

Inspired by challenge

KONČAR

Inspired by challenge

CEE Investment Opportunities, Winter Edition
Ljubljana, 30 November 2022



1

Company overview

A century of excellence

- Since 1921
- Exporter to 130 markets worldwide
- Synergy of knowledge, expertise and experience



Company at a glance



KONČAR GROUP

14 companies and
2 affiliated
companies
2 joint ventures



TOTAL INCOME

EUR 483 million (2021)



EMPLOYEES

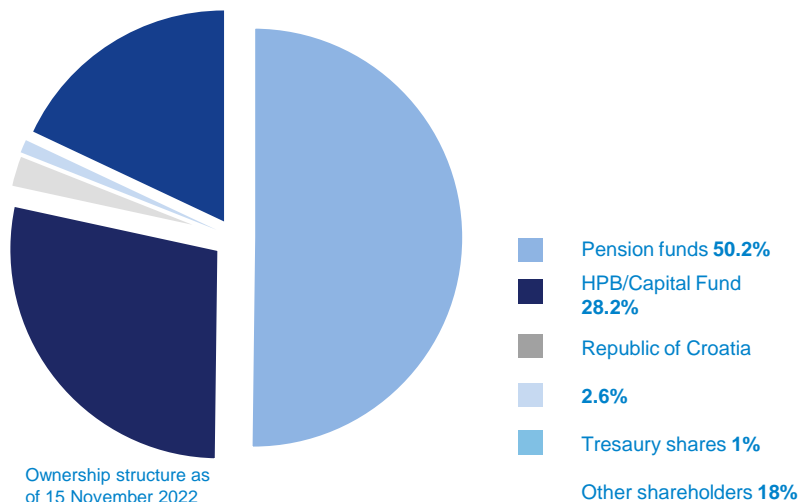
3,640



EXPORT

60% of the total sales
income (2021)

Ownership structure and management



SUPERVISORY BOARD MEMBERS

Chairman: Joško Miliša

Deputy Chairman: Darko Horvatin

Members: Ivan Milčić, Branko Lampl, Danko Škare, Mario Radaković, Ruža Podborkić, Maja Martinović, Zvonimir Savić

AUDIT COMMITTEE

STRATEGIC DEVELOPMENT COMMITTEE

REMUNERATION COMMITTEE

NOMINATION COMMITTEE

Management



GORDAN
KOLAK

Chairman of the
Management Board



IVAN
BAHUN

Deputy Chairman of the
Management Board



MIKI
HULJIĆ

Member of the
Management
Board



JOSIP
LASIĆ

Member of the
Management
Board



JOSIP
LJULJ

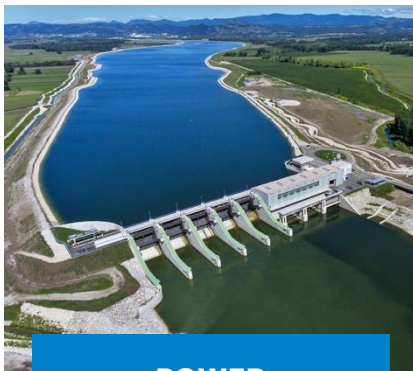
Member of the
Management
Board



BOŽIDAR
POLDRUGAČ

Member of the
Management
Board

Business segments



**POWER
GENERATION**



**POWER
TRANSMISSION AND
DISTRIBUTION**



**RAIL
SOLUTIONS AND
INFRASTRUCTURE**



**DIGITAL SOLUTIONS
AND PLATFORMS**

Power generation

- Hydropower plants
- Solar power plants
- Wind power plants
- Thermal power plants
- Equipment manufacturing
- Turnkey projects, maintenance, refurbishment, reconstruction and overhaul



KONČAR
Inspired by challenge

Power transmission and distribution

- Transformer substations
- Equipment manufacturing
- Customer-specific solutions
- Construction, reconstruction, refurbishment and retrofitting of transmission and distribution power facilities
- Turnkey projects, engineering, maintenance, training and 24/7 technical support



