our employees, especially for parents, and to the community as a whole, by promoting equality, a life/work balance, and employee well-being.

In its operations and daily activities, KONČAR-D&ST and its employees abide by the principles of the Corporate Code of Governance and the manuals on Corporate Culture and Communications. A zero tolerance policy is in place for corruption and other impermissible practices.

16. Further Strategy Development

KONČAR-D&ST will continue to focus its core business activities on the 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.

In 2026, activities are expected to intensify on the project to construct the new factory in

Zaprešić, including design, preparation of technical documentation, obtaining the necessary permits, and contracting key equipment with long delivery periods.

This project is of strategic importance for the Company, and the entire KONČAR Group, and represents the most significant expansion of capacities in the history of KONČAR-D&ST. In the long-term, this will ensure a significant increase in capacities for the segment of higher power medium power transformers.

For this, it will be necessary to adapt the organisation and processes, and to train significant teams of experts and qualified production staff for the new technical infrastructure. The new factory should secure further stable growth and technological superiority of KONČAR-D&ST in the years to come.

Final remark: After the end of the 2025 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.

Report on the Application of the Corporate Governance Code

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

- the Supervisory Board and the Audit 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 non-implementation of certain 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/dst).

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

Data on significant shareholders are available at all times on the official website of the Central Depository and Clearing Company (www.skdd.hr) and are also published in the revised annual financial statements as at 31 December 2025 and 2024. Shareholders can vote electronically with attendance at the Shareholders' Assembly. Preferred shares do not carry the right to vote.

The Management Board conducted a self-evaluation of its performance and of the profile and competences of individual members of the Management Board in 2025. The evaluation was conducted by the Board President.

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

Supervisory Board

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

In 2025, members of the Supervisory Board were:

- Gordan Kolak, President
- Ivan Paić, Deputy president
- Petar Bobek, member
- Ana-Marija Markoč, member – employee representative
- Mario Radaković, member

In 2025, the Supervisory Board held 35 sessions, of which three were regular sessions and 32 in correspondence. All members of the Supervisory Board participated.

The Supervisory Board conducted a self-evaluation of its performance and of the profile and competences of individual members of the Supervisory Board in 2025. The evaluation was conducted by the President of the Supervisory Board. External assessors did not participate in the evaluation.

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

The Supervisory Board set a goal of at least 20% female members of the Supervisory Board and of the Management Board, which can be considered adequate representation as this corresponds to the share of women in the total number of employees in the Company. In 2025, the percentage of female members of the Management Board was 40%, and of the Supervisory Board was 20%.

An internal review oversaw the Supervisory Board with respect to its efficacy in managing risks and the internal control system.

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

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

Supervisory Board Committees

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

Audit Committee

During 2025, the members of the Audit Committee were:

- Mario Radaković, chairperson
- Gordan Kolak, member
- Ivan Paić, member

In 2025, the Audit Committee held a session on 15 April 2025, attended by all its members.

Remuneration Committee

During 2025, the members of the Remuneration Committee were:

- Ivan Paić – Chairperson
- Petar Bobek – Member
- Mario Radaković - Member.

In 2025, the Remuneration Committee held a session on 24 April 2025, attended by all its members.

Nomination Committee

During 2025, the members of the Nomination Committee were:

- Gordan Kolak, chairperson
- Ivan Paić, member
- Petar Bobek, member

During 2025, the Nomination Committee did not hold any sessions.

Statement of Management's Responsibility

KONČAR D&ST

Distribution & Special Transformers Inc. for manufacturing

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

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

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

- Management Report;
- Corporate Governance Report; and
- Annual separate financial statements in single electronic reporting format.

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

The Management report and the Corporate Governance Report, as well as the annual separate financial statements in single electronic reporting format were approved and signed by the Management Board on 13 April 2026 for submission to the Supervisory Board.

Vanja Burul
President of the Management Board

Martina Mikulić
Member of the Management Board

Dominik Trstoglavec
Member of the Management Board

Mario Ljubić
Member of the Management Board

Kristina Dimitrov
Member of the Management Board

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

Independent Auditor's Report

Independent Auditor's Report

This is an English translation of the Independent Auditor's Report on the financial statements originally issued in Croatian. In the event of any differences, the Croatian original prevails. This report should be read in conjunction with the complete set of financial statements issued in Croatian to which it relates. The accompanying English financial statements are a convenience translation and are not the audited financial statements.

Independent Auditor's Report

To the shareholders of KONČAR - Distribution and special transformers Inc. for manufacturing

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of KONČAR - Distribution and special transformers Inc. for manufacturing ("the Company"), which comprise:

- the separate statement of financial position as at 31 December 2025;

and, for the year from 1 January 2025 to 31 December 2025:

- the separate statement of comprehensive income;
- the separate statement of changes in equity;
- the separate statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information

("the financial statements").
In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2025, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a opinion on these matters.

Warranty provisions

Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2025 amounted to EUR 14,323 thousand (31 December 2024: EUR 17,057 thousand). Please refer to notes: Material accounting policy information 2p) *Provisions*, Key accounting estimate 3b) *Warranty provisions* and note 29 *Provisions* in the financial statements.

Key audit matter	How we addressed the matter
The Company's customer arrangements include long term product warranties given to customers. The product warranties primarily cover expected costs to repair or replace components with defects or functional and/or serial errors as well as financial losses suffered by customers in connection with unplanned suspension of operations. As disclosed in note 3(b), the valuation of these provisions is based primarily on historical warranty cost experience and incorporates available industry data relating to statistical product failure rates. Management applies judgement when estimating the extent of expected future claims, taking into account the nature and duration of warranties and external benchmarking data where relevant. The completeness and valuation of the expected outcome of warranty provisions requires a significant degree of Management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements. As a result, this area required our increased attention in the audit and was considered by us to be a key audit matter.	Our procedures performed in this area included: • Obtaining an understanding of the process for assessing and recording warranty provisions and evaluating the design and implementation of selected relevant internal controls. • Assessing the methodologies and assumptions applied by management in determining the valuation of provisions, including: o warranty terms and durations as outlined in customer contracts; o historical trends in product warranty claims and associated costs; o available industry data on statistical failure rates, where relevant; o market experience from other manufacturers of comparable products;. • On a sample basis, evaluating the utilisation of warranty provisions by: o obtaining an understanding of the nature of actual product warranty repairs incurred during the year, through inquiries with operational and technical personnel; o inspecting relevant customer contracts and warranty terms as well as source documentation such as correspondence with customers with respect to warranty claims, where applicable; o comparing actual warranty repair costs to supporting documentation, considering the nature, timing and magnitude of such claims. • Assessing whether the disclosures in the financial statements adequately describe the estimation uncertainty and judgements associated with the measurement of warranty provisions.

Revenue recognition

Revenue from customer contracts for the sale of transformers recognized in profit or loss in 2025 amounts to EUR 439,802 thousand (2024: EUR 403,003 thousand).

Please refer to the notes: Material accounting policy information 2a) *Revenue recognition*, Key accounting estimates 3a) *Revenue recognition* and note 4 *Revenue* in the financial statements.

