



**KONČAR Group**  
Consolidated Annual  
Report 2025

**KONČAR**

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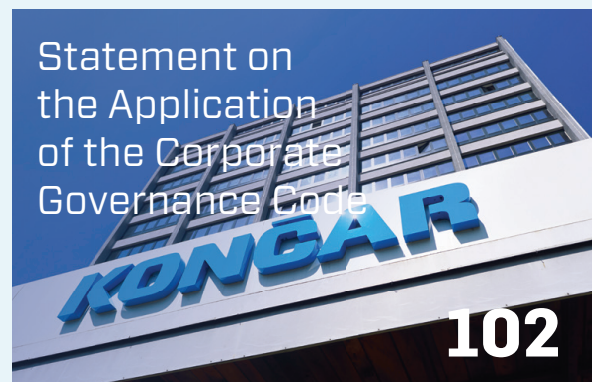
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# Management Report



# Key Indicators



Compared to 2024;  
Backlog compared to 31 December 2024



## Overview of KONČAR

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

KONČAR's core operations span the development and delivery of sophisticated solutions, products, and services across key sectors such as electricity generation, transmission, and distribution, urban mobility and infrastructure, and digital platforms and smart technologies.

These offerings encompass the full project lifecycle: from design, development, construction, and modernisation, to digital control, system integration, maintenance, field deployment, and technical consultancy.

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

Today, KONČAR Group employs more than 6,300 people. Behind every KONČAR success stands its people, from scientists, engineers, and technologists to production workers and all employees whose contribution underpins the Group's strong business performance.

Guided by its new 2030 Strategy, KONČAR continues its transformation with the objective of further strengthening its global presence through a digitalised product portfolio and a newly developed suite of solutions and services for the energy, transport, and industrial sectors.

# Management Report

## Statement by Gordan Kolak, CEO

The 2025 business year was one of the most significant for KONČAR in the past decade – a year of continued growth, international expansion, and strategic breakthroughs that further strengthened our position within the global energy, transport, and industrial ecosystem.

Despite geopolitical instability, disruptions in supply chains, and the accelerating energy transition, we've successfully maintained strong momentum through the consistent implementation of a clearly defined strategy and continuous investment in innovation, internationalisation, digitalisation, and operational excellence. This strategic approach enabled stable and sustainable growth for the Group even within a challenging global environment. Over the past year, we further reinforced our global market presence, developed a competitive portfolio of energy and transport equipment, and strengthened our capabilities through strategic acquisitions that enhanced our technological potential and accelerated access to new markets. The integration of acquired companies is being carried out in a structured manner, with a focus on knowledge transfer, productivity enhancement, and the creation of long-term synergistic value within the Group.

Among the most important strategic advances was the intensified development and application of dual-use technological solutions, confirmed by the signing of a Framework Agreement with the Ministry of Defence for the development and production of advanced counter-drone systems. This project positions KONČAR as a regional leader in advanced digital solutions for critical infrastructure. Digital transformation is becoming an increasingly important growth driver through the development of next-generation software solutions, digital platforms, and integrated energy systems that enhance our market differentiation.

At the same time, other business segments also recorded growth and further strengthened our market position. The electricity transmission and distribution segment, which accounts for three-quarters of total revenues, continued its stable upward trajectory, confirming its role as the Group's primary generator of business results. Key projects include the construction of the 400 kV Promina substation, a critical infrastructure hub for integrating renewable energy sources and supplying a large part of Dalmatia. The urban mobility and infrastructure segment experienced one of its most intensive years to date. The successful cooperation with HŽ Passenger Transport continued through new contracts for the delivery of



battery and electro-diesel trains. The commissioning of the first Croatian battery-powered electric multiple unit train, developed and manufactured by KONČAR, marked a historic milestone. Croatia thereby became the first European country to operate a battery-powered train in commercial service, while KONČAR joined the small group of global manufacturers of battery trains. Cooperation with GPP Osijek was also continued through the signing of a second individual contract for ten new trams to support the modernisation of Osijek's tram fleet. It is worth noting that all ten trams from the first contract had been delivered by the end of 2025. In the power generation segment, two contracts were signed with INA, within a consortium led with our long-standing partner Siemens Energy, for the construction of Croatia's first renewable hydrogen production facility. This strategically important project positions us among the regional leaders of the energy transition and opens new development opportunities in hydrogen-based technologies.

KONČAR's strong investment cycle was further confirmed by the completion of one of its key capital projects – the construction of a new transformer tank manufacturing facility. This modern production plant operates under KONČAR – Transformer Tanks, a Joint Venture owned 60% by KONČAR and 40% by Siemens Energy. This represents a significant milestone for domestic industry in an era of intensive energy transition and unprecedented demand for equipment and solutions in electricity transmission and distribution.

One of the most strategically important decisions made in 2025 was the localisation of part of our production in the United States. The signing of an agreement with Sanmina Corporation, a Fortune 500 company, paved the way for strengthening our presence in the U.S. market and developing medium-voltage transformers specifically tailored to local requirements. This partnership significantly enhances KONČAR Group's global reach and supports further successful internationalisation.

Increased market activity and favourable trends further supported growth in contract intake. As at the end of 2025, the value of open orders (backlog) reached EUR 2.7 billion, ensuring strong revenue visibility for the coming years, high capacity utilisation, and a solid foundation for continued growth and business stability.

Growth in contract intake and backlog was accompanied by revenue growth and excellent financial performance. Consolidated Group revenues amounted to EUR 1,320.0 million, representing an increase of EUR 265.6 million or 25.2% compared to 2024. The share of exports remained at a very high level of 68% of total revenues, with growth recorded across nearly all international markets. The strongest growth was achieved within the European Union, where revenues reached EUR 638.1 million, EUR 86.4 million more than in the previous year. Group profitability maintained a stable upward trend. Net profit amounted to EUR 222.4 million, an increase of EUR 58.1 million compared to 2024. Reported EBITDA reached EUR 242.0 million, up EUR 57.4 million, implying an EBITDA margin of 18.3%.

KONČAR's strong position in the capital market was further confirmed by the growth in market capitalisation, which exceeded EUR 1.8 billion at the

end of 2025. Record-high share prices were achieved during the year, reflecting strong investor confidence in our strategic direction and long-term business model. Additional confirmation of business quality and stability is provided by the fact that KONČAR received the Zagreb Stock Exchange's "Golden Share" award for the second consecutive year, an award recognising the most successful and liquid issuers in the domestic capital market.

Entering 2026, we remain focused on the execution of an ambitious investment cycle, strengthening technological capacities, developing new products, and further internationalising our operations. Over the next three years, we plan to invest EUR 550 million in expanding and modernising production capacities, increasing export competitiveness, and securing the conditions necessary for the continued growth and development of the KONČAR Group. We believe that the expertise and dedication of our people, combined with a clear strategic focus and a portfolio of high value-added solutions tailored to customer needs, will continue to be the foundation of sustainable growth and the creation of globally relevant value.

Alongside exceptionally strong business results, 2025 was also marked by the further strengthening of sustainability as an integral part of the KONČAR Group's strategy and everyday operations. Sustainability for us is not a standalone topic but a core element of our business model and corporate governance, grounded in the KONČAR Group Sustainability Strategy for the period 2024 – 2026. This approach was reinforced in 2025 through tangible results: more than 80% of our revenues were generated from taxonomy-eligible activities, while approximately 60% of total capital investments were directed towards these areas. This clearly demonstrates that our growth is already firmly anchored in technologies and projects aligned with the European energy and climate transition.

One of the most significant milestones was the development of a Climate Transition Plan, defining a clear long-term direction and priority measures to reduce greenhouse gas emissions in our own operations, while also establishing a framework for their gradual reduction across the value chain. At the same time, we continued to invest intensively in modernisation and development, with a strong focus on low-carbon technologies, renewable energy sources, digital solutions, and sustainable mobility, as well as on solutions that enable our customers to build more reliable, resilient, and environmentally sustainable infrastructure.

We attach equal importance to responsible management of our own impacts, through continuous reductions in our carbon footprint, more efficient use of resources, strengthening circular economy principles, and further enhancing transparency and accountability in corporate governance. Above all, we continue to invest in our people – their expertise, safety, professional development, and inclusion – because our employees are the cornerstone of long-term resilience and sustainable value creation within the KONČAR Group.

Gordan Kolak, MSc, BSc Eng.  
President of the Management Board




# Key Highlights of 2025

## Significant executed contracts

**Successful delivery of 20 low-floor trams to the City of Zagreb (ZET), thereby fully completing the contract signed in June 2023, as well as delivery of 10 low-floor trams to the City of Osijek (Gradski prijevoz putnika d.o.o.), completing the first individual contract signed in September 2023.**



Commissioning of the Kaštel Lukšić railway level crossing, the final site under KONČAR's contract for the supply and installation of level crossing equipment at 50 locations across Croatia within the "Sustainable Croatian Railways in Europe" project.

Completion of manufacturing and factory testing of a compact generator for the Chidori small hydropower plant in Japan. The generator has a rated power of 2,800 kVA, rated voltage of 6,600 V and rotational speed of 428.57 rpm.

Completion of testing of newly manufactured stators and rotors for the Egglfing and Braunau hydropower projects for the Austrian utility Verbund. A total of ten generators will be delivered to the two plants located on the River Inn, the natural border between Austria and Germany.

**Successful testing and customer acceptance of the first of three contracted 100 MVA, 170 kV power transformers for the Oudeland substation in the Netherlands.**



Delivery of air-insulated medium-voltage switchgear for the South Azizia substation, for the end customer Saudi Electricity Company, Kingdom of Saudi Arabia.

Delivery of a three-phase, two-winding 50 MVA transformer for the Avedøre substation in Denmark, as part of a carbon capture and storage (CCS) project. In line with the project's sustainability objectives, the transformer is filled with MIDELE 7131, a biodegradable ester-based insulating fluid.

Completion of the VEPAR project for Hrvatske vode, enhancing the hydrological monitoring system for surface waters and confirming KONČAR's expertise in the execution of complex digitalisation projects within critical public infrastructure.

**Completion of construction and commissioning of the 9.9 MW Gornji Humac solar power plant on the island of Brač, marking the conclusion of a two-year renewable energy project.**



Completion and handover of a 110 kV GIS facility for the 110/x kV Sarajevo 12 substation. In addition to representing KONČAR's first GIS installation on this market, the project provides a key reference for its fully in-house developed third-generation GIS technology.

**Entry into commercial operation of the first battery electric multiple unit (BEMU) developed and manufactured by KONČAR, making Croatia the first European country to introduce this type of train into regular passenger service.**



Delivery of 11 transformer monitoring systems for 65 MVA power transformers supplying data centres in Spain and Northern Ireland, for the end customer Amazon Web Services.

Delivery of 36 high-voltage instrument transformers (type VPT 420 kV, 110 kVA), utilising advanced insulating fluids under the GREENLINE programme, for six new substations of REN in Portugal.

# Key Highlights of 2025

## New major contracts

- A contract was signed with HEP - Proizvodnja for the supply, installation and commissioning of secondary equipment for generating units, auxiliary and other plant systems, as well as for civil works related to the reconstruction of the Senj Hydropower Plant. This agreement expands the scope of the overall refurbishment project, creating the conditions for a comprehensive reconstruction of the plant's equipment, systems and subsystems.
- Following the turnkey contracting of the new Tando substation with one of Sweden's largest distribution system operators, Ellevio, KONČAR was also awarded a contract by Vattenfall Eldistribution for the construction of the new Munksund substation.
- A new export market was secured for environmentally friendly instrument transformers from the GREENLINE series, covering 123 kV voltage and current transformers for installation in the distribution network of E.ON, Germany's largest distribution system operator.
- KONČAR was awarded a contract for the supply of equipment and execution of works for the Sarajevska Rectifier Station in Zagreb, which will provide traction power supply to the overhead contact network of the new tram line.
- In continuation of efforts to develop modern, efficient and sustainable public transport in Croatia, two contracts were signed with HŽ Passenger Transport for the production of 13 new trains – five electro-diesel units, four battery electric multiple units and four battery trains, as well as two charging stations.
- Cooperation with the public utility Elektroprivreda Hrvatske zajednice Herceg Bosne was further strengthened through a three-year framework agreement covering capital overhauls of generating units at the Mostar Hydropower Plant, as well as a separate contract for the capital overhaul of the turbine and generator at the Rama Hydropower Plant.
- A contract was secured with HEP - Proizvodnja for the construction of the Peruća small hydropower plant, located downstream of the existing hydropower facility. The scope includes the manufacture, installation and commissioning of complete electromechanical equipment, together with all associated civil works.
- A new contract was concluded with GPP Osijek for the delivery of ten additional trams under the existing framework agreement for fleet modernisation, continuing the successful partnership initiated by the first individual contract signed in September 2023.
- A turnkey contract was secured for the construction of the new 400 kV Promina substation in Šibenik-Knin County, a strategically important transmission asset that will significantly strengthen renewable energy integration into Croatia's power grid. The project was contracted with the Croatian subsidiary of Acciona Energía and will facilitate the grid connection of the future Promina solar power plant, expected to generate electricity for approximately 69,000 households.
- A contract was secured with a Swiss railway operator for the replacement of generator G1 with a new 30 MVA, 12 kV unit at the Wassen Hydropower Plant, representing an important entry into the Swiss market for this generator segment.
- In Slovenia, long-standing partner Hidroelektrane na Spodnji Savi awarded KONČAR the construction of two solar power plants near the Brežice Hydropower Plant, representing the Group's first utility-scale solar projects outside Croatia.
- A further security services contract was secured in the United Kingdom, underscoring the growing international recognition of KONČAR's advanced security solutions.
- Svenska kraftnät, Sweden's national transmission system operator, selected Dalekovod for the construction of a 36 km, 400 kV transmission line on the Odensala-Kappetorp section near Stockholm.
- As part of the Grain Belt Express project, one of the largest single investments in the US transmission network to date, KONČAR will supply 52 current and voltage instrument transformers rated between 38 kV and 420 kV for two converter substations, as well as 20 high-voltage reactors rated at 362 kV.
- A framework agreement was concluded with the Ministry of Defence for the development and production of counter-drone protection systems through 2029. The programme encompasses two fixed systems for safeguarding military critical infrastructure and two mobile systems, with KONČAR acting as system integrator and manufacturer of selected components.
- Acting in consortium with long-standing partner Siemens Energy, KONČAR concluded two contracts with INA Inc. for the development of Croatia's first renewable hydrogen production facility. The project encompasses the installation of a 10 MW electrolyser in cooperation with Siemens Energy, an 11 MW solar power plant and a hydrogen distribution facility with an annual production capacity of approximately 1,500 tonnes of green hydrogen, representing Croatia's first commercial-scale green hydrogen facility.
- Further strengthening its presence in the Nordic market, KONČAR secured a contract for the manufacture of a 99 MVA hydrogenerator for the greenfield Hemsil 3 Hydropower Plant project for Hafslund, Norway's second-largest electricity producer.
- In Sweden, contracts were secured for the refurbishment and revitalisation of generating units at the Sollefteåforsen and Storåströmmen Hydropower Plants, reinforcing the Group's lifecycle service presence in the Nordic hydropower market in cooperation with long-standing partner Fortum.