Rail solutions and infrastructure

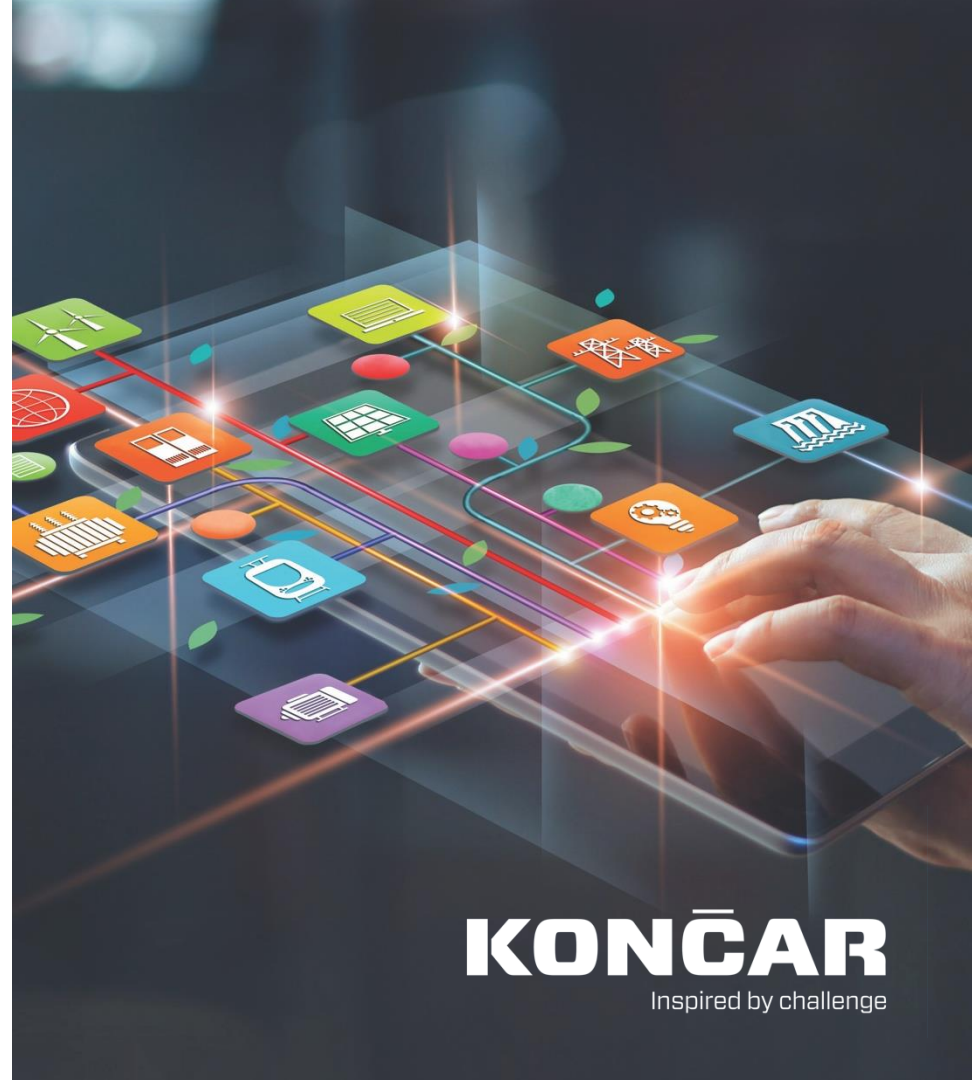
- Low-floor electric and diesel-electric multiple units
- Low-floor trams
- Equipment and components
- Traction and station equipment
- Rail infrastructure engineering



KONČAR
Inspired by challenge

Digital solutions and platforms

- Dispatching centres
- Monitoring and control for remote critical and urban infrastructure
- SCADA
- Communication systems and computer networks
- UPS devices and systems
- Smart city solutions



2

Key performance indicators Q1-Q3 2022

Further income and order
intake growth

Highlights



- In June KONČAR and the Iraqi Ministry of Electricity signed a significant agreement for the revitalization of **Haditha HPP**. The total value of the consortium agreement is EUR 65.0 million and **EUR 33.8 million pertains to KONČAR**.
- We exhibited our low-floor tram at **InnoTrans in Berlin**, the leading international trade fair for transport technology.
- The **realization of the 110 kV submarine cables** project replacement kicked off with the laying of the first submarine cable at Postira – Dugi Rat section, which is the first phase of the strategic investment project carried out by the Croatian Transmission System Operator (HOPS) for the period until 2024. The first phase of the project, Brač-Dugi Rat and Krk-Crikvenica sections **worth EUR 12 million**, will be spearheaded by KONČAR - Engineering.
- Agreement for the construction of the **small hydro power plant Otočac**. The total value of the agreement amounts to EUR 12 million, and several KONČAR Group members will participate in the implementation, led by KONČAR - Engineering Ltd.

Highlights



- We exhibited our low-floor tram at **InnoTrans in Berlin**, the leading international trade fair for transport technology.
- On 14 November 2022, **the last** of the contracted **fourteen low-floor** trams for public transport in the city of Liepāja, Latvia, left the manufacturing facility at KONČAR – Electric Vehicles. It should be pointed out that all vehicles were delivered on time – despite complex epidemiological conditions, supply chain disruptions, surging prices of raw materials and commodities, and other challenges.
- On 22 November 2022 **KONČAR - Digital Ltd.** signed a Share Purchase Agreement on the purchase of 75 percent of the ownership share in limited liability companies **Kodeks Sistemske Integracije d.o.o.** and **EXA Globe d.o.o.** The acquisition is aligned with the strategic orientation of KONČAR Group towards accelerated development of operations based on development and application of digital technologies, and as such it will allow KONČAR - Digital Ltd. to strengthen its competencies and expand the portfolio of products, services and digital solutions in power engineering, e-mobility, critical and urban infrastructure.

KONČAR
Inspired by challenge

Highlights

- Dalekovod Group results for Q2-Q3 integrated in KONČAR Group operations.
- Further organizational changes - KONČAR - Digital (digital solutions and platforms) spun off from KONČAR - INEM.
- The General Assembly of the Shareholders of KONČAR – Electrical Industry Inc. was held in early June. The Assembly adopted the resolution to distribute dividends to the Company's Shareholders in the amount of EUR 1.73 per share. The dividend was distributed on 10 July 2022 to all Shareholders registered in the Issuer's Register (Book of Shares) as at 25 June 2022.
- Investment cycle continues:
 - Activities on the construction of a new facility at KONČAR - Distribution and Special Transformers for the purpose of improving manufacturing capacity
 - Activities on the construction of the Laboratory for Power Systems and Drives at KONČAR - Electrical Engineering Institute
 - Investment in manufacturing equipment at KONČAR - Generators and Motors

Key performance indicators

Export

+25%

Sales income

+26%

Backlog

+19%

EBITDA

+63%

Book-to-bill ratio

1.31

Net profit

+81%

Results strongly impacted by one-off items

Compared to 2021

Backlog as at 31 December 2021

* Excluding the impact of Dalekovod Group

KONČAR

Inspired by challenge

Key performance indicators (normalized)

EBITDA

+13.6%

EBITDA margin

-0.8 p.p.