Key audit matter	How we addressed the matter
The Company's principal business activities involve the manufacturing and sale of distribution and special transformers. These contracts often include terms that require management to assess whether additional components, such as extended warranties or significant financing components, exist and represent separate performance obligations under IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 requires the identification of all promised goods and services in a contract and a determination of whether each should be treated as a separate performance obligation. Revenue is typically recognised at a point in time, when control over the goods transfers to the customer, generally upon delivery, as described in note 2(e). The Company also receives advance payments from customers, which are presented as contract liabilities until the related performance obligations are fulfilled. The application of IFRS 15 requires significant management judgement, particularly in identifying performance obligations, determining the appropriate timing of revenue recognition, and assessing the existence of significant financing components or extended warranties. Given the complexity and volume of transactions, this area required increased audit attention and was determined to be a key audit matter.	Our procedures performed in this area included: • Evaluating the design and implementation of selected controls over the revenue cycle; • Assessing the Company's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard; • For a sample of contracts or contract equivalents with key customers in force during the reporting period: - challenging the Company's identification of performance obligations included therein; - critically assessing the Company's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations; - based on the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents with particular attention paid to cut-off procedures over amounts recognised at or around the reporting date; • For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Company's accounting records, and inspecting the underlying documentation; • Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items. • Assessing the adequacy of disclosures regarding estimation uncertainty involved in the

	accounting for customer contracts.

Other Information

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Report included in the Annual Report of the Company, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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:

Independent Auditor's Report

- 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 control 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 auditor's 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

Information Required by Regulation (EU) No. 537/2014 of the European Parliament and the Council

Appointment of Auditor and Period of Engagement

We have been appointed to audit the annual financial statements of the Company by resolution of those charged with governance dated 9 June 2025. Our period of total uninterrupted engagement is six years covering the periods ended 31 December 2020 to 31 December 2025.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion is consistent with the additional report to the Audit Committee.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament of the Council and Article 44 of the Audit Act were provided and that we remained independent in conducting the audit.

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 whether the financial statements of the Company as at and for the year ended 31 December 2025, as included in the attached electronic file koncardst-2025-12-31-0-hr, have been prepared, in all material respects, in accordance 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 financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the financial statements in the applicable XHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- creating and properly anchoring extension elements where no suitable element exists;
- performing block-tagging where required;
- ensuring consistency between digitised information and the financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Company's ESEF reporting, as a part of the financial reporting process.

Independent Auditor’s Report

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared, in all material respects, in accordance 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.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about whether the financial statements have been prepared, in all material respects, in accordance 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 procedure included, among others:

- obtaining an understanding of the Company’s ESEF preparation process;
- evaluating the design and implementation[, and operating effectiveness] of relevant controls over the iXBRL tagging process;
- assessing the XHTML structure and the completeness of tagging;
- evaluating the appropriate application of core taxonomy elements, the creation and anchoring of extension elements, and the application of block-tagging where required; and, where relevant,
- assessing consistency between machine-readable and human-readable versions and the signed audited 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 financial statements of the Company as at and for the year ended 31 December 2025 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.

13 April 2026

KPMG Croatia d.o.o. za reviziju

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

Signed on the Croatian original

Separate financial statements

Separate Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2025 .

	Note	2025 EUR'000	2024 EUR'000
Revenue	4	439,802	403,003
Other operating income	5	1,130	924
Operating income		**440,932**	**403,927**
Change in inventories of work in progress and finished goods		11,908	(130)
Materials, consumables, goods and services used	6	(239,642)	(230,633)
Personnel costs	7	(52,338)	(42,865)
Depreciation and amortisation		(4,637)	(3,946)
(Cost) / Reversal of impairment	9	(1,146)	9,671
Other operating expenses	8	(11,765)	(10,521)
Operating expenses		**(297,620)**	**(278,424)**
Operating profit		143,312	125,503
Finance income		4,456	4,268
Finance expenses		(304)	(803)
Net finance result	**10**	**4,152**	**3,465**
Profit before tax		**147,464**	**128,968**
Corporate income tax	11	(26,426)	(21,954)
PROFIT FOR THE YEAR		**121,038**	**107,014**
Other comprehensive income			
Change in fair value of the financial assets	17	819	-
Other comprehensive income		**819**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**121,857**	**107,014**
Earnings per share (basic and diluted) in EUR	12	**236,76**	**209,33**

Separate Statement of Financial Position

AS AT 31 DECEMBER 2025

ASSETS	Note	31 December 2025 EUR'000	31 December 2025 EUR'000
Non-current assets			
Intangible assets	13	838	375
Property, plant and equipment	14	63,937	47,626
Right-of-use assets	15	3,312	268
Investment property	16	281	304
Investments in subsidiary	17	16,099	10,850
Investments in associates	18	230	230
Loans to related companies	23	8,000	-
Financial assets at FVOCI	19	5	233
Deferred tax assets	11	789	499
		93,491	**60,385**
Current assets			
Inventories	20	125,337	111,183
Trade and other receivables	21	82,121	79,468
Other assets	22	15,016	13,045
Loans to related parties	23	24,000	19,000
Financial assets at amortized cost	24	149,467	79,916
Cash and cash equivalents	25	78,362	64,460
		474,303	**367,072**
TOTAL ASSETS		**567,794**	**427,457**

EQUITY AND LIABILITIES			
Share capital		20,449	20,449
Legal reserves		1,018	1,018
Statutory reserves		32,865	32,865
Other reserves		6,103	6,103
Fair value reserve		2,393	1,574
Retained earnings		241,249	160,875
- from which profit for the year		*121,038*	*107,014*
CAPITAL AND RESERVES	**26**	**304,077**	**222,884**
Borrowings	27	14,540	3,420
Financial liabilities at FVTPL	28	9	109
Provisions for warranties	29	11,514	9,500
Provisions for employee benefits and other provisions	29	1,936	1,567
Non-current liabilities		**27,999**	**14,596**
Borrowings	27	3,186	1,104
Financial liabilities at FVTPL	28	324	432
Income tax liability		3,904	3,363
Trade and other payables	30	55,761	55,252
Contract liabilities	31	169,734	122,269
Provisions for warranties	29	2,809	7,557
Current liabilities		**235,718**	**189,977**
Total liabilities		**263,717**	**204,573**
TOTAL EQUITY AND LIABILITIES		**567,794**	**427,457**

Separate Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2025

	Bilješka	2025. EUR'000	2024. EUR'000
Cash flows from operating activities			
Cash proceeds from trade receivables		490,096	436,096
Cash proceeds from insurance reimbursements		5	-
Cash proceeds from tax returns		15,322	14,251
Cash paid to suppliers		(279,284)	(238,382)
Cash paid to employees		(48,966)	(41,103)
Taxes paid		(26,360)	(28,503)
Cash paid for insurance related to reimbursements		(589)	(410)
Other cash proceeds and payments		(1,384)	(1,613)
Cash from operations		**148,840**	**140,336**
Interest paid		(236)	(103)
Net cash flows from operating activities		**148,604**	**140,233**
Cash flows from investment activities			
Cash proceeds from sale of non-current tangible and intangible assets		11	48
Cash inflows from the sale of financial instruments		49,083	-
Cash proceeds from dividend	10	58	1,145
Cash proceeds from interest		3,853	2,988
Cash proceeds from deposit maturity		185,000	3,744
Cash proceeds from loan repayments	23	18,000	9,800
Cash outflows for purchase of non-current tangible and intangible assets		(21,479)	(17,878)
Cash outflows for purchase of financial instruments		(63,299)	(14,903)
Cash outflows for investments in subsidiaries		(4,024)	-
Cash outflows used for term deposits		(240,000)	(68,738)
Cash outflows for loans given	23	(31,000)	(27,000)
Net cash used in investing activities		**(103,797)**	**(110,794)**
Cash flows from financing activities		**148,604**	**140,233**
Cash inflows from borrowings	27	12,000	-
Cash outflows for repayment of borrowings	27	(1,727)	(1,000)
Principal portion of lease payments	27	(310)	(244)
Dividends paid		(40,664)	(16,232)
Other cash proceeds and payments		(204)	(559)
Net cash used in financing activities		**(30,905)**	**(18,035)**
Net increase in cash and cash equivalents		**13,902**	**11,404**
Cash and cash equivalents at the beginning of the period		64,460	53,056
Cash and cash equivalents at the end of the period	**25**	**78,362**	**64,460**