# Key Highlights of 2025

## Strategic partnerships, acquisitions, business transformation and awards

- Pursuant to the Joint Venture Agreement between KONČAR and Siemens Energy dated 12 July 2024, the conditions precedent for closing were fulfilled on 31 March 2025, whereby Siemens Energy Holding B.V. acquired a 40% ownership interest in KONČAR – Transformer Tanks Ltd. from KONČAR Inc. The company is engaged in the manufacture of transformer tanks. This strategic partnership enables a significant expansion of production capacity, the allocation of part of future output to Siemens Energy, mutual exchange of expertise, risk-sharing and substantially increased global market access for transformer tanks. The joint venture between two key partners in Europe's green transition builds upon their long-standing cooperation dating back to 1994 through the jointly owned company KONČAR – Power Transformers Ltd.
- A share purchase agreement was signed for the acquisition of a 75% majority ownership interest in HELB Ltd. This acquisition expands and enhances internal resources and competencies, increases system adaptability and further strengthens the Group's portfolio of products and services in the field of engineering for power infrastructure.
- KONČAR – Digital Ltd. entered into a share purchase agreement to acquire the remaining 25% ownership interest in KONČAR – Systems Integration Ltd., thereby becoming its sole shareholder. Effective 1 October 2025, KONČAR – Systems Integration Ltd. was merged into KONČAR – Digital Ltd., strengthening the Group's competencies and expanding its portfolio in the areas of equipment delivery, engineering, implementation and integration of network and IT infrastructure, including related application solutions for the management and supervision of critical and urban infrastructure.
- KONČAR – Metal Structures Ltd. entered into a share purchase agreement with Dalekovod jsc. for the acquisition of 100% of the shares in DALEKOVOD MK Ltd., and the transaction was successfully completed. This internal restructuring within KONČAR Group is expected to generate operational synergies, optimise and expand the production programme and establish a solid foundation for sustainable long-term operations.
- A statutory demerger (separation with takeover) of KONČAR – Metal Structures Ltd., as the company being divided, was subsequently implemented, whereby the business segment relating to the production of transformer tanks was separated and transferred to KONČAR – Transformer Tanks Ltd. as the receiving entity. KONČAR – Metal Structures Ltd. continues its operations with a focus on the production of components for generators, rolling stock and enclosed busbar systems.
- During 2025, KONČAR presented its solutions and technologies at 14 trade fairs and 13 professional conferences, achieving a record level of participation and significantly increasing the visibility of the KONČAR Group in both domestic and international markets. These activities took place in 15 countries worldwide, covering a total of 654 square meters of exhibition space (with some events held without dedicated exhibition areas). This overview does not include the numerous engagements of KONČAR experts as speakers and panelists at various professional conferences, where they actively contributed to panel discussions and conference programs.
- As part of its strategic expansion in the United States, KONČAR entered into an agreement with Sanmina Corporation, a Fortune 500 company, for the joint development of customised medium-voltage transformers and the exploration of broader cooperation opportunities to support growth in the North American market. Sanmina's development plans include the construction of a manufacturing facility in Texas dedicated to high-quality power products, including medium-voltage distribution transformers, instrument transformers and switchgear, thereby establishing a strong platform for KONČAR's long-term expansion in the region.
- KONČAR – Electrical Engineering Institute Ltd. commenced construction of the Large Electrical Drives and Machines Laboratory – LAVESP 2 in Bedekovčina. The investment, exceeding EUR 20.0 million, will provide state-of-the-art testing capacities for HVDC technologies and support the green energy transition.
- In the capital markets segment, KONČAR Inc. received the Zagreb Stock Exchange "Golden Share" Award for the second consecutive year, while KONČAR – Distribution and Special Transformers Inc. was awarded with the "Silver Share".
- The Group was also recognised for the third consecutive year by the Croatian Financial Services Supervisory Agency (HANFA) for excellence in compliance with the Corporate Governance Code among companies listed on the Official Market of the Zagreb Stock Exchange, underscoring its sustained commitment to robust governance standards.
- The growth in KONČAR's market capitalisation was recognised as the Business Event of the Year by readers of Večernji list and Poslovni dnevnik.
- At the 20th Convention of Croatian Exporters, "Golden Key" awards were presented to KONČAR – Distribution and Special Transformers Inc. as Best Large Exporter and to KONČAR – Power Transformers Ltd. as Best Large Exporter to the United Kingdom for 2024.
- KONČAR – Motors and Electrical Systems Ltd. received the Croatian Chamber of Economy ESG Rating Award for Best Sustainable Medium-Sized Company.

# KONČAR Group Key Performance Indicators in 2025

EUR 000	2019	2020	2021	2022	2023	2024	2025	2025/2024	CAGR 2025/2019
<b>OPERATING INCOME</b>	<b>381,842</b>	<b>401,655</b>	<b>471,731</b>	<b>725,260</b>	<b>908,029</b>	<b>1,066,153</b>	<b>1,337,880</b>	<b>25.5%</b>	<b>23.2%</b>
Sales revenue - total	373,077	394,526	461,537	703,872	894,079	1,054,377	1,320,019	25.2%	<b>23.4%</b>
Sales revenue - export	219,055	245,483	273,772	430,543	579,149	742,214	892,947	20.3%	<b>26.4%</b>
<b>OPERATING EXPENSES</b>	<b>376,266</b>	<b>390,346</b>	<b>445,984</b>	<b>675,346</b>	<b>835,741</b>	<b>906,546</b>	<b>1,124,884</b>	<b>24.1%</b>	<b>20.0%</b>
Operating profit	5,576	11,309	25,747	49,914	72,288	159,607	212,996	33.5%	<b>83.5%</b>
Operating margin	1.5%	2.9%	5.6%	7.1%	8.1%	15.1%	16.1%		
Net profit	6,908	16,932	28,056	49,128	70,902	164,353	222,427	35.3%	<b>78.4%</b>
Net profit margin	1.9%	4.3%	6.1%	7.0%	7.9%	15.6%	16.9%		
Normalised net profit	9,676	18,004	30,122	42,853	86,782	172,652	227,232	31.6%	<b>69.2%</b>
Normalised net margin	2.6%	4.6%	6.5%	6.1%	9.7%	16.4%	17.2%		
D&A	12,142	12,947	12,912	16,906	19,136	25,072	29,035	15.8%	<b>15.6%</b>
<b>EBITDA</b>	<b>17,718</b>	<b>24,255</b>	<b>38,659</b>	<b>66,820</b>	<b>91,424</b>	<b>184,679</b>	<b>242,031</b>	<b>31.1%</b>	<b>54.6%</b>
EBITDA margin	4.7%	6.1%	8.4%	9.5%	10.2%	17.5%	18.3%		
EBITDA normalised <sup>1</sup>	20,486	25,327	40,724	60,546	107,304	192,978	246,836	27.9%	<b>51.4%</b>
EBITDA margin normalised <sup>1</sup>	5.5%	6.4%	8.8%	8.6%	12.0%	18.3%	18.7%		
<b>Order intake</b>	<b>408,682</b>	<b>495,713</b>	<b>562,544</b>	<b>848,531</b>	<b>1,310,074</b>	<b>1,667,411</b>	<b>1,954,029</b>	<b>17.2%</b>	<b>29.8%</b>
<b>Backlog<sup>2</sup></b>	<b>462,566</b>	<b>563,752</b>	<b>661,901</b>	<b>1,006,543</b>	<b>1,422,538</b>	<b>2,035,572</b>	<b>2,669,582</b>	<b>31.1%</b>	<b>33.9%</b>
Book-to-bill ratio	1.1	1.3	1.2	1.2	1.5	1.6	1.5		

EBITDA normalised<sup>1</sup>: EBITDA adjusted by excluding gains from asset disposals, income from damage compensation, and increased by impairment adjustments on non current and current assets, as well as increased/decreased by the balance of provisions.

Backlog<sup>2</sup>: as at 31 December

# Group Results

## Operating income

In 2025, KONČAR Group generated consolidated operating income in the amount of EUR 1,337.9 million, representing an increase of EUR 271.7 million, or 25.5%, year-on-year.

The key components of operating income are as follows:

- Revenue from the sale of products and services (consolidated) amounted to EUR 1,320.0 million, which is EUR 265.6 million or 25.2% higher year-on-year.
- Other operating income totalled EUR 16.6 million, a increase of EUR 4.8 million year-on-year. In 2025, the most significant items within other operating income related to project co-financing income, gains on disposal of assets, compensation income, subsequently identified surpluses, and other income.
- A gain on bargain purchase in the amount of EUR 1.2 million was recognised in connection with the acquisition of a controlling interest in a Group subsidiary.

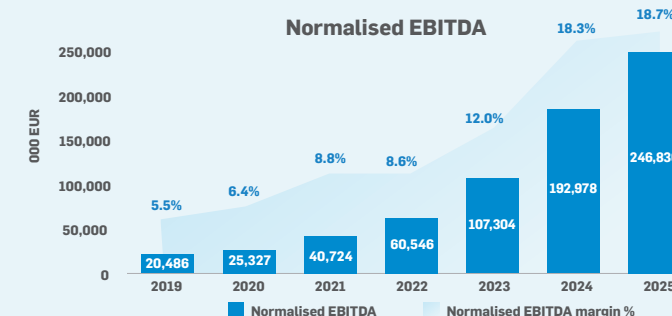
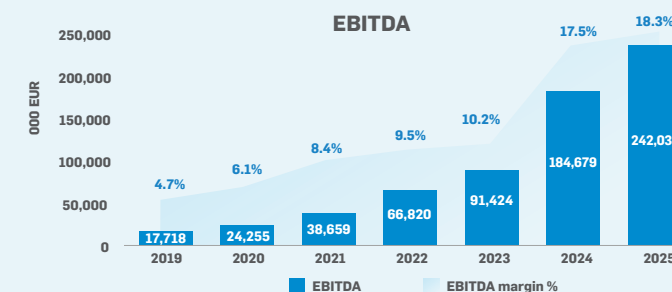
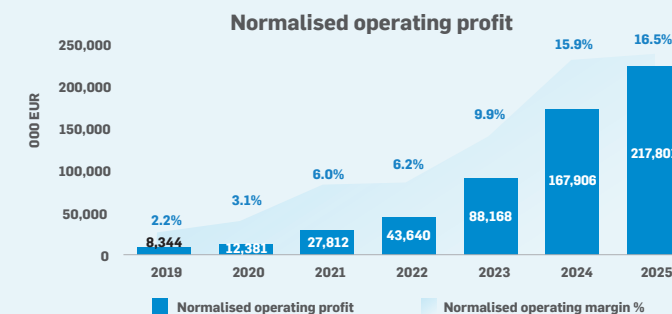
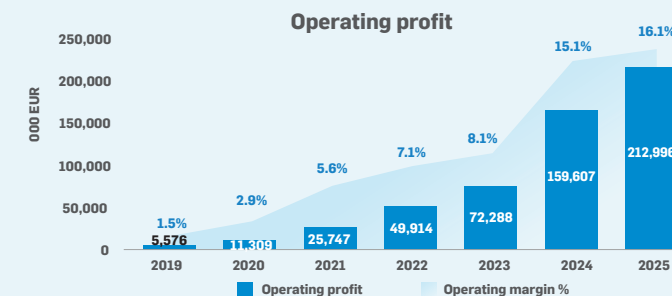
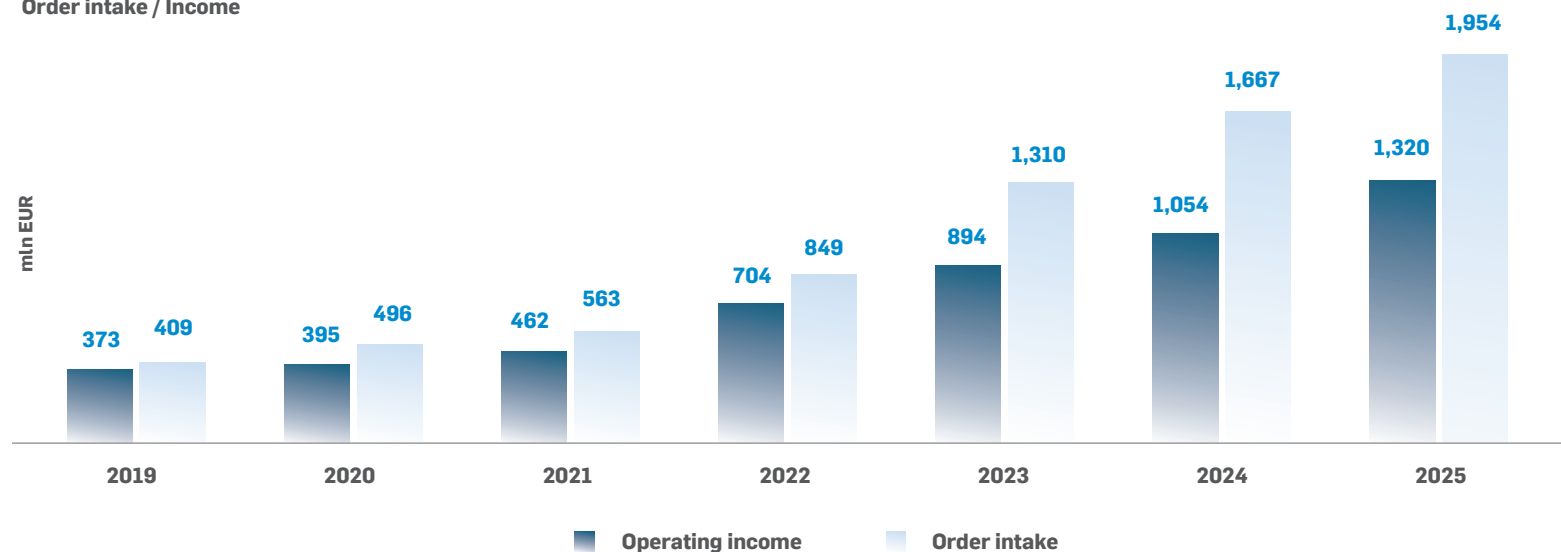
## Operating expenses