EBIT

+17.6

EBIT margin

-0.3 p.p.

Net profit

+4.5%

Net profit margin

-0.8 p.p.

Compared to 2021

Backlog as at 31 December 2021

** Excluding the impact of Dalekovod Group*

Normalized data:

Excluding income from:

- Sale of assets
- Loss compensation income
- Other provisions
- Dalekovod transaction effects

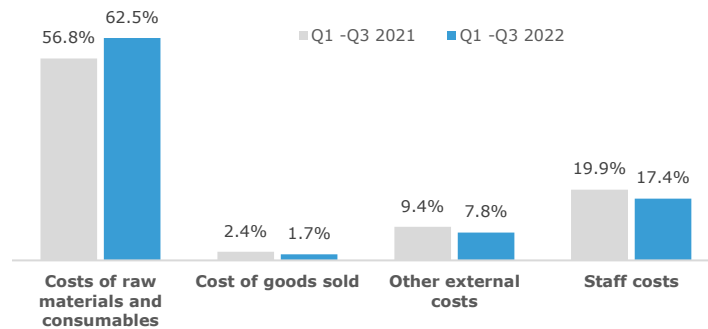
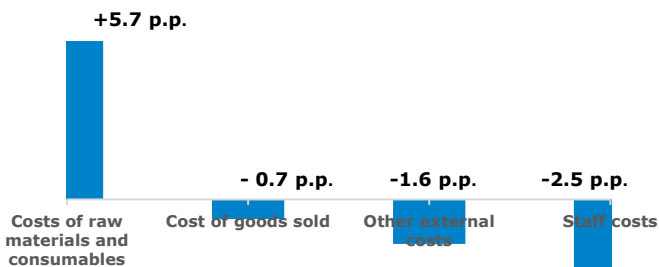
a total of EUR 20.6 million

KONČAR

Inspired by challenge

Highlights

Year-on -year the share of costs of raw materials and commodities is 5.7 p.p. higher

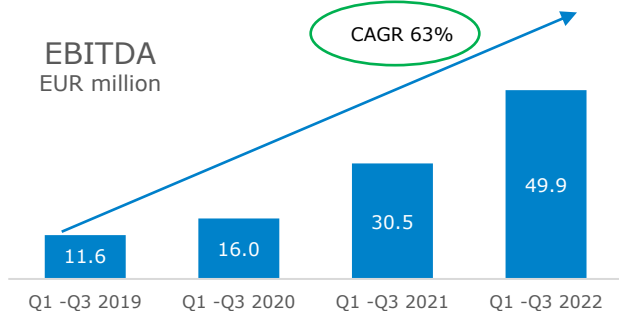


- Business operations continue to take place in an environment of high uncertainty.
- Exceptional pressures on operational efficiency necessitate an appropriate response with consistent communication with customers and suppliers.
- The share of costs of raw materials and commodities in sales increased by 5.7 percentage points on Group level, reaching up to 10 percentage points in those Group members with long-term agreements.
- Cost savings, improvements in productivity and stable headcount were leveraged to boost the sales income by 26.4%.

EBITDA and EBITDA margin

EBITDA
EUR million

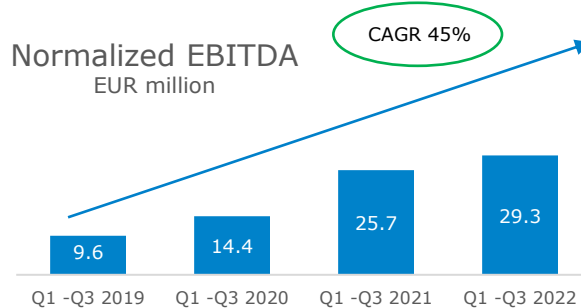
CAGR 63%



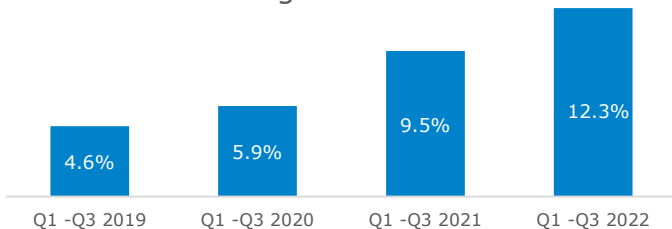
Strong profitability
despite surging
prices of raw
materials and
commodities