Separate Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Legal reserves	Statutory reserves	Other reserves	Fair value reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2024	**20,449**	**1,018**	**32,865**	**6,103**	**1,574**	**70,093**	**132,102**
Profit for the year	-	-	-	-	-	107,014	107,014
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**107,014**	**107,014**
Dividends	-	-	-	-	-	(16,232)	(16,232)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(16,232)**	**(16,232)**
As at 31 December 2024	**20,449**	**1,018**	**32,865**	**6,103**	**1,574**	**160,875**	**222,884**
Profit for the year	-	-	-	-	-	121,038	121,038
Other comprehensive income							
Fair value remeasurement of financial assets	-	-	-	-	819	-	819
Total comprehensive income	**-**	**-**	**-**	**-**	**819**	**121,038**	**121,857**
Dividends	-	-	-	-	-	(40,664)	(40,664)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(40,664)**	**(40,664)**
As at 31 December 2025	**20,449**	**1,018**	**32,865**	**6,103**	**2,393**	**241,249**	**304,077**

Notes to the Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

1. General Information about the Company

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

As at 31 December 2025, KONČAR – Distribution and special transformers, Inc. for manufacturing had 871 employees, while as at 31 December 2024, there had been 793 employees.

Members of the Supervisory Board

- Gordan Kolak, President
- Ivan Paić, Vice President
- Petar Bobek, Member
- Mario Radaković, Member
- Ana-Marija Markoč, Member – employee representative.

Members of the Management Board

- Vanja Burul, President
- Martina Mikulić, Member
- Mario Ljubić, Member
- Kristina Dimitrov, Member
- Dominik Trstoglavec, Member.

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

The fees paid to auditors for auditing the separate and consolidated financial statements of the Company for the year 2025 amounted to EUR 113.7 thousand (2024: EUR 56.8 thousand). The audit services provided in 2025 mainly relate to the costs of audits and reviews of the annual report (including the financial statements and consolidated management report containing the sustainability report), as well as audits of reports prepared for regulatory purposes. During 2025, as well as in 2024, no non-audit services were provided by the auditor.

2. Material accounting policy information

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

Basis of preparation

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

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

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

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

The Company has prepared these separate financial statements in accordance with the Croatian laws. The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group), which were approved by the Management Board simultaneously with these separate financial statements. In the consolidated financial statements for the current year, the subsidiary Power Engineering Transformatory Sp, z o,o, (PET), as well as the affiliate Ferokotao d,o,o,, Donji Kraljevec (Note 17), is fully consolidated. Furthermore, on 17 December 2025, the Company acquired control over Novi Feromont d.o.o., Donji Kraljevec, and the financial data of the said company were used for consolidation purposes as of 31 December 2025. Users of these separate financial statements should read them together with the consolidated financial statements of the Group for the year ended 31 December 2025 in order to obtain complete information about the financial position, results of operations and changes in the financial position of the Group as a whole.

Application of new and revised International Financial Reporting Standards

Effective standards, amendments to standards and implementations - adopted in 2025

Effective from 1 January 2025 the following standards, amendments or interpretations came into force:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023);

The amendments to IAS 21 introduce requirements for assessing when a currency is exchangeable into another currency and when it is not. If a currency is determined to be non-exchangeable, entities are required to estimate the spot exchange rate. The amendments also introduce additional disclosure requirements.

These changes apply to annual reporting periods beginning on or after 1 January 2025, with early application permitted.

The adoption of these standards did not have a significant effect on the amounts recognized in the statement of financial position or statement of comprehensive income or on the disclosed accounting policies.

Standards, amendments to issued standards and interpretations that have not yet become 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 Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures: *Classification and measurement of Financial Instruments* (issued on 30 May 2024; effective date 1 January 2026);
- Annual Improvements to IFRS Accounting Standards – Volume 11 (issued on 18 July 2024; effective date 1 January 2026);
- Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures: *Nature-dependent electricity contracts* (issued on 18 December 2024; effective date 1 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024; effective date 1 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024; effective date 1 January 2027);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Disclosures: *Translation to Hyperinflationary Presentation Currency* (issued on 13 November 2025; effective date 1 January 2027);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Disclosure: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014; effective date to be determined);

The Company is still in the process of assessing the impact of IFRS 18 and the related amendments, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash-flows, other disclosures of MPMs and the grouping of financial information.

Other amendments and standards are not expected to significantly affect the Company's financial statements.

Standards, Amendments to Existing Standards, and Interpretations Issued but not yet effective

A number of new standards have been issued (of which the most significant for the Company is IFRS 18 Presentation and Disclosure in Financial Statements, which has not yet been adopted by the European Union), as well as new amendments to existing standards and interpretations that are not yet effective as of the date of issuance of the financial statements. Where applicable, the Company intends to adopt these standards when they become effective.

a) Revenue recognition

The Company recognises revenue from:

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

The Company recognises revenue when control over particular goods or services is transferred to a customer, i,e, when a customer acquires the right to manage the transferred goods or services provided that there is an agreement that creates enforceable rights and obligations and, among other things, where collection of the consideration is probable, taking into account the credit rating of the Company's customers. The revenue is recognised in the amount of transaction price the Company expects in return for the transfer of the promised goods or services to customers. The transaction price agreed by the Company for the sale of transformers is generally a base price which, due to price volatility (of key materials, as well as instability related to inflation in labor and energy costs and, consequently, equipment costs), is determined using a sliding formula, and is finally determined at the point of revenue recognition (subsequent adjustments are generally not significant).

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

The moment when revenue from the sale of transformers is recognized is generally upon delivery and installation, given the comprehensive technical requirements that must be met and confirmed by the customers for the transformers to be considered accepted. Furthermore, the manufactured and designed transformers have alternative use, as they can be sold within the same or similar energy grid. When a party to a contract with a customer meets its obligation, the contracts with customers are presented in the statement of financial position as contract liabilities, contract assets, or receivables, depending on the relationship between the Company's performance and the customer's payment, Contract assets and liabilities are presented as current, as they arise within the normal operating cycle.

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

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

b) Financial income and expenses

Finance income and expenses comprise interest on loans and borrowings calculated using the effective interest method, receivables for interest on investments, dividend income, foreign exchange gains and losses, gains and losses from financial assets at fair value through profit or loss.