Operating expenses amounted to EUR 1,124.9 million, representing an increase of EUR 218.3 million, or 24.1%, year-on-year.

Breakdown of operating expenses:

- Material costs (comprising raw materials and supplies, cost of goods sold, and other external costs) amounted to EUR 780.1 million, up EUR 154.9 million, or 24.8%, compared with 2024. The share of total material costs in sales revenue, adjusted for the change in inventories, amounted to 58.2%, representing a decrease of 0.6 percentage points compared with the previous year. The share of raw materials and supplies in sales revenue adjusted for the change in inventories amounted to 42.1%, an increase of 0.5 percentage points year-on-year. The share of cost of goods sold decreased by 0.6 percentage points compared with the same period of the previous year and stood at 3.8%.
- Staff costs amounted to EUR 261.9 million, representing an increase of EUR 53.5 million, or 25.7%, year-on-year. The share of staff costs in adjusted sales revenue amounted to 19.5%, which is 0.1 percentage points lower than in 2024. In 2025, the number of employees increased significantly, with the average number of employees during the year reaching 6,079 (2024: 5,382).
- Other operating expenses amounted to EUR 69.3 million, an increase of EUR 16.3 million year-on-year. The most significant increases were recorded in business travel expenses (reflecting market expansion activities), costs related to banking and payment transaction services, and costs associated with professional services (including advisory services related to strategy development, preparation of the non-financial report, audit services, and other related services).

### Order intake / Income



## Share of Profit from Equity-Accounted Investments

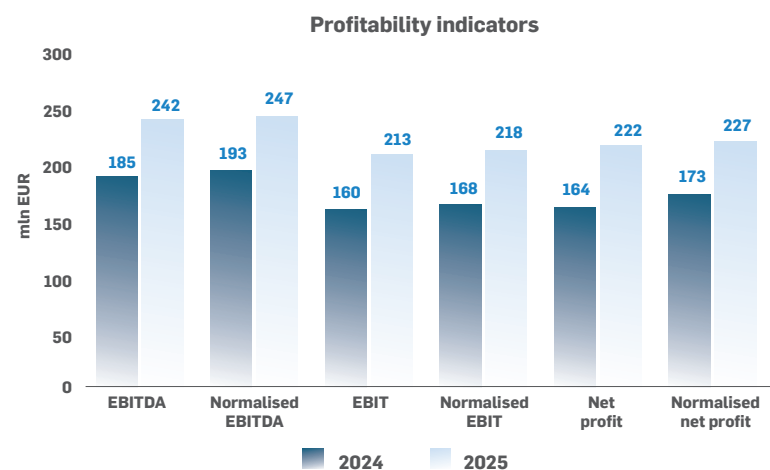
The associated company delivered a significantly improved financial performance compared to the prior year, recording net profit after tax of EUR 87.7 million (2024: EUR 51.7 million). The financial year of the associate differs from that of KONČAR Group and ends on 30 September. In accordance with the applicable financial reporting standards, the Group's share of results is recognised based on the associate's financial performance for the period from 1 January 2025 to 31 December 2025. Under the equity method, the total share of profit/(loss) of the associate and joint ventures amounted to EUR 45.0 million, up EUR 10.8 million year-on-year.

## Operating profit, EBITDA, Net profit

Excellent sales performance supported further growth across all key profitability indicators.

- Operating profit (EBIT) for the year amounted to EUR 213.0 million, marking a year-on-year increase of 33.5% compared to 2024. The EBIT margin increased by 1.0 percentage point to 16.1%.
- Reported net profit totalled EUR 222.4 million, reflecting a 35.3% increase relative to the previous year. Net profit margin stood at 16.9% (2024: 15.6%). Normalised net profit amounted to EUR 227.2 million, representing an increase of 31.6% compared with 2024. The normalised net profit margin stood at 17.2% (2024: 16.4%).
- EBITDA amounted to EUR 242.0 million, an increase of 31.1% compared with the EBITDA recorded in 2024. The EBITDA margin stood at 18.3% (2024: 17.5%). Normalised EBITDA amounted to EUR 246.8 million, up 27.9% compared with normalised EBITDA in 2024. The normalised EBITDA margin stood at 18.7% (2024: 18.3%).

Normalised indicators are calculated by adjusting the reported indicators for non-recurring items, specifically by excluding gains on disposal of assets and compensation income, and by adding impairment of non-current and current assets as well as the balance of provisions. In 2025, there were no significant income or expense items that materially affected the normalised indicators; accordingly, the reported and normalised key indicators remained at broadly comparable levels.



## Assets and Liabilities

As at 31 December 2025, the total assets of KONČAR Group amounted to EUR 1,622.3 million, representing an increase of EUR 374.7 million, or 30.0%, compared to the position as at 31 December 2024. Total equity and reserves stood at EUR 848.0 million, up EUR 197.9 million from the previous year.

Total liabilities, including both non-current and current, amounted to EUR 774.4 million, which is EUR 176.8 million higher than at year-end 2024. As at the reporting date, the Group's cash and cash equivalents amounted to EUR 242.7 million.

## Net Debt

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

EUR 000	31 Dec 2024	31 Dec 2025	Δ
Non - current liabilities for loans	1	0	-1
Non - current liabilities to banks and other financial institutions	29,044	43,322	14,278
Non - current liabilities for future lease payments	461	3,506	3,045
<b>Total Non - current liabilities</b>	<b>29,506</b>	<b>46,827</b>	<b>17,321</b>
Current liabilities to banks and other financial institutions	41,358	38,339	-3,019
Current interest payable	207	232	25
Current liabilities for future lease payments	279	1,404	1,125
<b>Total Current liabilities</b>	<b>41,844</b>	<b>39,975</b>	<b>-1,869</b>
<b>Total Debt</b>	<b>71,350</b>	<b>86,803</b>	<b>15,453</b>
Cash	147,964	242,715	94,751
Current financial assets	80,666	161,562	80,896
<b>Net Debt</b>	<b>-157,280</b>	<b>-317,475</b>	<b>-160,195</b>
<b>Net Debt/EBITDA normalised</b>	<b>neg</b>	<b>neg</b>	

Note: the calculation of net debt may differ from the amounts presented in financial statements prepared in accordance with IFRS, due to differences in the methodology for classifying and presenting individual items.

## Current Assets to Current Liabilities Ratio

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

EUR 000	31 Dec 2024	31 Dec 2025	Δ
Current assets and prepaid expenses	881,517	1,172,009	290,492
Current liabilities and deferred expenses	531,199	686,353	155,154
<b>Current ratio</b>	<b>1.7</b>	<b>1.7</b>	

## Cash Flow

Cash and cash equivalents at the year-end 2025 increased by EUR 94.8 million.

The increase reflects strong operating cash flow, which amounted to EUR 257.3 million for the January–December 2025 period. Cash flow from financing activities was negative at EUR 38.3 million, while cash flow from investing activities was negative in the period under review, amounting to EUR 124.2 million, primarily reflecting increased placements in term deposits, significant capital expenditure and outflows related to the acquisition of financial instruments.

EUR 000	2024	2025	Δ
<b>Cash flow from operating activities</b>			
Cash receipts from operating activities	1,172,229	1,473,744	301,515
Cash payments from operating activities	-961,409	-1,216,436	-255,027
<b>Net cash flow from operating activities</b>	<b>210,820</b>	<b>257,308</b>	<b>46,488</b>
<b>Net cash flow from investment activities</b>	<b>-153,322</b>	<b>-124,213</b>	<b>29,109</b>
<b>Net cash flow from financing activities</b>	<b>-63,357</b>	<b>-38,344</b>	<b>25,013</b>
Cash and cash equivalents at beginning of the reporting	153,823	147,964	-5,859
<b>Cash and cash equivalents at end of the reporting</b>	<b>147,964</b>	<b>242,715</b>	<b>94,751</b>

## Investment Cycle

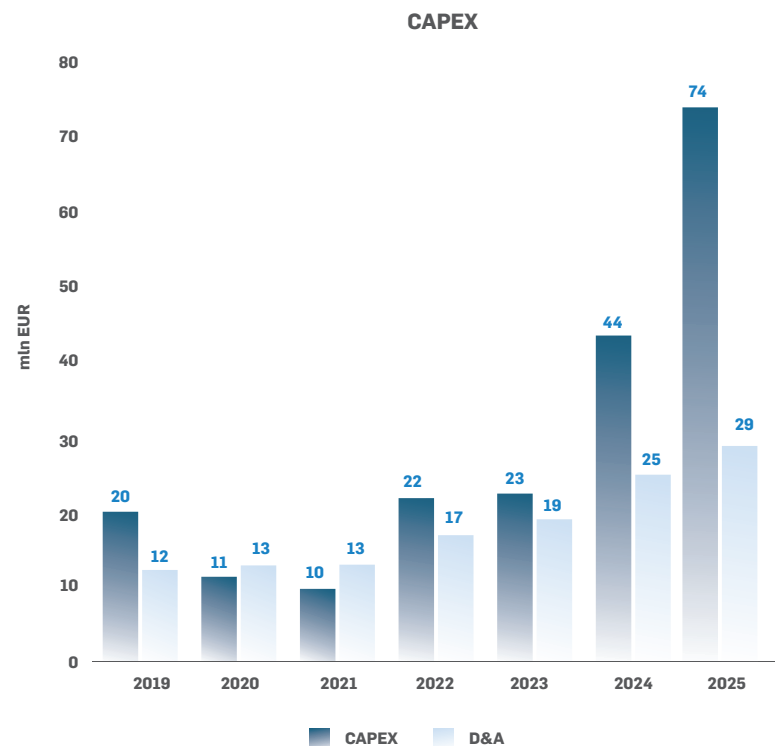
During 2025, KONČAR Group focused its investment activities on the expansion of production capacities, with a view to addressing growing demand and further reinforcing its market position.

Investments included the modernisation of existing equipment, the expansion of production lines, and the enhancement of technological processes. These strategic initiatives provide a solid foundation for the Group's sustainable growth and long-term competitiveness in both domestic and international markets. Capital expenditure on the acquisition of property, plant and equipment and intangible assets (CAPEX) amounted to EUR 74.4 million.

The largest share of investments in 2025 related to:

- the completion of construction and outfitting of the new transformer tank production facility
- the construction of the LAVESP 2 laboratory
- the modernisation of machinery, equipment and systems
- the expansion of production capacities across several Group companies

In 2026, the Group plans to continue its investment cycle through further investments in the expansion and modernisation of production, technological and operational capacities, continued digitalisation, and the development of sustainable technologies, primarily in the energy and transport sectors. Planned CAPEX exceeds EUR 140 million.



## Market Position

In 2025, the KONČAR Group achieved consolidated income from the sale of products and services in the amount of EUR 1,320.0 million, representing a year-on-year increase of EUR 265.6 million, or 25.2%, compared to 2024.

On the domestic market, sales revenue reached EUR 427.1 million, up EUR 114.9 million, or 36.8%, year-on-year. The share of domestic revenue in total revenue from the sale of products and services continued to trend upwards, reaching 32.4% in the period under review (January–December 2024: 29.6%). The increase in the domestic market share was mainly attributable to the execution of several significant contracts with domestic customers, including HŽ, ZET, GPP Osijek and HEP Group.