Normalized EBITDA
EUR million

CAGR 45%

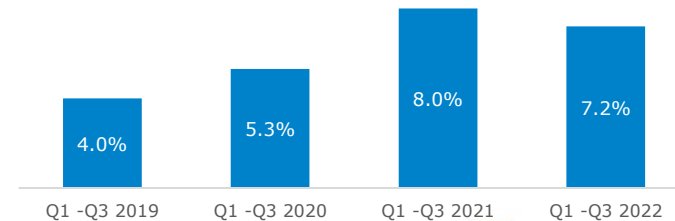


EBITDA margin



Q1 - Q3 2022
excluding
Dalekovod Group

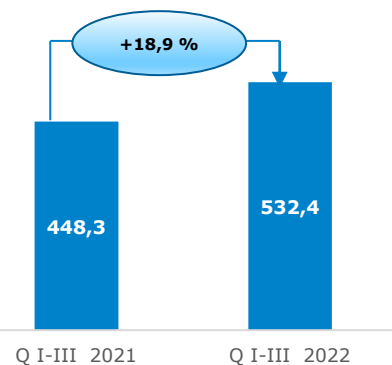
Normalized EBITDA margin



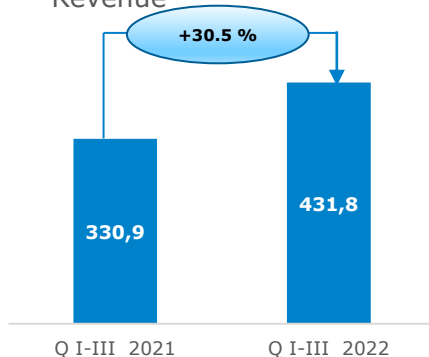
Excellent topline

EUR million

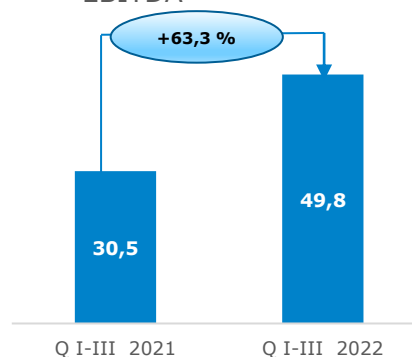
Order



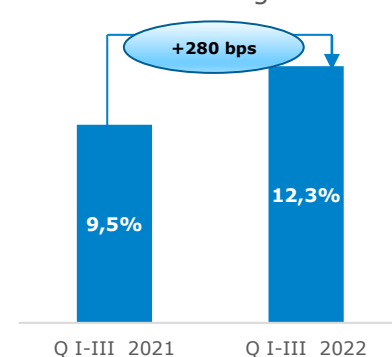
Revenue



EBITDA



EBITDA margin



- Excellent order momentum
- 73,3% ukupno ugovorenih poslova za izvoz
- Record backlog > 794 EUR million

- Power transmission and distribution - excellent results in revenues and order intake
- Rail solutions and infrastructure - continued delivery of trains to HŽ and trams to Liepaja
- Growth across all markets

- Results strongly impacted by one-off items
- Normalized EBITDA > 3,5 EUR million

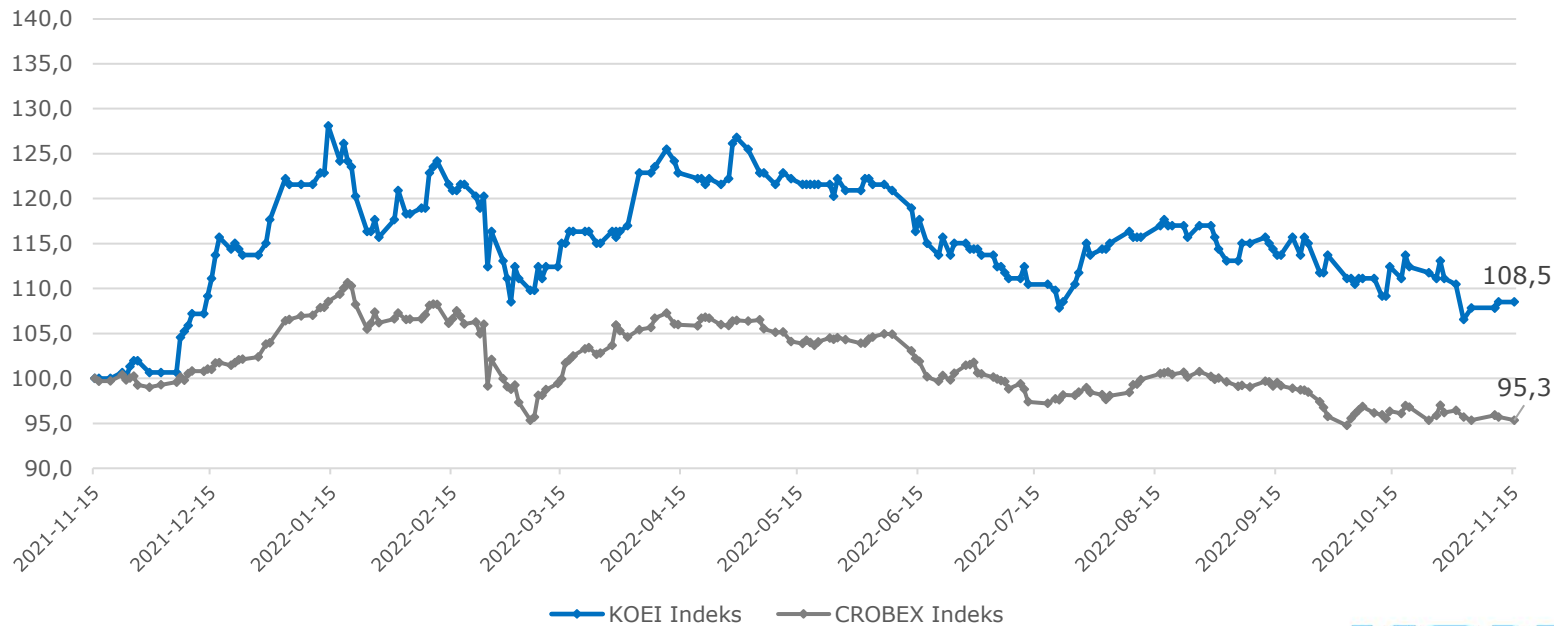
- Exceptional pressures on operational efficiency necessitate an appropriate response with consistent communication with customers and suppliers.