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

c) Taxes

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

Tax benefit for investments

Tax benefits for investments are considered to be benefits derived from state incentive measures that enable the Company to reduce the tax liability of income tax or other specified taxes in future periods, and are related to the construction or acquisition of certain assets and/or the implementation of certain activities and/or the satisfaction of certain specific conditions prescribed by the relevant regulation for investment incentives by competent authorities. Tax benefits for investments are initially recognized as deferred tax assets and tax income/benefit in the amount lower than the maximum allowed amount of the benefit and the amount of benefit that the Company is estimated to be able to achieve during the period of the related incentive measure. Deferred tax assets recognized as a result of the tax credit for investments are cancelled during the period of the incentive measure, that is, until the end of the credit (if specified) in accordance with the availability of tax liabilities in the following years that can be reduced as a result of using the benefit.

d) Segment information

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

e) Earnings per share

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

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

f) Dividend distribution

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

g) Foreign currency transactions

Foreign currency transactions are initially converted into euro by applying the exchange rates prevailing on the transaction date. Cash and cash equivalents, receivables, and liabilities denominated in foreign currencies are subsequently translated at the exchange rates prevailing at the balance sheet date, using the middle exchange rate of the Croatian National Bank. Gains and losses arising on translation are included in the income statement for the current year. Foreign exchange losses and gains arising on translation are included in profit or loss for the current year and are presented in Note 10 in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences on borrowings).

h) Non-current intangible assets and property, plant and equipment

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

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

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

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

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

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

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

i) Financial assets and liabilities

Classification and measurement of financial assets

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

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

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

Impairment of financial assets

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

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

In addition to the above assets to which a simplified approach is applied, at subsequent measurement of financial assets, when determining the credit loss assessment, a general impairment approach is applied consisting of three stages.

For the amount of expected credit losses, the value of the financial asset is impaired and the gain or loss on the impairment is recognised in profit or loss, except for debt instruments where credit losses are recognised in profit or loss but the carrying amount is not impaired, instead revaluation reserves are recognised.

Objective evidence of impairment of financial assets for expected credit losses includes:

- significant financial difficulties of the issuer or debtor and/or
- breach of contract, such as a default or delinquency in interest or principal payments; and/or
- probability that the borrower will enter bankruptcy or financial restructuring.

The past due presumption itself is not an absolute indicator that credit risk has increased after initial recognition. The presumption that there has been a significant increase in credit risk after initial recognition due to default may be rebutted by the company if there is reasonable and supportable information that there has been no significant increase in credit risk, but this may be an indicator of an increase in credit risk unless there is other information available.

Share capital

Ordinary and preference shares

Share capital represents the nominal value of shares issued.

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

j) Investments in subsidiaries and associates

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

k) Inventories

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

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

Costs of conversion comprise costs that are specifically attributable to products such as direct labour and similar. They also comprise a systematic allocation of fixed and variable production overheads incurred in converting raw materials into finished goods. Fixed production overheads are indirect costs of production that remain relatively constant regardless of the level of production, such as depreciation, maintenance of factory buildings, and the costs of factory management and similar. Variable production overheads are those that vary directly with the volume of production such as indirect materials and indirect labour.

The allocation of fixed production overheads is based on the normal level of productive capacity. The normal level of capacity is the average production expected to be achieved over a number of periods or seasons in normal circumstances, taking into account planned maintenance. Unallocated fixed overheads are expensed in the period in which they are incurred.

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

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

l) Receivables

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

m) Cash and cash equivalents

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

n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

o) Leases

Leases are recognized as right-of-use assets and corresponding liabilities as from the date from which the leased assets are available for use by the Company. The right-of-use assets are presented separately in the statement of financial position.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or using the Company's incremental borrowing rate.

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

- right of use for land	1 - 3 years
- right of use for commercial buildings	5 years
- right of use for vehicles	5 years

Payments associated with all short-term leases and certain leases of overall low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i,e, for the leases where the asset is sub-leased, a right-of-use asset is recognized with the corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognized on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise printers.

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

Lease activities

The Company leases various properties (building (power plant), warehouse), means of transport, other small equipment (e,g, printers). Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). The main lease features are summarized below:

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

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

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

p) Provisions

The company recognizes the following categories of provisions: provisions for estimated repair costs within warranty periods, provisions for onerous contracts, and provisions for severance payments and anniversary awards described in item q). Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate, increases in provisions are recognized within other operating expenses, as well as the reversal of provisions, which is recognized net of the expense of new provisions, since it represents a change in estimate rather than revenue from sales or other income.

q) Employee benefits

i. Pension obligations and post-employment benefits

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

ii. Termination benefits

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

iii. Regular retirement benefits

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

iv. Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

v. Short-term employee benefits

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

vi. Share-based payments

During 2025, a new Remuneration Policy and Remuneration Rules were adopted, setting out the rules and procedures for determining the remuneration of Management Board members and key management personnel, under which shares of the parent company will be granted. Under these policies/rules, total remuneration is divided into fixed and variable remuneration, as well as a long-term incentive plan.

Share-based payments comprise:

- Variable remuneration where the beneficiary may choose settlement in cash or in shares (“settlement alternative”);
- Additional shares (without a cash settlement alternative) as part of variable remuneration (only in cases where the beneficiary opts for settlement in shares); and
- A long-term incentive plan (LTIP) settled in shares, including base award, bonus shares, and loyalty shares.

Below is an overview of the components, the method of settlement, fair value measurement, and recognition:

Component	Settlement method (IFRS 2)	Fair value measurement	Recognition
Variable remuneration – base award (settlement alternative)	Cash-settled until the election; upon election, reclassification to equity-settled	Fair value of the liability (fixed cash amount of the award); remeasured at each reporting date	Expense over the vesting period in equal amounts for the financial year to which it relates
Variable remuneration – additional shares	Equity-settled	Fair value of shares at the grant date; non-market conditions through estimation of the number of shares	Expense over the vesting period until the payment date of additional shares
LTIP – base award	Equity-settled	Fair value at the grant date (market conditions included in FV; Monte Carlo simulation); non-market conditions through estimation of the number of shares	Expense over the relevant vesting period by tranches
LTIP – bonus shares; loyalty shares	Equity-settled	Fair value at the grant date (includes probability/conditions in accordance with the policy; market conditions included in FV)	Expense over the vesting period until the payment date

3. Key accounting estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may result in amounts that could differ from actual results. The most significant estimates and assumptions established by the Management of the Company are discussed below:

a) Revenue recognition

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

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

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

b) Warranty provisions

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

c) Impairment of investments in subsidiaries

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

In 2024, based on the achieved results and the medium-term plan for the five-year period approved by the Supervisory Board of the subsidiary Power Engineering Transformatory (PET), the Company assessed that the criteria for reversing the previously recognized impairment of this investment, in the total amount of 4.2 million euros, were met. There were no changes in 2025.

4. Revenue

	2025 EUR'000	2024 EUR'000
Type of goods or services		
Sales of distribution and special transformers	176,649	179,347
Sales of medium power transformers	251,216	213,724
Sales of material	1,229	1,093
Sales of services	10,708	8,839
Total revenue from contracts with customers	**439,802**	**403,003**

Geographic areas		
Croatia	29,995	20,065
EU member states	357,057	331,660
Bosnia & Herzegovina, Macedonia, Serbia, Montenegro	5,959	8,247
Other European countries	31,836	37,443
Africa	158	371
Asia	14,778	5,186
Other countries worldwide	19	31
Total revenue from contracts with customers	**439,802**	**403,003**

Revenue recognition time:		
At a point in time	429,094	394,164
Over time (services)	10,708	8,839
Total revenue from contracts with customers	**439,802**	**403,003**

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

5. Other operating income

	2025 EUR'000	2024 EUR'000
Income from discounts, rebates and similar	291	409
Inventory surplus	58	45
Rental income	36	35
Income from compensation for damages	10	2
Net profit from the sale of fixed assets	8	45
Other income	727	388
	1,130	**924**

6. Materials, consumables, goods and services used

	2025 EUR'000	2024 EUR'000
Raw materials and consumables	204,110	200,346
Transport services	7,213	8,015
External production related services	4,656	4,245
Maintenance and servicing	4,548	2,751
Cost of goods sold	721	727
Other costs	18,394	14,549
	239,642	**230,633**

7. Personnel costs

	2025 EUR'000	2024 EUR'000
Net salaries and wages	29,513	24,769
Taxes and contributions from salaries	14,064	11,311
Contributions on salaries	6,554	5,432
Reimbursement of employee expenses, gifts and grants	2,207	1,353
	52,338	**42,865**

In 2025, pension fund contributions amounted to EUR 8,498 thousand (2024: EUR 7,252 thousand).