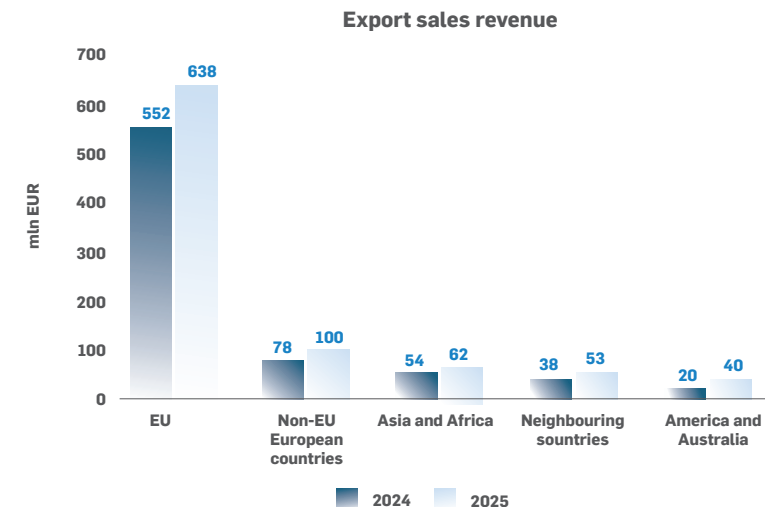
Within domestic revenue, revenue generated from companies within the HEP Group amounted to EUR 186.1 million, accounting for 14.1% of total consolidated sales revenue in 2025. Revenue from the HEP Group increased by EUR 63.7 million, or 52.0%, year-on-year.

Revenue generated from HŽ Group amounted to EUR 68.4 million, representing 5.2% of total sales revenue. Compared to 2024, revenue from HŽ Group increased by EUR 9.2 million, or 15.5%, with the majority relating to the execution of contracts with HŽ Infrastruktura. In addition, significant revenue contributions were recorded from ZET (EUR 38.8 million) and GPP Osijek (EUR 20.3 million), reflecting the execution and delivery of new low-floor trams for Zagreb and Osijek. By the end of December 2025, all trams covered under the first contracts with ZET (20 units) and GPP Osijek (10 units) had been delivered.

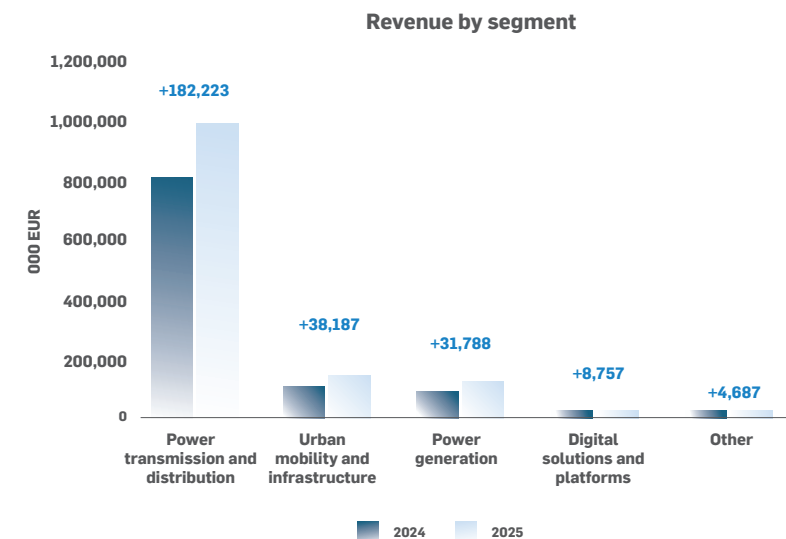
Revenue from international markets amounted to EUR 892.9 million, an increase of EUR 150.7 million, or 20.3%, compared to the corresponding period in 2024.

Sales increased across all key export regions year-on-year. The most significant absolute increase was recorded in the European Union, where export revenue rose by EUR 86.4 million, or 15.7%. Exports to the EU amounted to EUR 638.1 million, accounting for 71.5% of KONČAR Group's total export revenue. Revenue generated in non-EU European countries and neighbouring markets amounted to EUR 152.8 million, which is EUR 36.2 million, or 31.1% more compared to the same period last year. Revenue from Asia and Africa totalled EUR 61.7 million, representing an increase of EUR 7.8 million, or 14.5%, compared to 2024. Revenue from the America and Australia amounted to EUR 40.4 million, representing an increase of EUR 20.3 million, or 100.8%.

On a country-by-country basis, export growth continued across several core markets: in Germany revenue amounted to EUR 188.3 million, representing 21.1% of total exports and an increase of EUR 57.7 million, or 44.2%, year-on-year. In Sweden revenue totalled EUR 119.8 million, accounting for 13.4% of total exports, up EUR 10.1 million, or 9.2%, compared to 2024. In Norway revenue amounted to EUR 64.4 million, representing 7.2% of total exports and increasing by EUR 27.4 million, or 73.9%, year-on-year. In Austria revenue totalled EUR 51.9 million, accounting for 5.8% of total exports and decreasing by EUR 10.6 million, or 17.0%, compared to 2024.



In 2025, all reportable business segment/divisions delivered growth in sales revenue. The Power Transmission and Distribution division remained the Group's largest revenue generator and recorded the highest absolute growth, with sales revenue of EUR 985.6 million in the period under review, accounting for 74.7% of total Group sales revenue and increasing by EUR 182.2 million compared with the same period of the previous year. The Urban Mobility and Infrastructure division recorded sales revenue of EUR 143.7 million, an increase of EUR 38.2 million, or 36.2%, year-on-year.



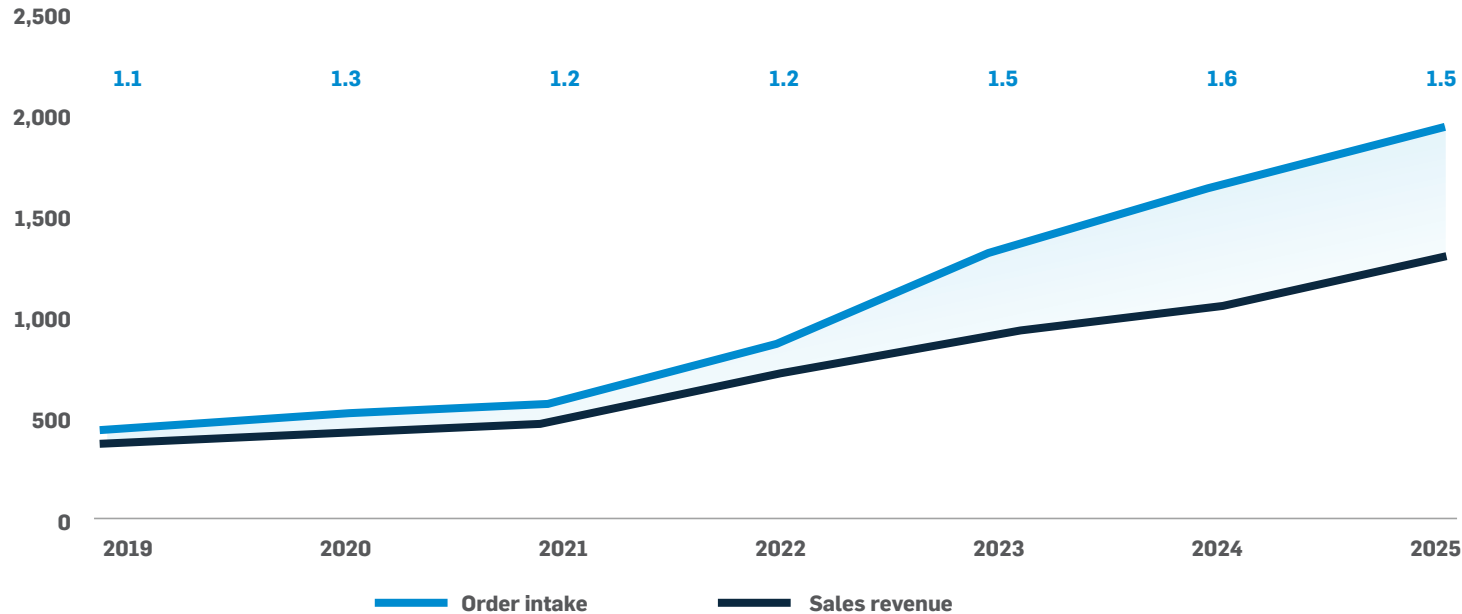
## Order intake and backlog

In 2025, the Group recorded new order intake of EUR 1,954.0 million, representing an increase of EUR 286.6 million compared to the same period in 2024. Order intake continued to exceed revenue recognition, maintaining the positive contracting trend observed in prior periods.

The book-to-bill ratio for the period January – December 2025 amounted to 1.5.

Order intake on the domestic market amounted to EUR 757.4 million, representing an increase of EUR 352.6 million year-on-year. The most significant share relates to contracts concluded with the HEP Group, totalling EUR 314.3 million and accounting for 16.1% of total Group order intake in 2025. Among the most notable domestic contracts are a Framework Agreement with the Ministry of Defence of the Republic of Croatia for the development and production of counter-drone protection systems through 2029, with a total procurement value of EUR 125 million, and contracts signed with HŽ Passenger Transport for the delivery of thirteen new trains, with a total contract value of EUR 117.9 million. The contracts cover the production of five electro-diesel units, four battery electric multiple units and four battery trains, as well as two charging stations. In addition, in a consortium with our long-standing partner Siemens Energy, two contracts have been signed with INA for the implementation of a renewable (green) hydrogen production facility at the Rijeka Oil Refinery, with a total value of EUR 22.5 million. The contracts are of particular importance as this is the first green hydrogen production plant of its kind in Croatia.

### Book-to-bill ratio



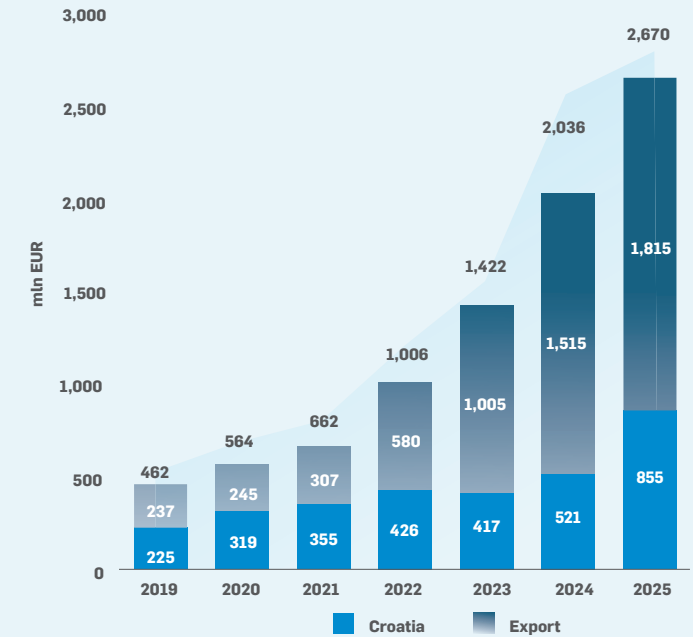
New orders on international markets totalled EUR 1,196.6 million. The majority of export order intake relates to European Union member states, amounting to EUR 933.4 million and representing 78.0% of total export orders. Compared to the same period in 2024, order intake increased on the markets of Asia and Africa, where contracts amounting to EUR 18.6 million were concluded, representing a year-on-year increase of 43.1%. Order intake also increased on the markets of the Americas and Australia, where EUR 16.6 million was contracted, up 45.0% compared to the prior year.

On a country basis, the highest level of order intake was recorded in Sweden, amounting to EUR 289.5 million, followed by Germany with EUR 282.5 million. A significant volume of new contracts was also concluded in the Netherlands, totalling EUR 73.7 million.

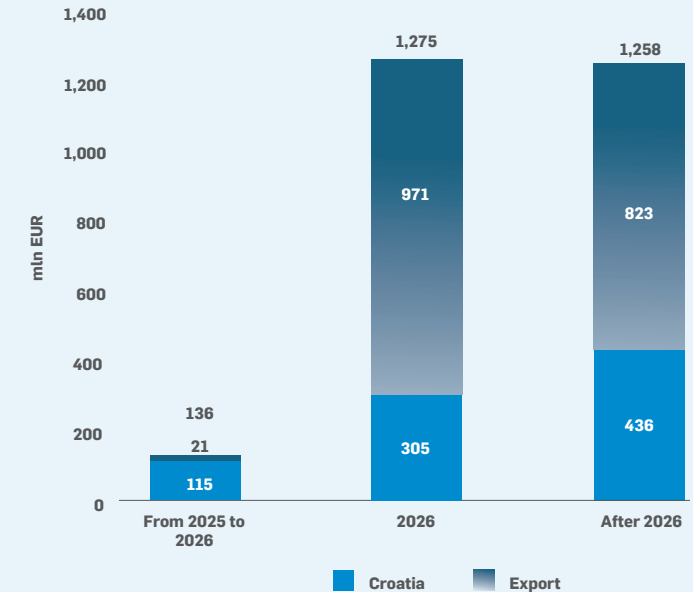
The backlog at the end of 2025 amounted to EUR 2,670.0 million, representing an increase of 31.1% compared with the level at the beginning of the year. Year-end backlog was higher by EUR 634.0 million compared with the position as at 31 December 2024 (EUR 2,035.6 million as at 31 December 2024).

Of the total backlog, contracts scheduled for execution in 2026 amount to EUR 1,411.4 million, while contracts scheduled for execution in subsequent years total EUR 1,258.2 million, representing 47.1% of the total backlog as at 31 December 2025.

### Backlog as at 31 December 2025



### Expected revenue from backlog



## Risk Management

KONČAR recognises the importance of continuously strengthening its integrated business risk management system (ERM – Enterprise Risk Management), through which the risks to which the Group is exposed are systematically identified, assessed and managed. The system forms an integral part of the Group's overall management framework and contributes to effective corporate governance by supporting the achievement of strategic objectives and the fulfilment of stakeholder expectations. Through the responsible assumption and management of risk in line with the defined risk appetite, the system underpins sustainable growth and long-term value creation.