Key performance indicators

in 000 EUR	KONČAR		Index	Dalekovod	KONČAR Group	Δ	Index
	Q I-III 2021	Q I-III 2022	2022/2021	Q II-III 2022	Q I- III 2022		2022/2021
Operating income	330.872	431.807	130,5	70.371	501.096	170.223	151,4
Sales income - total	321.417	406.206	126,4	69.909	475.033	153.616	147,8
Sales income - export	199.268	248.307	124,6	55.330	303.673	104.405	152,4
Operating expenses	310.044	392.334	126,5	69.091	460.486	150.443	148,5
Operating profit	20.829	39.473	189,5	1.280	40.609	19.781	195,0
Operating margin	6,5%	9,7%		1,8%	8,5%		
Net profit	20.461	36.980	180,7	553	37.387	16.926	182,7
Depreciation and amortization	9.695	10.359	106,8	1.996	12.500	2.805	128,9
EBITDA	30.524	49.832	163,3	3.277	53.109	22.585	174,0
EBITDA margin	9,5%	12,3%		4,7%	11,2%		
EBITDA normalized	25.768	29.267	113,6	3.206	32.473	6.705	126,0
EBITDA margin normalized	8,0%	7,2%		4,6%	6,8%		
Cash balance (deposits+cash)	72.657	48.221	66,4	5.559	53.780	-18.877	74,0
Loans (long term + short term)	40.037	66.801	166,8	9.429	68.241	28.204	170,4
Order intake	448.329	532.395	118,8	56.127	588.509	140.180	131,3
"Back log"	667.817	794.006	118,9	134.470	929.559	261.742	139,2
Book -to- bill-ratio	1,39	1,31		0,80	1,24		

- Complexity, volatility and rapid unexpected changes of the business environment arise from the outbreak of the pandemic and the war in Ukraine.
- Day-to-day operations under pressure of surging prices of energy, raw materials and transport costs, rampant inflation.
- Uncertainty in the market, short credit terms and offer validity periods, challenging to forecast further developments, even short-term.