Personnel costs in 2025 include EUR 275 thousand of retirement and termination benefits (2024: EUR 59 thousand).

The average number of employees during 2025 was 839 employees (2024: 781 employees).

As described in the accounting policies, during 2025 a new Remuneration Policy and Remuneration Rules were adopted, setting out the rules and procedures for determining the remuneration of the Management Board members and key management personnel, under which shares of the parent company will be granted. The variable remuneration accrued to the Management Board and key management personnel in 2025 is based on the assumption of cash settlement. The accrued amount of variable remuneration in shares for Management Board members and directors in 2025 amounts to EUR 1,305 thousand.

8. Other costs

	2025 EUR'000	2024 EUR'000
Bank charges and commissions	1,403	984
Entertainment	1,197	913
Insurance	866	644
Staff transportation costs	787	792
Daily allowances and business trip related costs	762	620
Intellectual services	548	319
Professional training costs	423	287
Premiums and benefits for voluntary pension pillar	367	322
Fees payable to Supervisory board members	14	14
Change in provisions for warranty repairs	1,632	5,127
Change in provisions for jubilee awards and severance pay	369	(290)
Provisions for onerous contracts	-	(185)
Effects of provisions for initiated lawsuits	-	50
Reversal of accrued penalties and other costs	-	(1,575)
Other non-production related costs	1,142	1,130
Other operating costs	2,255	1,369
	11,765	**10,521**

9. (Cost)/reversal of impairment

	2025 EUR'000	2024 EUR'000
(Cost) / reversal of impairment of inventory	1,146	(3,645)
Reversal of impairment of given loans (Note 23)	-	(1,800)
Reversal of impairment of investments in subsidiaries (Note 17)	-	(4,226)
	1,146	**(9,671)**

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

10. Net finance result

	2025 EUR'000	2024 EUR'000
Dividends and share in profits	58	1,145
Interest income	4,330	3,111
Other financial income	68	12
Total finance income	**4,456**	**4,268**
Interest and similar expenses	272	122
Foreign exchange losses	32	681
Total finance expenses	**304**	**803**
Net finance result	**4,152**	**3,465**

11. Corporate income tax

	2025 EUR'000	2024 EUR'000
Current tax	26,895	21,279
Deferred tax	(469)	675
Income tax expense	**26,426**	**21,954**

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

	2025 EUR'000	2024 EUR'000
Accounting profit (before tax)	147,464	128,968
Tax at 18%	26,544	23,214
Adjustments for:		
Non-taxable income	156	108
Non-deductible expenses	(77)	(1,368)
Temporary differences for which no deferred tax assets were recognised	66	-
Deferred tax assets recognized on temporary differences from prior years	(263)	-
Income tax expense	**26,426**	**21,954**
Effective tax rate	17.92%	17.02%

	31 December 2025	Recognized in P&L	Recognised in other comprehensive income	31 December 2024	Recognized in P&L	31 December 2023
Deferred tax asset:						
Impairment of non-current asset	59	-	-	59	-	59
Impairment of inventories	481	469	-	12	(675)	687
Unused amount of tax relief under the Investment Promotion Act	428	-	-	428	-	428
Deferred tax asset	**968**	**469**	**-**	**499**	**(675)**	**1.174**
Deferred tax liabilities:						
Fair value remeasurement of financial assets through OCI	(179)	-	(179)	-	-	-
Net deferred tax assets	**789**	**469**	**(179)**	**499**	**(675)**	**1.174**

Investment incentives

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

12. Earnings per share

Basic and diluted earnings per share:

	2025	2024
Net result in EUR thousands	121,038	107,014
Total and weighted average number of shares	511,232	511,232
Earnings per share in EUR	**236,76**	**209,33**

In previous years, declared dividends for ordinary and preference shares were the same, The Company does not hold any treasury shares. Diluted earnings per share for 2025 and 2024 are equal to basic earnings per share, since the Company did not have any convertible instruments or share options outstanding during either period.

13. Non-current intangible assets

	Licences, software and other rights EUR'000	Assets under construction EUR'000	Total EUR'000
Cost			
At 1 January 2024	**2,408**	**74**	**2,482**
Additions	-	82	82
Transfer	156	(156)	-
Disposals	(6)	-	(6)
As at 31 December 2024	**2,558**	**-**	**2,558**
Additions	-	701	701
Transfer	469	(469)	-
Disposals	(1)	-	(1)
As at 31 December 2025	**3,026**	**232**	**3,258**
Accumulated amortisation			
At 1 January 2024	**2,014**	**-**	**2,014**
Charge for the year	175	-	175
Disposal	(6)	-	(6)
As at 31 December 2024	**2,183**	**-**	**2,183**
Charge for the year	238	-	238
Disposals	(1)	-	(1)
As at 31 December 2025	**2,420**	**-**	**2,420**
Carrying amount			
As at 31 December 2024	375	-	375
As at 31 December 2025	**606**	**232**	**838**

14. 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						
At 1 January 2024	**3,553**	**30,923**	**38,355**	**4,612**	**1,629**	**79,072**
Additions	-	-	-	-	18,465	18,465
Transfers	486	2,469	1,620	309	(4,884)	-
Disposals	-	-	(271)	(61)	-	(332)
As at 31 December 2024	**4,039**	**33,392**	**39,704**	**4,860**	**15,210**	**97,205**
Additions	-	-	-	-	20,353	20,353
Transfers	6,810	13,084	8,156	1,002	(29,052)	-
Disposals	-	(78)	(248)	(11)	-	(337)
As at 31 December 2025	**10,849**	**46,398**	**47,612**	**5,851**	**6,511**	**117,221**
Accumulated depreciation						
At 1 January 2024	**-**	**15,947**	**26,810**	**3,661**	**-**	**46,418**
Charge for the year	-	1,251	1,953	281	-	3,485
Disposals	-	-	(263)	(61)	-	(324)
As at 31 December 2024	**-**	**17,198**	**28,500**	**3,881**	**-**	**49,579**
Charge for the year	-	1,479	2,266	292	-	4,037
Disposals	-	(78)	(243)	(11)	-	(332)
As at 31 December 2025	**-**	**18,599**	**30,523**	**4,162**	**-**	**53,284**
Carrying amount						
As at 31 December 2024	**4,039**	**16,194**	**11,204**	**979**	**15,210**	**47,626**
As at 31 December 2025	**10,849**	**27,799**	**17,089**	**1,689**	**6,511**	**63,937**

As at 31 December 2025, the net book amount of mortgaged properties amounts to EUR 29,068 thousand (31 December 2024: EUR 14,099 thousand). Mortgages have been registered over these properties in the total amount of EUR 64 million. There is a pledge of EUR 8 million on movable assets with a net carrying amount of EUR 1,107 thousand (Note 27).