Consistent with its business strategy and objectives, KONČAR has established a moderate risk appetite. The lowest risk appetite applies in the areas of compliance with laws and secondary legislation, occupational health and safety, and any risk that could adversely affect the Group's reputation. In pursuing its key strategic objectives, developing new products and entering new markets, KONČAR is guided by the motto "Inspired by challenges", which implies the careful consideration and, where justified, the assumption of higher risks, subject to appropriate mitigation measures.

The defined risk appetite underpins the risk management policy, which establishes a framework for systematic, consistent and effective risk management across the Group. The risk management policy and the related operational procedure are aligned with the principles of ISO 31000:2018 (Risk management – Guidelines), according to which risk management within the Group is:

- integrated into all activities across the organisation, through a structured and comprehensive approach that enables consistent and comparable results and is aligned with the internal and external context and objectives;
- inclusive, through the timely involvement of relevant stakeholders and due consideration of their knowledge, assessments and perceptions;
- dynamic, with the aim of ensuring the timely identification, monitoring and response to changes in the environment, in which risks may emerge, evolve or cease to exist;
- based on the best available information, while taking into account the associated limitations and uncertainties of such information, as well as the influence of human factors on risk management at all levels; and
- focused on continuous improvement through learning and the acquisition of experience.

In line with the defined risk management methodology, key strategic, operational and financial risks are regularly identified, analysed and evaluated within the risk register, risk owners are designated, and mitigation measures are defined and implemented. The process extends across all Group companies and organisational units.

The key risks identified in 2025, together with the corresponding mitigation measures, are set out below.

### Market risk

Market risk is the risk of potential losses arising from adverse economic conditions and a decline in market demand.

KONČAR's core operations span the development and delivery of sophisticated solutions, products, and services across key sectors such as electricity generation, transmission, and distribution, urban mobility and infrastructure, and digital platforms and smart technologies. Group companies operate across domestic and international markets, with demand for their products and services dependent on investment cycles in the relevant

sectors and on broader economic and geopolitical developments. Shifts in demand, market conditions and the competitive environment may affect contracting dynamics and the achievement of planned business results.

Despite geopolitical tensions and trade wars, inflationary pressures, and volatility in energy and raw material prices during 2025, continued investment in decarbonisation projects, renewable energy sources and electric mobility, particularly across the European Union, supported stable demand for power engineering equipment. Where necessary, the risk of unutilised production capacity is mitigated through insurance arrangements with state-owned and private agencies. By responding appropriately to these risks and capitalising on market opportunities in a timely manner, the Group delivered revenue growth and improved performance in 2025.

### Procurement market risk

In 2025, procurement-related risks remained pronounced due to continued elevated demand driven by the energy transition, limited supplier capacities, and global geopolitical and market disruptions.

Certain strategically important materials, including copper, transformer steel, aluminium and insulating materials, remain exposed to high price volatility, disruptions in logistics chains, concentrated supply among a limited number of manufacturers, and insufficiently rapid capacity expansion on the part of suppliers.

In addition, logistics risks remained elevated due to rising road and sea freight costs, shortages in transport capacity, and global geopolitical uncertainties affecting the availability of certain transport routes.

Against this backdrop, supplier stability and reliability become a key competitive advantage. The Group therefore pursues measures to reinforce supply chain resilience, including long-term contracting for critical materials, securing production capacity, diversifying sourcing, using sliding-scale arrangements where necessary, and systematically monitoring market and geopolitical developments. Changes in material prices are factored into pricing calculations in the preparation of new product offers.

### Technological and development risks

Technological and development risks primarily relate to the possibility that existing technologies, production processes or available capabilities may prove insufficient to meet new technical and functional requirements in a timely manner, as well as to the risk of technological obsolescence relative to competitors.

These risks are mitigated through continuous investment in key technologies and strategically important production segments, the development of new products, the upgrading of existing products, and continued investment in employee capabilities. These activities are aligned with the adopted strategy and segment-specific development initiatives, and significant further investment in this area is planned in the coming period.

### Human capital risk

Risks associated with the potential departure of skilled employees, as well as the limited availability of suitably qualified personnel in the labour market, may affect the Group's operations, including the timely delivery of products and services, the pace of development, and the costs of recruitment and employee replacement. The Group manages these risks through investment in the professional development of existing employees, timely workforce planning, and measures aimed at improving working conditions and strengthening its employer brand.

### Cybersecurity risks

Cybersecurity risks may adversely affect the continuity of business processes and result in the loss of confidential data and financial loss. The Group manages these risks through continuous investment in and enhancement of its information security management system, as well as through employee training and awareness-raising.

### Capital management risk

KONČAR Group manages its capital with the objective of ensuring long-term business continuity while maximising shareholder returns through the optimisation of its capital structure. The Group maintains a disciplined approach to capital allocation, balancing strategic investment needs with prudent financial leverage, thereby preserving flexibility and resilience in both domestic and international markets.

### Foreign exchange risk

The Group's exposure to foreign exchange risk is limited, as most of its revenue is generated in the European Union market. However, a portion of revenue and procurement is denominated in currencies other than the euro. Changes in exchange rates may affect revenue, procurement costs and profitability. To mitigate this risk, the Group actively monitors its exposure and applies appropriate measures, including matching foreign currency inflows and outflows and foreign currency-denominated monetary items in the statement of financial position, as well as using forward contracts with banks.

### Interest rate risk

Group companies also have limited exposure to interest rate risk, as the majority of borrowings are contracted at fixed interest rates, while most assets are non-interest-bearing.

Through the use of fixed-rate borrowings, Group companies largely avoid interest rate risk. The Group maintains a low level of indebtedness and is therefore not materially exposed to such risk. The estimated impact of a reasonably possible change in interest rates on profit or loss is immaterial.

### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss for the other party. Timely assessment of customer creditworthiness, combined with the application of appropriate security instruments, is key to the effective management of credit risk. The Group mitigates this risk through payment security instruments (such as letters of credit, guarantees, promissory notes and similar instruments), credit assessments performed in cooperation with external rating and creditworthiness agencies, and, where contracts carry elevated risk, insurance policies arranged with state-owned or private agencies.

Group companies recognise impairment allowances for trade receivables as an estimate of expected credit losses on receivables and investments.

### Liquidity risk

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



## 2026 business plan and outlook

At its session held on 11 December 2025, the Supervisory Board of KONČAR Inc., acting on the proposal of the Management Board, approved the consolidated business plan of the KONČAR Group for 2026.

The 2026 plan builds on the Group's exceptionally strong backlog, which exceeded EUR 2.7 billion by year-end 2025.

Total consolidated revenue for 2026 is projected to exceed EUR 1.4 billion, with export sales expected to remain the dominant source of income. The share of exports in total revenue from the sale of products and services is forecast to exceed 70%. The European Union will continue to be the Group's most important export market, with Germany, Sweden, Norway, and the Netherlands identified as the key individual countries.

In 2026, the Group plans to continue its investment cycle through further investments in the expansion and modernisation of production, technological and operational capacities, continued digitalisation, and the development of sustainable technologies, primarily in the energy and transport sectors.

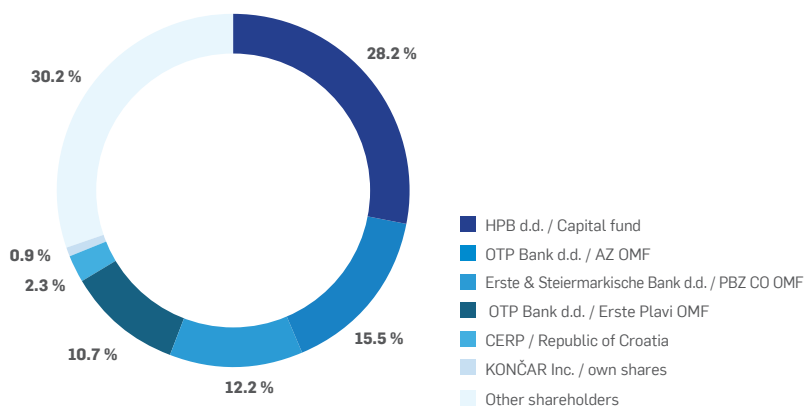
Planned CAPEX exceeds EUR 140 million.

In the year ahead, KONČAR is expected to build on its strong business performance despite geopolitical challenges, while continuing to generate value for all stakeholders and reinforcing its role as one of the key drivers of Croatian economic development.

## Capital market

### Ownership structure

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



In 2025, the share price of KONČAR Inc. recorded significant growth. The share price at the beginning of the year amounted to EUR 464.0, while at year-end it reached EUR 700.0. As at 31 December 2025, market capitalisation amounted to approximately EUR 1.8 billion, representing an increase 57.8% compared to the last day of the previous year.

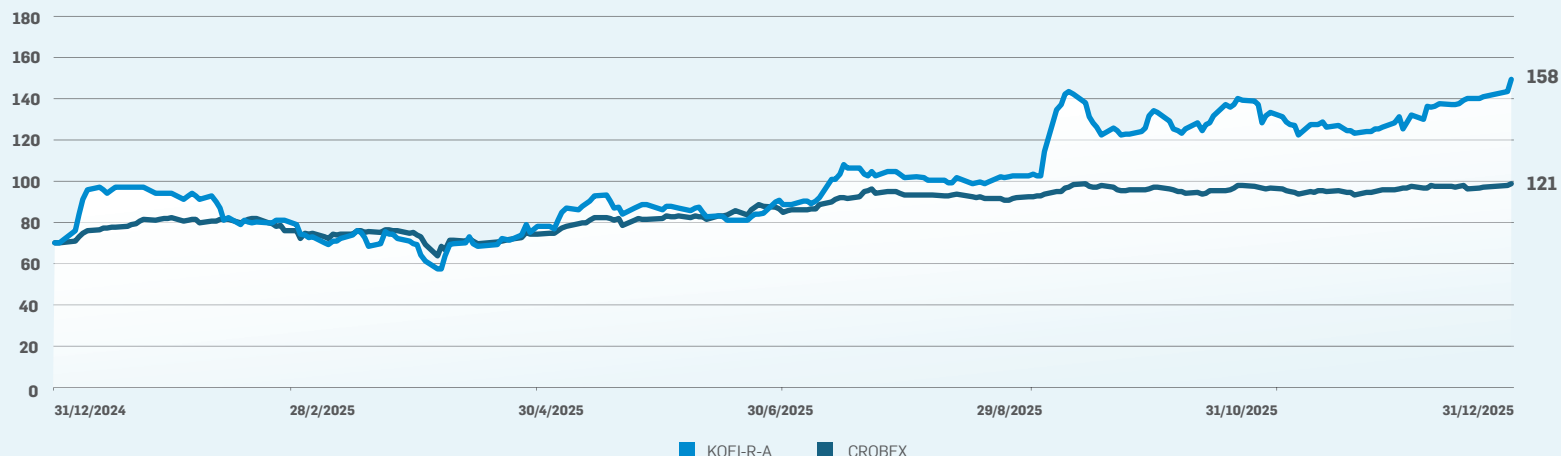
Earnings per share attributable to owners of the parent company amounted to EUR 57.65, representing an increase of 43.1% compared to the corresponding period in 2024. The Annual General Meeting of KONČAR Inc. was held on 12 June 2025. A dividend of EUR 3.00 per share was distributed to shareholders from the profit generated in 2024.

As at 31 December 2025, KONČAR Inc. held 23,700 treasury shares, representing 0.92% of the total 2,572,119 issued shares. The nominal value per share is EUR 62.00.

KOEI-R-A	31 Dec 2024	31 Dec 2025	Index
Last price (EUR)	444.0	700.00	157.7
Highest price (EUR) *	462.0	720.00	155.8
Lowest price (EUR) *	184.0	391.00	212.5
Volume *	122,537	416,772	340.1
Turnover (EUR) *	39,110,412	240,933,080	616.0
Market capitalization (EUR)	1,130,784,972	1,783,893,300	157.8
EPS (Earnings per Share) (EUR)	40.29	57.65	143.1

\*for period January - December

### KOEI share price index performance and CROBEX value over the past year



### Managerial Transactions

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

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

#### Management Board

Name and surname	No. of shares	Share capital &
Gordan Kolak - president of the Management Board	997	0.0380%
Petar Bobek - member of the Management Board	273	0.0106%
Miki Huljić - member of the Management Board	500	0.0194%
Ivan Paić - member of the Management Board	273	0.0106%
Mario Radaković - member of the Management Board from 1 January 2025*	-	-
Josip Lasić - member of the Management Board until 31 December 2024	564	0.0219%

#### Supervisory Board

Name and surname	No. of shares	Share capital &
Joško Miliša - president of the Supervisory Board	100	0.0039%

\*A member of the Management Board was appointed at the beginning of 2025 and, as at the reporting date, does not hold any shares. The allocation of shares is expected in 2026, in line with the business results for 2025.

### Investor Relations

Throughout 2025, the Company maintained continuous and transparent communication with the investment community. During the year, two presentations were held following the publication of results. In addition to these scheduled briefings, the Group actively participated in various domestic and international investor conferences, and held a significant number of one-on-one and group meetings with both local and foreign investors.

Active communication with financial analysts and investors contributes to a stronger understanding of the Company's and KONČAR Group's operations, supports high standards of transparency, and further strengthens investor confidence.

All presentations delivered to analysts and investors are available on the Company's website <https://www.koncar.hr/en/presentations>.

### Environmental, Social and Governance (ESG) Reporting

Under the Accounting Act (Official Gazette Nos. 85/24, 145/24 and 151/25) and the legislative framework based on the European Union's CSRD directives, KONČAR is subject to an obligation to prepare a Sustainability Report.