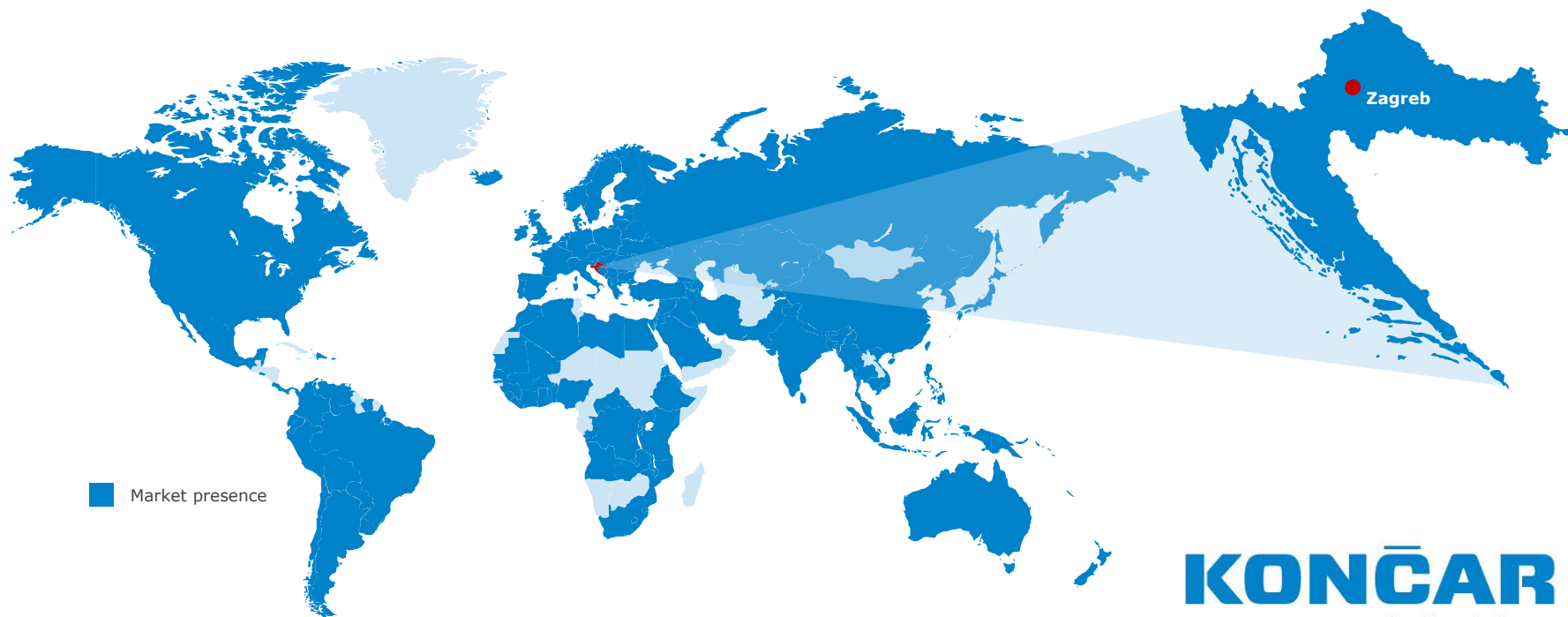
CROBEX and KOEI-R-A



3

Market overview

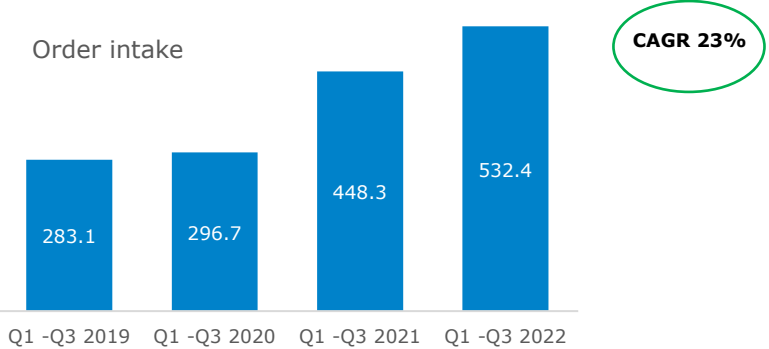
Market overview



■ Market presence

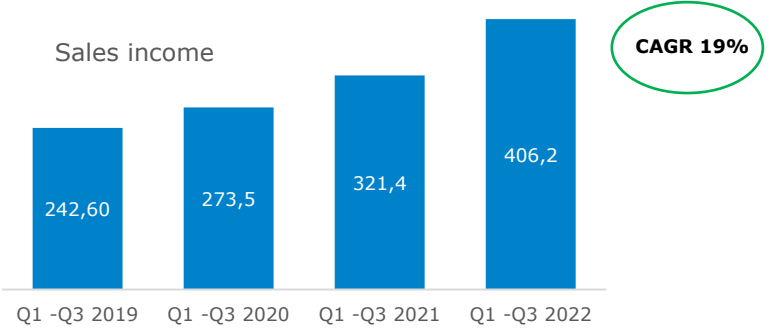
KONČAR
Inspired by challenge

Order intake growth continues...

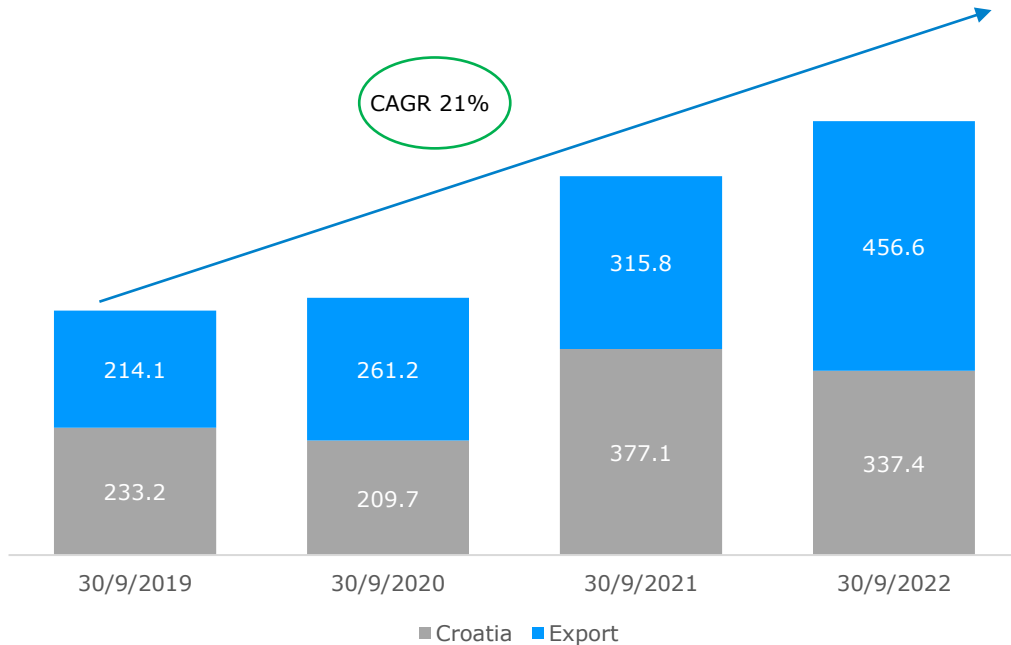


Following the integration of Dalekovod, income increased by an additional EUR 69.9 million with a rise in order intake of EUR 56.1 million.

Book-to-bill ratio
1.31



Backlog increase



Backlog amounts to EUR 794 million and is EUR 101 million higher compared to 31st December 2021.

With the integration of Dalekovod, backlog increased by approximately EUR 133.4 million and reached EUR 933.3 million.

New order intake by countries and regions

EU countries + 74.9	EUR million	% growth/decline
Germany	81.8	+50%
Sweden	53.9	+22%
Spain	28.4	+455%

Non-EU countries + 20.6	EUR million	% growth/decline
Great Britain	23.2	+211%
Norway	11.3	+58%
Switzerland	6.4	+133%

Neighbouring countries +18.8	EUR million	% growth/decline
North Macedonia	15.2	n/a
Bosnia and Herzegovina	7.4	131%
Albania	3.2	+9%

Asia & Africa +37.7	EUR million	% growth/decline
Iraq	33.9	n/a
U.A.E	4.9	-30%
China	3.4	+321%

America & Australia +1	EUR million	% growth/decline
USA	11.3	+42%
Australia	3.9	-4%
Canada	1.5	+151%