As at 31 December 2025 total advances for property, plant and equipment amounted to EUR 3,155 thousand (31 December 2024: EUR 5,207 thousand).

15. Right-of-use assets

Right-of-use assets relate to the following:

	31 December 2025 EUR'000	31 December 2024 EUR'000
Land	128	17
Buildings	2,998	37
Transport vehicles	186	214
	3,312	**268**

The movement during the year is shown below:

	2025 EUR'000	2024 EUR'000
As at 1 January	**268**	**292**
Increase - new leases	3,436	1,116
Decrease – termination of leases	(53)	(877)
Depreciation	(339)	(263)
As at 31 December	**3,312**	**268**

16. Investment property

	Total EUR'000
Cost	
At 1 January 2024	**465**
Additions	-
As at 31 December 2024	**465**
Additions	-
As at 31 December 2025	**465**
Accumulated depreciation	
At 1 January 2024	**138**
Charge for the year	23
As at 31 December 2024	**161**
Charge for the year	23
As at 31 December 2025	**184**
Carrying amount	
As at 31 December 2024	304
As at 31 December 2025	**281**

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

17. Investments in subsidiaries

	% ownership	2025 EUR'000	2024 EUR'000
Power Engineering Transformatory (PET) (i)	100%	4,726	4,726
Ferokotao Ltd (ii)	51%	6,124	6,124
Novi Feromont d.o.o. (iii)	81.2%	5,249	-
Impairment		-	-
Total		**16.099**	**10.850**

(i) The total investment in the subsidiary Power Engineering Transformatory (PET) as of 31 December 2025 amounts to EUR 4.7 million (31 December 2024: EUR 4.7 million). Based on the significant positive results achieved in 2024, as well as the approved business plans of this subsidiary, the Company's Management Board assessed that the conditions for the reversal of the value adjustment of this investment in the total amount of EUR 4.2 million have been met.

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

(iii) During November and December 2025, the Company entered into share purchase agreements to acquire an additional ownership interest of 62.3% in Novi Feromont d.o.o., Donji Kraljevec, Croatia. The principal activity of this company is the manufacture of tanks and other metal components for the transformer industry. Prior to this acquisition, the Company held an ownership interest of 18.9%, and through this acquisition it became the owner of an 81.2% interest in the share capital of the company. The Company obtained control over this entity in the second half of December 2025, when all conditions were met, i.e. from the point at which the Company had power over the investee, exposure or rights to variable returns, and the ability to use its power over this subsidiary to affect the amount of its returns. The previously held equity interest (18.9%) was remeasured to fair value, resulting in a gain of EUR 0.82 million, which was recognised within comprehensive income in accordance with the Company's accounting policies.

18. Investments in associates

Investments in associates in the amount of EUR 230 thousand (2024: EUR 230 thousand) relates to investments in the company Elkakon Ltd,, Zagreb where the Company holds a share of 50% ownership share. Summary data for that Company are disclosed in the consolidated financial statements of the Company.

19. Financial assets at FVOCI

	31.12.2025 EUR'000	31.12.2024 EUR'000
Unqouted equity instruments	-	228
Other financial assets at FVOCI	5	5
	5	**233**

Fair value measurement

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

20. Inventories

	31.12.2025 EUR'000	31.12.2024 EUR'000
Raw materials and consumables used	45,960	43,467
Work-in-progress	42,420	40,658
Finished products	36,957	27,058
	125,337	**111,183**

Cost of goods sold in 2025 amounted to EUR 224,360 thousand (2024: EUR 225,603 thousand)

21. Trade and other receivables

	31.12.2025 EUR'000	31.12.2024 EUR'000
Receivables from foreign customers	63,810	71,915
Receivables from domestic customers	14,586	3,766
VAT receivable	2,693	3,101
Prepayments	223	215
Other receivables	809	471
	82,121	**79,468**

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
Undue	65,821	60,502
< 60 days	10,960	14,568
60-90 days	614	263
90-180 days	978	308
180-365 days	21	25
> 365 days	2	15
	78,396	**75,681**

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

22. Other assets

	31.12.2025 EUR'000	31.12.2024 EUR'000
Assets recognized based on the costs of obtaining contracts with customers	12,569	11,384
Advances paid for inventories	2,193	1,661
Contract assets from contracts with customers	254	-
	15,016	**13,045**

23. Loans to related parties

	31.12.2025 EUR'000	31.12.2024 EUR'000
Loans to companies within the KONČAR group	32,000	19,000
	32,000	**19,000**

Of which:		
-non-current	8,000	-
-current	24,000	19,000

During 2025, the Company granted loans to related companies in the total amount of EUR 31 million (2024: 27 million. In 2025, at the KONČAR Group level, an analysis of market interest rates was conducted, based on which interest rates were applied in the range of 2.9% - 4.0% annually (2024: 2% - 4%).

Changes in loans granted during the year were as follows:

	Loans granted EUR'000
1 January 2024	**-**
Cash outflow	27,000
Cash receipts	(9,800)
Collection of previously impaired loans	1,800
31 December 2024	**19,000**
Cash outflow	31,000
Cash receipts	(18,000)
31 December 2025	**32,000**

24. Financial assets at amortized cost

	31.12.2025 EUR'000	31.12.2024 EUR'000
Deposits in banks with maturities over 3 months	120,000	65,000
Treasury bills of the Republic of Croatia	29,467	14,916
	149,467	**79,916**

The Company earns interest on deposits over 3 months at an interest rate ranging from 1.94% to 2.68% (2024: 2.21% - 2.68%), while the Treasury bills of the Republic of Croatia bear an interest rate of 2% (2024: 2.60%).

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
A+	70,000	34,000
A-	50,000	21,000
BBB	-	10,000
	120,000	**65,000**

25. Cash and cash equivalents

	31.12.2025 EUR'000	31.12.2024 EUR'000
Cash in bank	30,057	15,871
Overnight and deposits up to 3 months	48,305	48,589
	78,362	**64,460**

Interest rate on the Company's cash in bank and deposits up to 3 months is from 1.84% - 2.83% (2024: 2.83% - 2.95%).

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
A+	596	3,362
A-	37,089	11,930
BBB+	40,093	22,850
BBB	577	15,757
BBB-	-	10,470
Without grade	7	91
	78,362	**64,460**

26. Capital and reserves

Share capital is determined in the nominal amount of EUR 20,449 thousand (31 December 2025: EUR 20,449 thousand). The ownership structure of the Company was as follows:

	31 December 2025		31 December 2024	
	Number of shares	Ownership share %	Number of shares	Ownership share %
Intercapital Securities / KONČAR Inc.	269,596	52.73	269,596	52.73
OTP bank d,d, / AZ Mandatory Pension Fund B class	23,336	4.56	24,903	4.87
Agram Brokers Inc. / Knežević Nikola	19,354	3.79	20,014	3.91
Hita Securities Inc. /Berkopić Dražen	14,405	2.82	14,110	2.76
Floričić Kristijan	11,500	2.25	12,500	2.45
Zagrebačka Banka d,d, / Collective Custodian Account Zagrebačka Banka d,d, / DF	9,453	1.85	9,498	1.86
Intercapital Securities / Radić Antun	7,886	1.54	7,886	1.54
Raiffeisenbank Austria d.d. / Collective Custodian Account / DF	5,051	0.99	4,800	0.94
Other	150,651	29.47	147,925	28.94
	511,232	**100**	**511,232**	**100**

As at 31 December 2025 and 31 December 2024, the Company's share capital consists of 388,376 ordinary shares and 122,856 preference shares comprising a total of 511,232 shares with the nominal value of EUR 40 per share. Dividend per share paid to the Company's shareholders in 2025 amounted to EUR 79.54 per share (2024: EUR 31.75 per share) and totalled EUR 40,664 thousand (2024: EUR 16,232 thousand).