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

# Sustainability report for 2025

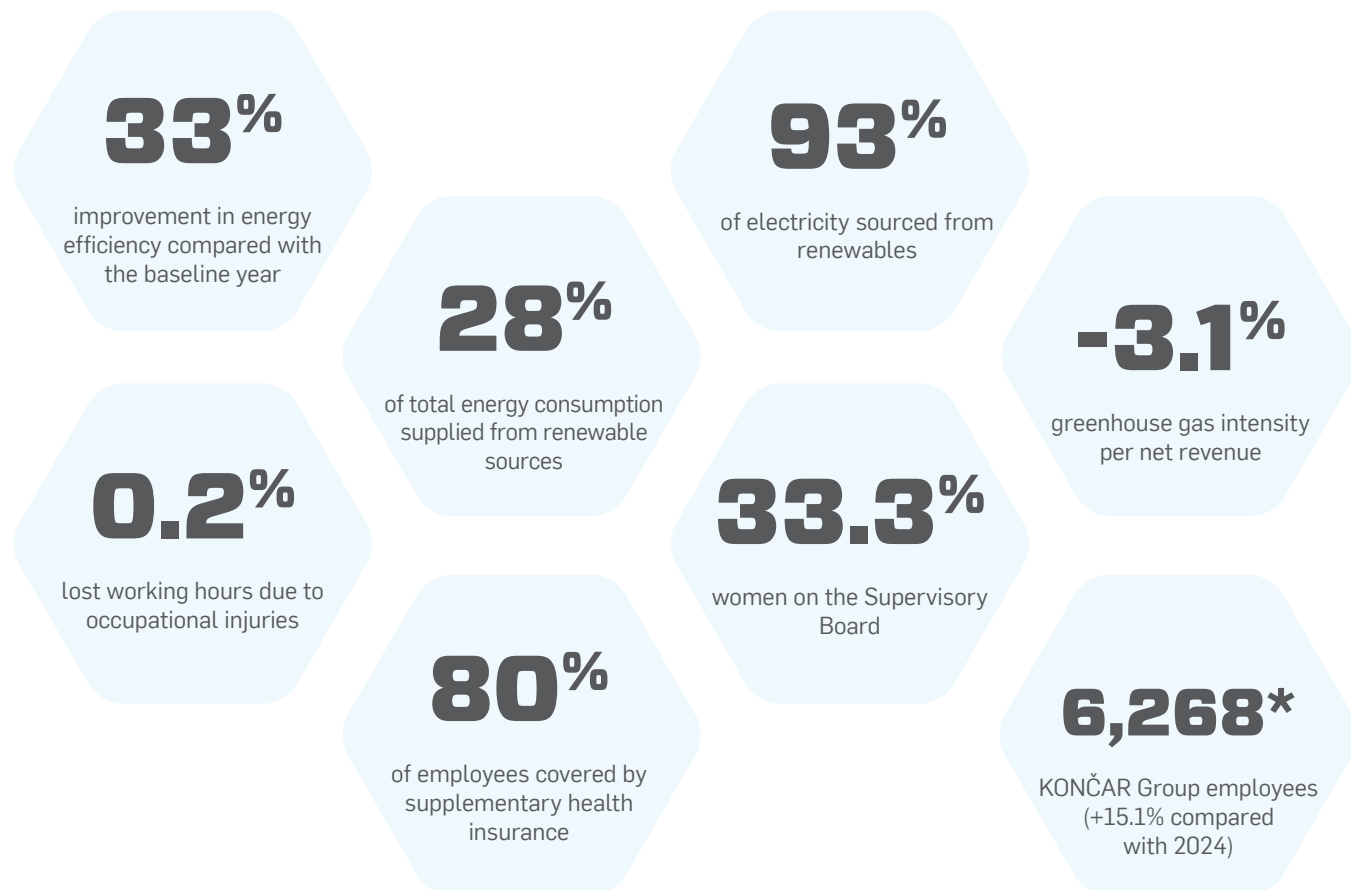
**KONČAR** Group



# KONČAR Sustainability 2025 /At a Glance

In 2025, the KONČAR Group continued to link business growth with the implementation of the Sustainability Strategy 2024–2026 and developed the Climate Transition Plan as the key implementation instrument of the “Net Zero Future” strategic priority. Across its strategic focus areas – climate and resources, employees and communities, and responsible governance – the KONČAR Group continued to increase the share of renewable energy, strengthen energy efficiency, enhance employee safety and well being, promote equality and diversity in leadership, and reinforce responsible relationships throughout the value chain.

## Key figures for 2025:



\*As at 31 December 2025, in accordance with the consolidated financial statements of the KONČAR Group, the Group had 6,345 employees (see KONČAR Group Consolidated Financial Statements – 1. General Information About the Group).



## THREE STRATEGIC AREAS

### **E** Climate and resources

In 2025, the KONČAR Group continued to implement its strategic priorities in climate and resources, with a strong focus on decarbonisation, energy efficiency and the circular economy. During the year, the Climate Transition Plan was developed as the key implementation instrument of the Sustainability Strategy 2024–2026 and the “Net Zero Future” priority, setting out the Group’s decarbonisation targets and pathways. At the same time, the Group achieved a 33% improvement in energy efficiency compared with the baseline year, 28% of total energy consumption was supplied from renewable sources, the share of electricity sourced from renewables reached 93%, and the Group’s own photovoltaic power plants covered around 10% of its total electricity consumption.

In the area of circular economy, the KONČAR Group continues to strengthen its data foundations and operational practices. The Sustainability Strategy sets the goal of reducing waste generation and ensuring the efficient and responsible use of resources in production, supported by a higher share of recycled materials, more sustainable inputs and improved management of end of life processes for products.



### **S** Employees and communities

In 2025, the KONČAR Group continued to strengthen the safety, well being and long term sustainability of its workforce. The total number of employees increased to 6,268, representing a 15.1% rise compared with 2024. This employment growth reflects the expansion of business activities, the intensification of project work and the effects of acquisitions completed during the reporting period.

With respect to occupational health and safety, the low percentage of lost working hours due to workplace injuries was maintained at 0.2%, while 80% of employees were covered by supplementary health insurance.

At the same time, progress has been achieved in diversity and employee development. Women represent 19% of the highest management level, and the KONČAR Group was recognised for the second consecutive year with the Equal Pay Champion certificate. This confirms the Group’s continued commitment to inclusion, equality and long term attractiveness to new generations of employees.



### **G** Responsible governance

In 2025, the KONČAR Group further strengthened its framework for responsible and ethical governance. The Corporate Governance Rules and the KONČAR Inc. Code of Conduct were updated, and a new Supplier Code of Conduct for the KONČAR Group was introduced, further reinforcing the connection between corporate culture, risk management and accountability across the value chain.

In the reporting period, as in the previous year, the KONČAR Group recorded no convictions or monetary fines for breaches of anti corruption or anti bribery regulations. Progress was also achieved in supplier payment practices: the average number of days payable decreased from 92 in 2024 to 72 in 2025. In the area of diversity at the highest governance level, women accounted for 33.3% of the Supervisory Board, further contributing to diversity of perspectives in the decision making process.



# General information



# General disclosures

ESRS2

## General basis for preparation of the sustainability report

BP-1

The KONČAR Group Sustainability Report has been prepared for the reporting period from 1 January to 31 December 2025. This is the second Sustainability Report of the KONČAR Group prepared in accordance with the requirements of the Accounting Act and the European Sustainability Reporting Standards (ESRS), as mandated by the European Corporate Sustainability Reporting Directive (CSRD) and Article 8 of the EU Taxonomy Regulation.

Sustainability reporting for the KONČAR Group is carried out at the same consolidation level as the preparation of the consolidated financial statements and includes the parent company KONČAR – Electrical Industry Inc. for production and services (hereinafter: “KONČAR Inc.”) and its subsidiaries (collectively: the “KONČAR Group”). Detailed information on ownership interests, consolidation methods, and the structure of the KONČAR Group is presented in Notes 2.28 Subsidiaries, 16. Investments accounted for using the equity method, 2.1 Basis of preparation, and 2.2 Investments in associates and joint ventures.

The Report includes information on material impacts, risks, and opportunities (IRO) identified through the double materiality assessment, covering the upstream and downstream value chain as well as the KONČAR Group’s own operations. Value chain information is included to the extent necessary for understanding the material impacts, risks, and opportunities associated with the KONČAR Group’s business model and activities, with the scope and level of detail adjusted in accordance with the substance and materiality of each topic. Where relevant, the KONČAR Group’s policies, actions, and targets are designed to extend across the entire value chain.

The KONČAR Group has not made use of any exemptions allowing for the omission of information that could affect the understanding of material sustainability-related impacts, risks, and opportunities, in accordance with the relevant ESRS provisions.

## Disclosures in relation to specific circumstances

BP-2

The time horizons applied in this Report are short-term (one year), medium-term (one to five years), and long-term (more than five years). For climate resilience assessment and scenario analysis, a long-term horizon has been applied, in line with relevant climate scenarios defined by the Intergovernmental Panel on Climate Change (IPCC).<sup>1</sup>

Assessments within the value chain, including the sources of estimates and the related uncertainties of outcomes, are described in each relevant section of this Report, together with details regarding their application, underlying assumptions, and calculation methods.

Certain ESRS E1-6 disclosure requirements rely on estimates and secondary data, given the limited availability of information from key customers and suppliers, such as supplier-specific emission factors for particular product categories, the share of recycled content in purchased materials, or customer use phase data. These gaps are expected considering the large and globally dispersed network of customers and suppliers across the upstream and downstream value chain.

Furthermore, information relating to future periods, including targets, plans, expected effects of measures and scenario analyses is inherently subject to uncertainty. Actual results may differ from expectations due to changes in the regulatory framework, market conditions, technological developments, data availability and other external factors.

All data have been collected and analysed through internal management and reporting systems, with details on the methodology, data sources, and responsibilities provided within the sections related to each material topic throughout this Report. Each organisational unit that owns specific data is responsible for ensuring their accuracy, completeness, and timeliness. In the relevant sections of the Report, indicators for which there are limitations in the scope of reporting are clearly identified, together with the reasons for the unavailability of information in this reporting period and a description of planned or ongoing activities aimed at improving data quality and achieving full consolidation in future periods.

All disclosed indicators, except greenhouse gas emissions, relate to the company’s own operations. The calculation of greenhouse gas emissions covers own operations as well as the upstream and downstream parts of the value chain, applying the GHG Protocol and ESRS requirements.

Scope 3 greenhouse gas (GHG) emissions from the upstream value chain have been calculated using a hybrid approach combining several activity based methods: supplier specific data, average data methods, distance based methods, and the spend based method.

The quantification of emissions, particularly within Scope 3, partially relies on secondary emission factors and estimates due to the currently limited availability of primary data in certain parts of the supply chain. This approach is necessary given the variability of available factors and the high complexity of the value chain, with the most relevant internationally recognised databases being used to ensure maximum accuracy and conservativeness of the calculations.

### Changes in the preparation or presentation of sustainability information

No significant changes have been made to the general approaches applied in the preparation and presentation of sustainability information compared with the previous reporting period.

### Disclosures arising from other regulations or generally accepted sustainability reporting practices

A portion of the data is based on estimates, particularly within the value chain, due to the limited availability of primary data and is therefore subject to a certain degree of uncertainty. In cases where additional regulatory frameworks, standards, or guidelines which are not part of the mandatory ESRS were applied in the preparation of this Report, such application is explicitly indicated within the relevant topical sections. Each such disclosure clearly identifies the additional frameworks or regulations referred to, along with an explanation of their application and purpose. The application of these additional frameworks serves solely a supplementary and informative purpose and does not affect the scope, structure, content, or interpretation of the mandatory disclosures in accordance with ESRS requirements. All information deemed material within the meaning of ESRS has been identified, prepared, and disclosed in full compliance with the ESRS, regardless of any parallel references to other frameworks.

### Use of transitional provisions

The KONČAR Group applies the transitional provisions foreseen in Appendix C of ESRS 1 for the 2025 reporting year and discloses the requirements of standards S2, S3 and S4 to the extent permitted under the phased-in implementation provisions. The table provided in Annex I gives an overview of the requirements covered in this Report and the provisions applied.

<sup>1</sup> For further details, please refer to section E1 Climate Change.

<sup>2</sup> In accordance with Commission Delegated Regulation (EU) 2025/1416 of 11 July 2025 (“quick fix”), the KONČAR Group makes use of the option allowing the phase in provisions under Appendix C of ESRS 1 to be applied by “first wave” undertakings.

## The role of the administrative, management and supervisory bodies GOV-1

The companies within the KONČAR Group are legally independent entities, while the Parent Company, KONČAR Inc., oversees, strategically directs and governs them through corporate bodies or the General Assemblies and Supervisory Boards in accordance with the Companies Act, the Articles of Association of KONČAR Inc. and the founding acts of the respective companies. Members of the Management Board of KONČAR Inc. are appointed to the Supervisory Boards of KONČAR Group companies, enabling an integrated governance and management system, strategic alignment across the Group, and consistent oversight of the management of material impacts, risks and opportunities at the KONČAR Group level.

The Parent Company also manages assets not invested in subsidiaries but which serve, directly or indirectly, to provide financial support for the sales, products and equipment of affiliated companies, acting as a credit guarantee capacity supporting the Group's value creation.

The governance structure of KONČAR Inc. is based on a two-tier system. The functions of management and oversight are divided between the Management Board and the Supervisory Board, which, together with the General Assembly, constitute the three principal governing bodies of KONČAR Inc. The composition and functioning of the Management Board and the Supervisory Board, as well as the rules governing the General Assembly, are prescribed in the Articles of Association in accordance with the Companies Act.