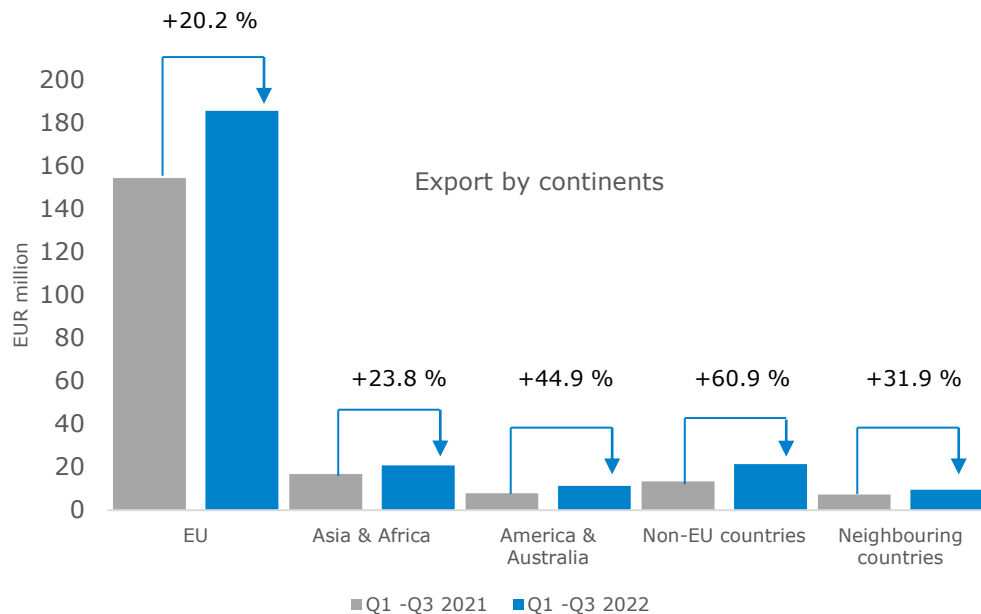


Export share

72%

including Dalekovod

Export growth across all markets



- Exports account for 61.1% of the total product and service sales income.
- In terms of export by individual countries, the most significant export volume pertained to the German market, amounting to EUR 44.4 million or 17.9% of total export.
- Income generated from the exports of products and services is up across all markets year-over-year.
- The most significant growth is recorded in the EU market with a rise in exports amounting to EUR 31.1 million. EU accounts for 75% of the total exports.
- Exports increased by EUR 55.3 million with the integration of Dalekovod, amounting to EUR 303.7 million at September-end. Dalekovod's exports significantly boost export to Sweden (by EUR 23.2 million) and Norway (by EUR 15.1 million).

Sales income by segment

000 EUR

Segment	Q1-Q3 2021	Share in total	Q1-Q3 2022	Share in total
Power generation	43,954	12.3	53,669	10.2
Power transmission and distribution	229,541	64.2	334,289	63.8
Transmission	76,158	21.3	139,516	26.6
Distribution	153,383	42.9	194,774	37.2
Rail solutions and infrastructure	53,688	15.0	76,942	14.7
Rail solutions	48,681	13.6	67,861	12.9
Rail infrastructure	5,007	1.4	9,080	1.7
Digital solutions	1,791	0.5	2,678	0.5
Other	28,374	7.9	56,618	10.8
Total sales unconsolidated	357,349	100	524,196	100.0
Intercompany eliminations	35,933		49,163	
Total sales income consolidated	321,417		475,033	

Year-on-year trend

Power generation

+22%

Power transmission and distribution

+46%

Rail solutions and infrastructure

+43%

Digital solutions

+49%

Other

+99%

KONČAR
Inspired by challenge

4

Dalekovod integration

Dalekovod

Initial recognition and one-off effects

- Following the session of the General Assembly of Dalekovod d.d., the conditions for acquiring control over Dalekovod Group companies and integration into KONČAR were met as at 1 April 2022. The Supervisory Board and the Management Board were constituted and corporate governance mechanisms were established.
- Pursuant to the International Financial Reporting Standard IFRS 3 - Business Combinations, when the acquirer obtains control of a business, it is required to measure the acquired assets and assumed liabilities at their fair values at acquisition date and to determine the difference between the fair value of the consideration and the fair value of the acquired net assets, which is recognized as goodwill or profit from a bargain purchase, depending which amount is higher.

Dalekovod

Dalekovod results for Q2-Q3 2022 only were integrated into KONČAR Group financial statements:

- Income in the amount of EUR 70.4 million
- EBITDA amounting to EUR 3.3 million
- Net profit stands at EUR 0.5 million
- Dalekovod boosted exports to Sweden by EUR 21.6 million) and Norway by EUR 15.1 million
- Order intake EUR 56.3 million, *backlog* EUR 133.4



5

Acquisition

Acquisition of equity share in Kodeks Sistemske Integracije and EXA Globe



- With its new strategy, KONČAR Group aims to create preconditions for accelerated development of business and organizational competencies in digital technologies which will partially be achieved through mergers and acquisitions.
- Over the course of 2020 and 2021 KONČAR analyzed its portfolio and market potential in the segment of digital solutions and software products, taking a deep dive into the state of internal competencies and organizational capabilities.

Acquisition of equity share in Kodeks Sistemske Integracije and EXA Globe

- In order to expand its portfolio of complex solutions and increase the market reach of the KONČAR Group, the company Končar – Digital d.o.o. recognized the opportunity to acquire majority shares in the companies Kodeks Sistemske Integracije d.o.o. and EXA Globe d.o.o.
- Kodeks Sistemske Integracije and EXA Globe are engaged in design, sale and implementation of network solutions.
- With this acquisition, Končar – Digital and the KONČAR Group are strengthening its competencies and expand the portfolio of products, services and digital solutions in power engineering, e-mobility, critical and urban infrastructure.
- In November 2022, Končar – Digital signed the Share Purchase Agreement with the current owners for the acquisition of 75% of share in Kodeks Sistemske Integracije d.o.o. and EXA Globe d.o.o.
- The Share Purchase Agreement defines, inter alia, a series of terms and legal actions which the seller shall perform for the purpose of the completion of the transaction and the acquisition.

6

Future outlook

Research and strategic development

KONČAR Group 2020+ Integral Strategy has introduced the initiative *Advancement of research, development and innovation (RDI) capabilities*. KONČAR - Electrical Industry Inc. as the parent company is dedicated to investments in strategic research projects which will produce long-term results to the benefit of KONČAR Group members. The project Principal is KONČAR – Electrical Engineering Institute.