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

27. Borrowings

	31.12.2025 EUR'000	31.12.2024 EUR'000
Non-current borrowings		
Leases	2,472	170
Bank loans	12,068	3,250
	14,540	**3,420**
Current borrowings		
Leases	731	104
Bank loans	2,455	1,000
	3,186	**1,104**
Total borrowings	**17,726**	**4,524**

Bank liabilities as at 31 December 2025 relate to the following loans:

- A long-term loan granted by Raiffeisenbank Austria d,d,, approved in April 2019, in the amount of EUR 8 million with a fixed interest rate of 1.85%, used to finance the purchase of property in Jankomir, procurement of new equipment, and reconstruction of the property within the scope of the “Distribution Transformer Production Capacity Increase” project. Security instruments are 2 blank bills of exchange with related B/E statement, 1 ordinary debenture of EUR 8 million pledge over Company property and movables based on the Security Agreement amounting to EUR 30 million and EUR 8 million respectively.
- A long-term loan granted by OTP Bank in the total amount of EUR 12 million, bearing an annual interest rate of 3.99%, refinanced to 2.80% per annum in July 2025, with the final instalment due on 30 September 2033, used to finance the investment project “Sustainable SETup”. The collateral includes two blank promissory notes with promissory declarations, one promissory note in the amount of EUR 12 million, and a mortgage over the Company's real estate.

Changes in borrowings during the year are as follows:

	Loans EUR'000	Leases EUR'000	Total EUR'000
As at 1 January 2024	**5,250**	**295**	**5,545**
Cash receipts (borrowed)	(1,000)	(244)	(1,244)
Cash outflows (repaid)	-	223	223
As at 31 December 2024	**4,250**	**274**	**4,524**
Cash receipts (borrowed)	12,000	-	12,000
Cash outflows (repaid)	(1,727)	(310)	(2,037)
Net contracts changes	-	3,239	3,239
As at 31 December 2025	**14,523**	**3,203**	**17,726**

Non-current liabilities to banks mature as follows:

	31.12.2025 EUR'000	31.12.2024 EUR'000
up to 1 year	2,455	1,000
1 - 2 years	2,455	1,000
2 - 3 years	2,455	1,000
3 - 4 years	1,704	1,000
4 - 5 years	1,454	250
over 5 years	4,000	-
	14,523	**4,250**

28. Financial instruments at FVTPL

	31.12.2025 EUR'000	31.12.2024 EUR'000
Derivative instruments - currency forwards		
- forward currency contract	333	541
Financial liabilities at FVTPL	**333**	**541**
of which:		
- non-current	9	109
- current	324	432

During the year, the Company used forward contracts entered into with commercial banks with the intention of managing the fluctuations of foreign currencies (SEK, NOK). The nominal value of currency forwards as at the reporting date amounted to EUR 17,338 thousand, with the contracts maturing in the period from 2026 to 2027. 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 finance result'.

29. Provisions

	Warranties EUR'000	Costs of jubilee awards and retirement benefits EUR'000	Provisions for onerous contracts EUR'000	Provisions for court cases EUR'000	Total EUR'000
As at 1 January 2024	**14,305**	**1,807**	**185**	**-**	**16,297**
Additional	5,127	-	-	50	5,177
Reversal	-	(290)	(185)	-	(475)
Utilised	(2,375)	-	-	-	(2,375)
31 December 2024	**17,057**	**1,517**	**-**	**50**	**18,624**
Additional	5,257	369	-	-	5,626
Reversal	(3,625)	-	-	-	(3,625)
Utilised	(4,366)	-	-	-	(4,366)
31 December 2025	**14,323**	**1,886**	**-**	**50**	**16,259**
of which:					
non-current	11,514	1,886	-	50	13,450
current	2,809	-	-	-	2,809

Provisions for warranty periods

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

Provisions for long-term employee benefits

The long-term portion of the provision for termination benefits and jubilee awards, amounting to EUR 1,886 thousand (2024: EUR 1,517 thousand), relates to the estimated amount of termination benefits and jubilee awards that employees are entitled to upon termination of employment (retirement, resignation, voluntary departure, or meeting the conditions for obtaining jubilee awards). The present value of the provision is calculated by an independent actuary based on the number of employees, years of service in the Company, and the legally regulated non-taxable amount of severance pay and anniversary awards, with a discount rate of 2.87% (2024: 2.94%).

30. Trade and other payables

	31.12.2025 EUR'000	31.12.2024 EUR'000
Domestic trade payables	9,119	8,659
Foreign trade payables	21,278	27,471
Payables to employees	6,038	3,395
Other taxes, contributions and fees payable	2,435	1,054
Unused holiday	1,073	657
Liabilities for share in profits	43	29
Interest payable	17	21
Agent commissions	15,071	13,791
Other accrued costs	630	137
Other liabilities	57	38
	55,761	**55,252**

31. Contract liabilities

	31.12.2025 EUR'000	31.12.2024 EUR'000
Contract liability - advances received from customers	169,121	122,269
Contract liability from contracts with customers	613	-
Total contractual liability	**169,734**	**122,269**

Recognized income related to performance obligations

The recognized income during the reporting period, which was included in the balance of contract liabilities at the beginning of the period, amounts to EUR 226,123 thousand (2024: EUR 178,882 thousand).

Contract liabilities as of the reporting date relate to customer contracts with a total value of EUR 308,711 thousand (31 December 2024: EUR 248,864 thousand), for which performance obligations should be satisfied in the next reporting period. This amount represents the best estimate based on current knowledge and the estimated delivery dates of transformers, though deviations may occur in cases of delays in delivery by the customer, adjustments based on the agreed sliding scale formula, and similar.

At the end of the reporting period, there are unfulfilled performance obligations based on advances received from customers, amounting to EUR 567,935 thousand (31 December 2024: EUR 515,300 thousand).

32. Off-balance sheet items

Off-balance sheet items as at 31 December 2025 include the following: joint guarantees issued on behalf of the PET subsidiary to banks and customers in the amount of EUR 5,898 thousand and guarantees issued on behalf of related parties in the amount of EUR 2,646 thousand (31 December 2024: EUR 11,310 thousand and EUR 2,111 thousand). In total, the Company issued insurance instruments to related companies and third parties (bank guarantees) in the amount of EUR 565,676 thousand (31 December 2024: EUR 379,746 thousand), while related companies and third parties issued insurance instruments to the Company in the amount of EUR 63,895 thousand (31 December 2024: EUR 36,698 thousand).

The Management estimates that the fair value of issued guarantees/warranties is not significant by using an extremely low probability of an adverse event, considering the fact that, in the past, no guarantee has been activated.

Balance of the Company's concluded contracts (order book) based on active projects as of 31 December 2025 amounts to EUR 924,6 million (31 December 2024: EUR 761,9 million).