The Management Board of KONČAR Inc. applies the Corporate Governance Rules adopted on 23 December 2025, with the prior approval of the Supervisory Board. These Rules are aligned with the Corporate Governance Code of Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, which entered into force on 1 January 2025, and explicitly link corporate governance with the identification and management of risks, the achievement of business strategy and targets, the promotion of ethical principles, and ensuring the sustainability and resilience of KONČAR Inc., thereby strengthening its long term value and competitiveness.

The rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board are set out in the Articles of Association in accordance with the Companies Act and contain no restrictions related to diversity in terms of gender, age, education, profession or similar characteristics. The authorities of Management Board members are aligned with the Companies Act and are regulated by the Articles of Association and the Rules of Procedure of the Management Board of KONČAR Inc.

### General Assembly

The General Assembly is the body through which the shareholders of KONČAR Inc. exercise their rights. The rules governing the operation of the General Assembly, its authorities, shareholder rights, and the manner in which such rights are exercised are prescribed by the Articles of Association. The General Assembly is responsible for appointing and dismissing members of the Supervisory Board, deciding on the allocation of profit, granting discharge to the members of the Management Board and the Supervisory Board, appointing the auditor, deciding on amendments to the Articles of Association, increases and decreases in share capital, and other matters falling within its competence under the Companies Act. All resolutions adopted at the sessions of the General Assembly are published in accordance with legal requirements on the KONČAR Group website ([www.koncar.hr](http://www.koncar.hr)), as well as on the websites of the Zagreb Stock Exchange and HANFA.

At the General Assembly of KONČAR Inc. held on 12 June 2025, two members of the Supervisory Board were elected. The General Assembly acknowledged that Supervisory Board member Mario Radaković had submitted his resignation effective 31 December 2024, and that Supervisory Board member Danko Škare had submitted his resignation effective 31 May 2025. Rosa Marić and Dubravka Sinčić were elected as new members of the Supervisory Board for the term from 12 June 2025 to 12 July 2028.

### Supervisory Board

The Supervisory Board is responsible for overseeing the conduct of business operations, representing KONČAR Inc. in its relations with the Management Board, and making decisions on matters that do not fall within the competence of the General Assembly. The Supervisory Board guides the Management Board of KONČAR Inc. in strategic decision making and in establishing the governance framework. The Articles of Association of KONČAR Inc. define specific categories of business activities that may be carried out only with the prior approval of the Supervisory Board.

In accordance with the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, the Supervisory Board is composed predominantly of independent members who are not engaged in business, family, or other relationships with KONČAR Inc., the majority shareholder or groups of majority shareholders, nor with the members of the Management Board or the Supervisory Board, or with the majority shareholder.

The Supervisory Board consists of nine members. Five members are elected and dismissed by the General Assembly, one member is elected by employees in accordance with the Labour Act, and three members are appointed by the shareholder Kapitalni fond d.d. in accordance with the Companies Act, for as long as it holds 25% plus one share of the share capital. Should Kapitalni fond d.d. reduce its shareholding, the number of its appointed representatives on the Supervisory Board is reduced accordingly. In line with the Corporate Governance Rules, members of the Supervisory Board must meet appropriate standards of education and professional experience and represent a balanced combination of genders, ages, profiles and expertise, ensuring diversity of perspectives in decision making while maintaining balanced gender representation. In 2025, two new female members—Rosa Marić and Dubravka Sinčić—were appointed to the Supervisory Board, increasing the proportion of women to 33.3%. The Supervisory Board ensures diversity of viewpoints in its decision making processes while prioritising the necessary professional competence and experience when proposing candidates for appointment. During 2025, the Supervisory Board held nine meetings.

The Chair of the Supervisory Board is elected by the members appointed by the General Assembly. The Deputy Chair is elected from among the members appointed by Kapitalni fond d.d. The term of office of Supervisory Board members is four years, and members may be reappointed. Members appointed by Kapitalni fond d.d. may serve a maximum of two consecutive terms.

Members of the Supervisory Board in 2025 (as at 31 December 2025):

- Joško Miliša, Chair
- Darko Horvatin, Deputy Chair
- Maja Martinović, Member
- Lovro Jurišić, Member
- Zvonimir Savić, Member
- Zdravko Kačić, Member
- Igor Filipović, Member
- Rosa Marić, Member
- Dubravka Sinčić, Member

Four committees operate within the Supervisory Board, supporting its work and the fulfilment of its responsibilities.

### Audit Committee

The Audit Committee monitors the accuracy and completeness of the financial statements, the sustainability report, reporting policies, and other official sustainability related disclosures. It assesses, at least once a year, the effectiveness of the risk management and internal control systems, the effectiveness of the whistleblowing process and its implementation, and oversees the application of procedures for reporting violations of laws or codes of conduct. The Committee operates independently, and all members possess the required expertise and experience in accounting and auditing.

Until 30 July 2025, the Committee was chaired by Darko Horvatin, while the other members were Maja Martinović and Joško Miliša. Due to changes in the composition of the Supervisory Board, a resolution adopted at the Supervisory Board meeting held on 30 September 2025 appointed Darko Horvatin as Chair of the Committee, with Igor Filipović and Joško Miliša as members.

## Strategic and Business Development Committee

The Committee supports the Supervisory Board in the area of strategic planning, in particular through monitoring and assessing developments and changes in the business environment, evaluating the short term and long term objectives of the KONČAR Group, and participating in the consideration of strategic decisions related to acquisitions, joint ventures, restructuring and the development of strategic human resources. The Committee consists of five members and, during 2025, operated in the following composition: Joško Miliša as Chair, and Lovro Jurišić, Zvonimir Savić, Igor Filipović and Maja Martinović as members.

## Remuneration Committee

The Committee proposes the content of contracts with members of the Management Board and the structure of their remuneration. It is also responsible for the preparation and development of the Remuneration Policy for the members of the Management Board and the Supervisory Board. As of 30 July 2025, the Committee has been operating in the following composition: Rosa Marić as Chair, and Maja Martinović and Dubravka Sinčić as members. During 2025, the Committee discussed matters relating to the remuneration system, contractual arrangements of the Management Board members, and the alignment of the Remuneration Policy with applicable regulatory requirements and the strategic objectives of the KONČAR Group.

## Nomination Committee

The Committee is responsible for discussing and proposing decisions to the Supervisory Board concerning the appointment and selection of members of the Management Board. It oversees the nomination process for the Supervisory Board and the Management Board to ensure that it is fair, transparent and non discriminatory, that it promotes diversity, inclusion and equal opportunities, and that it contributes to achieving balanced gender representation. The Committee also assesses the independence of candidates, prepares succession plans, monitors progress in the representation of women in the Management Board, the Supervisory Board and senior management, and oversees the policy for the selection and appointment of senior management. During 2025, the Committee was chaired by Danko Škare, while the members were Darko Horvatin and Zvonimir Savić. Due to changes in the composition of the Supervisory Board, a resolution adopted by the Supervisory Board on 30 July 2025 appointed Zdravko Kačić as Chair of the Committee, with Darko Horvatin and Zvonimir Savić as members.

## Management Board

The Management Board of KONČAR Inc. is the executive body that manages the overall operations of the company under its own responsibility and is appointed and dismissed by the Supervisory Board. The role of the Management Board is defined by the Companies Act, the Articles of Association and the internal regulations of KONČAR Inc. The Management Board is required to perform its duties with the care of a prudent and diligent businessperson, taking into account the interests of the company and its shareholders. The scope of responsibilities of individual Management Board members is determined according to business areas, activities, processes and markets. The Management Board is responsible for effective business risk management, including risks and opportunities related to sustainability matters.

Through membership in the Supervisory Boards, General Assemblies and other governance mechanisms, the Management Board members coordinate, direct, supervise and monitor the operations of the subsidiaries within the KONČAR Group. At its regular meetings, the Supervisory Board evaluates the performance of the Management Board of KONČAR Inc. and the management of subsidiary companies based on business performance indicators and the maintenance and enhancement of corporate reputation. The Management Board of KONČAR Inc. regularly informs the Supervisory Board of all facts and circumstances that may affect operations and submits quarterly, semi annual and annual written reports on business performance. For significant decisions affecting the company's strategy and that of its affiliated companies, expenditures, risk exposure, resilience, reputation, and the outcomes of engagement with shareholders and other stakeholders, the Management Board seeks prior approval from the Supervisory Board. The Management Board of KONČAR Inc. conducts an annual assessment of its own effectiveness, as well as the effectiveness of its individual members, and reports the findings to the Supervisory Board. Additionally, the General Assembly approves the manner in which the Management Board has conducted the operations of KONČAR Inc. by granting discharge for the previous financial year.



In the area of sustainability and the management of material impacts, risks and opportunities (IRO), the Management Board of KONČAR Inc., together with the Supervisory Board, aligns and adopts policies related to:

- The assessment of the impacts of KONČAR Inc.'s activities on the environment and the community, and the management of associated risks across the entire value chain
- The protection of human rights, children's rights and workers' rights—in particular the rights of persons with disabilities—throughout the value chain
- The creation of an inclusive working environment, especially for persons with disabilities
- Supporting the reconciliation of employees' work and private life
- Ensuring equal remuneration for different genders for the same work and/or work of equal value
- Preventing and sanctioning all forms of discrimination, particularly on the basis of gender and disability, and ensuring the protection of whistleblowers who report discrimination
- Preventing and sanctioning bribery and corruption, and ensuring the protection of whistleblowers reporting irregularities
- Tax planning, including the allocation of corporate income tax arising from cross border activities so as to ensure that the majority of such tax is paid in the jurisdictions where the underlying activities take place and the related income is generated
- Ensuring effective communication between KONČAR Inc. and its key stakeholders
- The implementation of due diligence procedures and measures applicable to KONČAR Inc., its subsidiaries, and, where relevant, its direct and indirect business partners.

In accordance with the Articles of Association, the Management Board of KONČAR Inc. may consist of three to seven members. At the end of 2025, the Management Board comprised five members. The term of office of Management Board members is up to five years, with the possibility of reappointment without limitation on the number of terms.

The members of the Management Board of KONČAR Inc. who served during 2025 were: Gordan Kolak, President of the Management Board, and Petar Bobek, Miki Huljić, Ivan Paić and Mario Radaković, members of the Management Board.

## Management Board



**Gordan Kolak**  
– President of the Management Board

**Key responsibilities:**

Strategic leadership and development of the KONČAR Group, business growth and internationalisation, modernisation of production and the investment cycle.

**Relevant competencies:**

- Managing large and complex business systems and transformation processes
- Ensuring continuous growth in revenue, profit and newly contracted business for the KONČAR Group
- Leading KONČAR as Croatia's largest net exporter and a regional leader in technological innovation
- Ensuring the strengthening of corporate culture and organisational resilience
- Developing KONČAR's M&A segment with a direct impact on the inorganic growth of the KONČAR Group.

**Relevance to sustainability related matters:**

Leading the KONČAR Group through a strong green and digital transition in line with the EU regulatory framework, strengthening organisational resilience, people development and corporate culture, and promoting high standards of safety and responsibility while simultaneously enhancing corporate governance, transparency, risk management and the long term sustainability of the business model.



**Petar Bobek**  
– Member of the Management Board

**Key responsibilities:**

Business development and technological solutions, operational excellence, management of strategic procurement, and leadership of major internal investment and transformation projects at the KONČAR Group level.

**Relevant competencies:**

- Expertise in optimising production processes and ensuring quality
- Management of the technical portfolio, complex internal transformation projects and investments at the KONČAR Group level
- Establishment and leadership of strategic procurement
- Leadership of complex technical, development, sales, production and logistics functions
- Highly developed leadership abilities in building and managing teams.

**Relevance to sustainability related matters:**

Contribution to the development of more energy efficient and technologically advanced solutions, improvement of production technologies through reduced resource consumption and increased efficiency, and strengthening sustainability across the value chain through the introduction of a unified strategic procurement function, including responsible sourcing standards, supplier risk management and the promotion of cooperation with suppliers that meet high environmental and social criteria.



**Miki Huljić**  
– Member of the Management Board

**Key responsibilities:**

Management and development of the KONČAR Group's real estate portfolio, strategic planning and asset valorisation, infrastructure management, and support for the long term sustainable development of business capacities.

**Relevant competencies:**

- Leadership of complex organisational units and various commercial, managerial and infrastructure functions
- Management of assets, infrastructure and real estate portfolios across both the public and private sectors
- Understanding of the long term sustainability of business infrastructure and the strategic capacity planning of the KONČAR Group

**Relevance to sustainability related matters:**

A key role in the development of sustainable, more energy efficient and long term manageable assets of the KONČAR Group, the promotion of a safe and high quality working environment through the modernisation and optimal management of real estate and infrastructure, and the strengthening of corporate governance through asset planning, responsible resource management and transparency in portfolio management, as well as the management of corporate sustainable development.



**Ivan Paić**  
– Member of the Management Board

**Key responsibilities:**

International development, digitalization, global sales and the strategic positioning of the KONČAR Group.

**Relevant competencies:**

- International experience in commercial and strategic processes
- Leadership of complex projects and management of partner ecosystems
- Team development, talent management and strengthening organisational capacities

**Relevance to sustainability related matters:**

A contribution to the internationalisation of business in the areas of the green transition and renewable energy sources, while simultaneously ensuring responsibility for the development of the digital segment of operations that increases the added value of products and services and supports more efficient, sustainable and competitive performance. At the same time, fostering a culture of responsible and sustainable human resource management through strengthening competencies, promoting diversity and inclusion, empowering teams, and creating an agile and technologically advanced organisational environment.