Four strategic research projects include:

1. Embedded computer systems for the power industry and mobility
2. Laboratory for power systems and drives
3. Advanced materials, analyses and simulations
4. Advanced microgrids for the power industry and mobility

Sustainability

as the core of our business continuity



Decarbonizing our business

Decarbonized products, services and solutions for our customers

Climate neutral operations

Decarbonized supply chain



Responsible operations

• Inclusion & diversity
• Health & safety
• Cultural transformation

• Training & education
• Social engagement
• Anti-corruption & integrity

• Human rights
• Conservation of resources
• Circular economy



Sustainability

as the core of our business continuity

- As the regional leader in technological development and a company where social responsibility is deeply rooted in day-to-day operations, we are constantly developing new advanced solutions and business models that benefit of the community and the environment.
- KONČAR is one of the regional leaders in the green transition, and in 2012 it was the first company to develop and build the Croatian wind farm Pometeno brdo, in the hinterland of Split, with a total installed capacity of 20 MW.
- KONČAR Group companies use ZelEn products, i.e., energy generated solely from renewable sources. KONČAR - Infrastructure and Services was awarded a certificate for 2021, confirming that the company received 28,358 MWh of electricity from renewable sources for the supply of KONČAR Group. This contributed to a total annual decrease in CO₂ emissions of 4,497 tonnes.
- We contracted the construction of three new solar power plants for two customers, further strengthening the role of the leading regional company in the construction and revitalization of renewable energy plants.

Sustainability

as a business opportunity

- KONČAR – Electrical Industry Inc. and all Group companies pursue sustainability strategy in their operations.
- Transition to a clean circular economy and active participation in responding to climate change, constitute an integral part of the vision and strategy of KONČAR as a socially responsible company.
- Transformation of operations and implementation of sustainable manufacturing.
- We are dedicated to reducing consumption of natural resources, reducing production of hazardous and toxic substances, lowering emissions of harmful substances into the environment, waste management.
- All Group companies follow market trends and develop higher-efficiency products with ecological design.

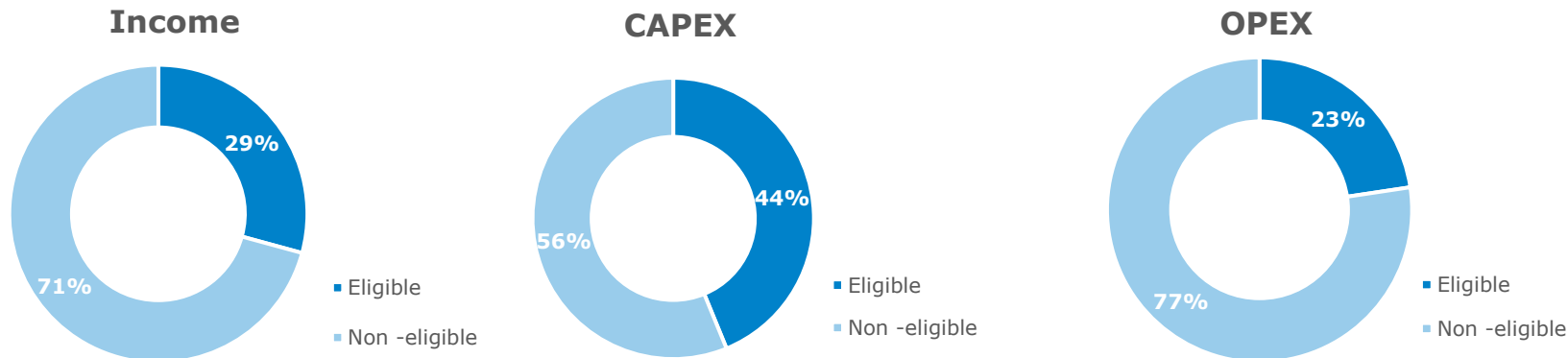
New product development for the green transition

- Hybrid trains
- Battery-powered trains
- Trams with increased battery autonomy
- Railway battery chargers for hybrid and battery-powered trains
- Resonant power converters for renewable energy applications
- Submersible aggregates with generators
- New digital protection relays and excitation controllers
- Digital platforms and applications for the power industry, mobility and urban infrastructure
- Medium voltage transformers and distribution transformers manufactured from new materials in compliance with emerging standards, oil immersed transformers comply with the standards IEC 60076, EN 50588-1 (Commission Regulation (EU) no. 548/2014 and 2019/1783), and, if necessary, other national standards and specific customer requirements.

Sustainability

EU Taxonomy

- In accordance with Taxonomy Regulation, KONČAR Group, publishes key performance indicators of KONČAR Group for 2021 in connection with services linked to economic activities that are deemed sustainable.



Future outlook

- The priorities of KONČAR Group going forward remain the same:
- Strong income growth with a further focus on export markets, profitability growth and the launch of a new investment and development cycle with a focus on sustainable development.
- By integrating Dalekovod into the operations of KONČAR Group, primarily into the segment of reconstruction and modernization of the power transmission and distribution grid, the portfolio of services and comprehensive solutions will be expanded, and the share of export income will increase, adding greater value.
- The war in Ukraine brings new instabilities and limitations, driving companies to be cautious and alert in decision-making.
- The Management of KONČAR Group has closely monitored the development of the situation and will take all available measures to mitigate the risk and invest additional efforts to order to realise the 2022 business plans.

Thank you for your time!

Končar – Electrical Industry Inc.

Fallerovo šetalište 22, 10000 Zagreb

phone: +385 1 3655 555

e-mail: ir@koncar.hr

www.koncar.hr

KONČAR
Inspired by challenge