33. Related party transactions

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

During 2025, the Company engaged in transactions with its related parties and realised revenues and expenses based on the trade of products and services, which can be analysed as follows:

2025	Operating and financial activities					
	Receivables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances received EUR'000	Revenue EUR'000	Expenses EUR'000
Subsidiaries	2	2,179	2,094	-	98	15,264
Končar Group companies	505	178	-	642	3,591	3,096
Končar – Electrical Industry, Inc. (parent company)	251	1,788	-	-	1,867	10,346
Associates	101	382	-	-	398	12,138
	859	**4,527**	**2,094**	**642**	**5,954**	**40,844**

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

2024	Operating and financial activities					
	Receiv-ables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances received EUR'000	Revenue EUR'000	Expenses EUR'000
Subsidiaries	10	766	1,583	-	1,875	20,713
Končar Group companies	399	661	147	-	7,141	4,432
Končar – Electrical Industry, Inc. (parent company)	389	1,159	-	9	1,775	7,259
Associates	71	835	-	904	492	14,671
	869	**3,421**	**1,730**	**913**	**11,283**	**47,075**

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

Key management renumerations

During 2025 total remuneration (fixed and variable) paid to Management Board of the Company amounted to EUR 1,056 thousand (31 December 2024: EUR 824 thousand) which include EUR 551 thousand of variable remuneration for 2024 (in 2024 a total of EUR 364 thousand of variable consideration was paid relating to 2023). Accrued variable Management remuneration as at the reporting date amounts to EUR 616 thousand (31 December 2024: EUR 417 thousand). Management Board has five members (2024: five members).

As described in the accounting policies, during 2025 the Company adopted a new Remuneration Policy and Remuneration Rules, which define the rules and procedures for determining the remuneration of the members of the Management Board and key management personnel, under which shares of the parent company will be granted. The variable remuneration accrued to the Management Board and key management personnel in 2025 is based on the assumption of cash settlement.

34. Risk management

Capital risk management

Financial leverage ratio

	31.12.2025 EUR'000	31.12.2024 EUR'000
Debt (current and non-current) = D	(17,726)	(4,524)
Short term bank deposits (over 3 months)	120,000	65,000
Cash and cash equivalents	78,362	64,460
Net cash / (debt)	180,636	124,936
Equity = E	(304,077)	(222,884)
Financial leverage ratio = D/(D+E)	**5.51%**	**1.99%**

Financial risk management

The Company operates with international customers and finances its operations to an extent using foreign currency denominated borrowings. The Company's operations are therefore exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. Categories of financial instruments and method for measuring fair values are as follows:

	FV hierarchy	31.12.2025 EUR'000	31.12.2024 EUR'000
Equity instruments at FVOCI	Level 3	-	228
Other financial assets at FVOCI	Level 3	5	5
Total financial assets at FVOCI		**5**	**233**
Trade receivables	n/a	78,396	75,681
Loans receivable	n/a	32,000	19,000
Deposits and other investments	n/a	149,467	79,916
Cash and cash equivalents	n/a	78,362	64,460
Total financial assets at amortised cost		**338,225**	**239,057**
Total financial assets		**338,230**	**239,290**
Lease liability	n/a	3,203	274
Bank loans	n/a	14,523	4,250
Trade payables	n/a	30,397	36,130
Total financial liabilities at amortised cost		**48,123**	**40,654**
Derivative instruments	Level 2	333	541
Total financial liabilities at FVTPL		**333**	**541**
Total financial liabilities		**48,456**	**41,195**

A) Fair value of financial assets and liabilities

Fair value of a financial instrument is the amount at which it could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The Company uses the following hierarchy for determining the fair value of financial instruments:

- level 1: quoted prices (unadjusted) in active markets for such assets or liabilities
- level 2: other techniques where all inputs which have a significant effect on the fair value are observable on the market, directly or indirectly
- level 3: techniques where all inputs which have a significant effect on the fair value are not based on the observable market data.

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

Derivative financial instruments

The fair value of financial instruments that are not traded in an active market presented in level 2 is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity-specific estimates.

In addition to investing in equity instruments, the Company used the following methods and assumptions in estimating the fair value of financial instruments.

Receivables and bank deposits

For assets that mature within 3 months, the carrying value approximates their fair value due to the short maturities of these instruments. For longer-term assets, the contracted interest rates do not deviate significantly from the current market rates and, consequently, the fair value approximates the carrying value.

Loans payable

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

Other financial instruments

The Company's financial instruments not carried at fair value are trade receivables, other receivables, trade payables and other current liabilities. The historical carrying value of receivables and liabilities, including provisions that are in line with the usual terms of business is approximately equal to their fair value.

B) Financial instrument risks

The Company's operations are exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

1. MARKET RISK

Market risk is the fluctuation risk of fair value or future cash flows of financial instruments resulting from changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks. There were no significant changes to the Company's exposure to market risk or the manner in which it measures and manages the risk.

a) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

	Spot exchange rate		Average exchange rate	
	31.12.2025 EUR	31.12.2024 EUR	31.12.2025 EUR	31.12.2024 EUR
GBP	0.8712	0.82950	0.8568	0.84662
SEK	10.8180	11.4865	11.0663	11.4325

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

	Denominated in GBP	
	31.12.2025 EUR'000	31.12.2024 EUR'000
Trade receivables	2,312	1,827
Cash and cash equivalents	254	2,575
Derivatives	(63)	(541)
	2,503	**3,861**
Effect of 1% change in exchange rates on profit	**25**	**39**

	Denominated in SEK	
	31.12.2025 EUR'000	31.12.2024 EUR'000
Trade receivables	498	2,872
Cash and cash equivalents	3,518	337
Derivatives	(120)	-
	3,896	**3,209**
Effect of 1% change in exchange rates on profit	**39**	**32**

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

b) Interest rate risk

The Company is not significantly exposed to interest rate risk, as it primarily incurs borrowings at fixed interest rates, as presented below:

	31.12.2025 EUR'000	31.12.2024 EUR'000
Bank loans based on fixed interest rates	14,523	4,250
Leases based on fixed interest rates	3,203	274
	17,726	**4,524**

2. CREDIT RISK

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

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

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

3. LIQUIDITY RISK

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

The following table presents the maturity of financial liabilities of the Company as at 31 December 2025 in accordance with contracted undiscounted payments:

31 December 2025	Net book value EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1 - 2 years EUR'000	2 - 5 years EUR'000	over 5 years EUR'000
Non-interest-bearing liabilities:						
Trade payables	30,397	30,397	30,397	-	-	-
	30,397	**30,397**	**30,397**	**-**	**-**	**-**
Interest bearing liabilities:						
Lease liability	3,203	3,501	843	738	1,920	-
Bank loans	14,523	15,892	2,809	2,749	6,166	4,168
	17,726	**19,393**	**3,652**	**3,487**	**8,086**	**4,168**

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

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

35. Events after the reporting period

KONČAR – Distribution & Special Transformers Inc. for manufacturing entered into share purchase agreements in February and April 2026 for the acquisition of a 31.5% equity interest in the subsidiary Ferokotao d.o.o.

The Company is in the process of releasing pledges over its real estate and movable assets registered by financial institutions, as described in Note 27.

Except as stated above, after the reporting date and up to the date of approval of these financial statements, there were no other events that would have a significant impact on the Company's annual separate financial statements for the year 2025 and that would therefore require disclosure.

KONČAR
D&ST

KONČAR – Distribution & Special Transformers Inc. for manufacturing

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