**Mario Radaković**  
– Member of the Management Board

**Key responsibilities:**

Strategic initiatives and coordination of the implementation of the KONČAR Group's strategy in financial operations, relations with financial institutions and institutional investors, strategic and production procurement, and the execution of internal audit activities.

**Relevant competencies:**

- Managerial and regulatory experience
- Formal education in the fields of capital markets, corporate and financial management, systemic risks and sustainability

**Relevance to sustainability related matters:**

Support for sustainability management processes through digitalisation, controlling, accounting records and financing; implementation of internal audits in the area of sustainability management.

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

KONČAR Group manages sustainability matters through a governance structure in which the Management Board of KONČAR Inc. directs the implementation of strategic objectives and ensures the necessary resources, the Supervisory Board, including the Audit Committee, oversees key sustainability matters, particularly in the areas of risk management, reporting integrity and progress monitoring while operational level management is responsible for delivering on sustainability objectives and indicators.

This governance architecture facilitates a clearly delineated allocation of responsibilities:

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

The governing and supervisory bodies are periodically informed about sustainability topics relevant to the KONČAR Group's business model, including:

- The results of the double materiality assessment (DMA) and an overview of material impacts, risks and opportunities (IRO)
- The status of implementation of the sustainability strategy and the related measures (action plan), including key indicators and deviations
- The development and effectiveness of policies and the implementation of actions and targets related to material topics
- Key ESG risks and their relationship with business risks within the integrated enterprise risk management (ERM) framework
- Regulatory changes and requirements that affect the scope and content of disclosures

The Management Board of KONČAR Inc. considers material topics and IROs as part of strategic management and decision making, including the assessment of priorities, resource allocation and the alignment of short term business needs with long term sustainability objectives. The Audit Committee, within its supervisory remit, monitors the adequacy of the sustainability related risk management and internal control systems and reviews key internal audit findings and the status of corrective actions.

The Management Board of KONČAR Inc. actively participated in the processes of identifying and assessing impacts, risks and opportunities and approved the relevant sustainability topics identified through the DMA. By approving the DMA outcomes, it also assumed responsibility for managing the material IROs. Based on the DMA results and the Sustainability Strategy 2024–2026, the Management Board of KONČAR Inc. adopted the KONČAR Group Sustainability Policy in 2024, which covers the material sustainability topics. The double materiality process, the identified material topics and the associated impacts, risks and opportunities were communicated to the Supervisory Board, and relevant information was also presented to the Works Council in the part related to topics affecting employees and wider social impacts.

In 2025, validation of the previously identified material topics and the related IROs was carried out in the context of changes in the business model and operating environment, confirming the consistency of the earlier conclusions. The results of the validation and updates are used as the basis for further strengthening of the implementation framework, including adjustments to the Action Plan of the KONČAR Group Sustainability Strategy 2024–2026.

During the reporting period, within the scope of oversight of strategy and risk management, particular attention was devoted to material impacts, risks and opportunities, as well as to activities related to the preparation of the decarbonisation Transition plan under ESRS E1.

At the same time, as part of strengthening the governance framework and expectations regarding compliance and ethical conduct, in 2025 the Corporate Governance Rules and the Code of Conduct of KONČAR Inc. were updated, and a new Supplier Code of Conduct for the KONČAR Group was developed as part of responsible value chain management.

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

The Remuneration Policy for the members of the Management Board and the Supervisory Board of KONČAR Inc. is based on the principles of equality, non discrimination and sustainable development. The variable component of remuneration is based on objective and measurable performance indicators, and the integration of sustainability related performance results is planned for future reporting periods. In doing so, attention is paid to fairness in relation to the wages and working conditions of all employees. The Policy is applied in a non discriminatory manner, promoting transparency and responsible business conduct. The Policy and the Report are publicly available on the KONČAR Group website.

## Statement on due diligence GOV-4

KONČAR Group applies a structured due diligence process that includes impact assessment, engagement of key stakeholders and monitoring of the effectiveness of measures. Due diligence is integrated into the governance, strategy and business model of the KONČAR Group and is linked to the double materiality process, thereby supporting alignment with ESRS requirements and relevant industry practices. Particular attention is devoted to the management of climate and environmental risks, the protection of human rights and working conditions, responsible supply chain management, and transparent communication and oversight by the governing bodies.

Table 1-1 Elements of due diligence and corresponding sections in the report

Key Elements of the Sustainability Due Diligence Framework	Corresponding Section in the Report
a) Integration of sustainability due diligence into governance, strategy, and the business model	<ul style="list-style-type: none"> <li>• GOV 2 Sustainability related information and topics provided to the administrative, management and supervisory bodies</li> <li>• SBM 1 Strategy, business model and value chain</li> <li>• SBM 3 Material impacts, risks and opportunities and their interaction with the strategy and business model</li> </ul>
b) Stakeholder engagement in all key steps of the due diligence process	<ul style="list-style-type: none"> <li>• GOV 2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</li> <li>• SBM 2 Interests and views of stakeholders</li> <li>• IRO 1 Description of the processes to identify and assess material impacts, risks and opportunities</li> <li>• Stakeholder engagement within the topical standards (E1, E2, E5, S1, S2, S3, S4, G1)</li> </ul>
c) Identification and assessment of adverse impacts	<ul style="list-style-type: none"> <li>• SBM 3 Material impacts, risks and opportunities and their interaction with strategy and business model</li> <li>• IRO 1 Description of the processes to identify and assess material impacts, risks and opportunities</li> </ul>
d) Implementation of measures to address identified negative impacts	<ul style="list-style-type: none"> <li>• Measures and actions related to the material topics within the topical standards (E1, E2, E5, S1, S2, S3, S4, G1)</li> </ul>
e) Monitoring of outcomes and stakeholder communication	<ul style="list-style-type: none"> <li>• Targets and indicators related to the material topics within the topical standards (E1, E2, E5, S1, S2, S3, S4, G1)</li> </ul>

## Environmental due diligence considerations

KONČAR Group systematically conducts environmental risk assessments related to climate change, including scenario analysis in accordance with the ESRS E1 methodology. Climate scenarios (RCP and SSP) are used to assess physical and transition risks and the resilience of the business model to regulatory changes and market conditions. The assessments are regularly integrated into the risk management strategy. The environmental management system in accordance with ISO 14001 is certified in eighteen KONČAR Group companies. Through the application of this environmental management system, KONČAR Group companies continuously monitor and evaluate environmental aspects in the course of their activities, the execution of their processes, the provision of services they oversee, and the environmental impacts of delivered products and services, and they implement measures to reduce negative impacts. The ISO 14001 certificate, issued by authorised independent certification bodies, provides assurance to all stakeholders, from the state to the local community. Within the supply chain, the KONČAR Group requires suppliers to comply with standards, particularly the ISO 14001 standard, thereby contributing to environmental responsibility across the entire value chain. In cases of non compliance, corrective measures are implemented.

## Social due diligence considerations

KONČAR Group assesses human rights risks in the value chain, focusing on sector specific and geopolitical risks such as forced labour, child labour and discrimination. The risk assessment process includes analysing suppliers based on high risk regions and obtaining statements of compliance with human rights. Each company within the KONČAR Group conducts regular internal audits of employee working conditions, including monitoring of compliance. A confidential whistleblowing channel has also been introduced, enabling the timely detection and resolution of social risks.

## Management of due diligence processes

KONČAR Group has established a sustainability risk management system integrated into the risk register and linked to the double materiality process. Due diligence processes relating to the Group's own workforce are primarily carried out through cooperation with the Works Council, trade unions and key providers of workers who are not employed directly. Third party due diligence is conducted in accordance with the KONČAR Group Supplier Code of Conduct, particularly in cases of operations in high risk regions or cooperation with partners subject to international sanctions. The procedure includes an initial risk assessment, ongoing monitoring, and defined measures to be applied in the event of identified irregularities or risks.

# Risk management and internal controls over sustainability reporting

GOV-5

KONČAR Group has established a risk management and internal control system that also covers the sustainability reporting process, with the aim of ensuring the reliability, completeness and timeliness of the disclosed information.

The sustainability reporting risk assessment is conducted once a year as part of the KONČAR Group's risk update. The results of the risk assessment are considered in the analysis of material topics. Based on these results, priority areas and corresponding control activities are determined where changes have occurred.

Control activities within the sustainability reporting process include clearly defined responsibilities for data collection, verification and approval, documentation of data sources and calculation methodologies, comparative analyses and checks of deviations against previous periods, as well as review of disclosures prior to their final publication. During 2025, an internal audit of the sustainability process was carried out within the responsibility of the Sustainable Business Department, resulting in recommendations across three audited areas: organisation and responsibilities, challenges in ESG data collection and controls, and implementation of the sustainability strategy and progress monitoring. The majority of the findings concerned challenges in ESG data collection and controls, for which deadlines and responsibilities were defined to improve the sustainable business processes.

The conclusions of the internal audit, together with the issued recommendations, were communicated to the Management Board of KONČAR Inc. and the Audit Committee.

The Management Board of KONČAR Inc. oversees the internal control system for sustainability reporting, while internal audit periodically assesses the design and operational effectiveness of these controls and reports its findings to the Management Board and the Audit Committee. The Audit Committee supervises the financial and non financial reporting processes and is informed about the results of the risk assessment, as well as the measures and recommendations undertaken.

# Strategy, business model and value chain

SBM-1

## Strategy and sustainability in the business model

KONČAR Group operates in segments directly linked to the modernisation of the energy and infrastructure base: renewable energy generation, electricity transmission and distribution, urban mobility, and the digitalisation and management of critical infrastructure. In the reporting period, the business environment was characterised by parallel trends of decarbonisation, strengthening of network reliability and resilience, and accelerated digitalisation of systems in the energy and transport sectors. Within this context, KONČAR Group is positioned as an industrial supplier and integrator of solutions for critical infrastructure, whereby it combines its own equipment development and manufacturing with engineering, project execution, and modernisation, digitalisation and life cycle support services.

A key characteristic of the KONČAR Group's business model is value creation through integrated solutions that connect equipment, project expertise and digital management layers. To this end, KONČAR Group continued acquisitions and capacity strengthening in 2025 (including engineering, digital and ICT areas) to expand its ability to deliver sustainable end to end solutions within the same infrastructure value chains.

Sustainability is relevant in this context in two ways:

- **As a source of value creation** (products and projects that enable customers to operate more reliable and efficient infrastructure with a reduced environmental footprint) and
- **As a source of exposure to sustainability related impacts, risks and opportunities**, arising from KONČAR's own operations and the value chain (e.g., resource and material use, quality and safety requirements, supplier related risks, cybersecurity, market expectations and regulatory developments).

Sustainability management at the level of the KONČAR Group is based on the KONČAR Group Sustainability Strategy 2024–2026, which serves as the overarching document for defining strategic sustainability priorities and objectives. The Sustainability Strategy forms the basis for the KONČAR Group Sustainability Policy, the related action plans, thematic policies and procedures, key performance indicators, target values and the Transition Plan as the key implementation instrument in the climate area.

The material topics and the corresponding IROs identified through the double materiality assessment provide the foundation for prioritising sustainability management, guiding development activities and updating the action plan of the Sustainability Strategy.

## Significant product and service groups – 4 divisions and one central sales unit

The new model defines KONČAR as an integrated organisation organised into four business areas (divisions) responsible for portfolio management and value creation, each characterised by a specific IRO exposure profile, with a centralised sales function ensuring coordinated customer and stakeholder engagement across the Group.

### 1. Electricity generation

KONČAR Group delivers equipment, engineering and services for the construction, modernisation and revitalisation of renewable energy plants (with a focus on hydropower and growing activities in solar and wind). In practice, sustainability is directly embedded in the value proposition: increasing plant efficiency, extending asset lifetime, reducing losses and improving production availability.

Exposure to IROs in this segment is typically associated with:

- Environmental aspects of equipment manufacturing and installation (materials, energy, waste)
- Customer requirements and regulatory demands regarding features and reliability
- Project management, work safety and working conditions at suppliers/subcontractors.

## 2. Transmission and distribution of electricity

This is the central segment of the KONČAR Group's business model and includes the production and delivery of transformers (power, distribution, special purpose, instrument), transformer substations, transmission lines primary and secondary distribution equipment, monitoring systems, and related diagnostic, testing and technical supervision services. The value delivered to customers derives from grid modernisation and construction of the grid, renewable energy integration, increased system reliability and resilience, and reduced losses. In 2025, the focus remains on sustainable and digitally enabled solutions supporting the green energy transition, as well as on strengthening the Group's presence in EU markets.

Exposure to IROs in this segment is most pronounced in relation to:

- Consumption and availability of key raw materials and components (e.g., metals, specialised components)
- Environmental aspects of equipment manufacturing and life cycle (e.g., resource and waste management)
- Product safety requirements and system reliability for end users
- Cybersecurity and data protection risks in digitally connected solutions.

## 3. Urban mobility and infrastructure

KONČAR Group develops and delivers trains, trams and special purpose vehicles, together with the associated infrastructure and maintenance services. Sustainability in this segment is reflected through the decarbonisation of public transport, namely by support for low carbon mobility, increased energy efficiency of transport and the reliability of public infrastructure.

Exposure to IROs in this segment is typically associated with:

- Product safety and quality (reliability under operational conditions)
- Impacts arising from own manufacturing processes and the supply chain
- Social impacts through the availability and quality of public transport.

## 4. Digital solutions and platforms

KONČAR Group develops digital solutions and software platforms and provides system integration services (e.g., SCADA, monitoring and control of critical infrastructure, IoT and smart grid solutions), while strengthening its capabilities in cybersecurity and advanced analytics. This segment enhances value in all other segments by enabling cost savings through more efficient system management and performance optimisation, as well as reliability through early risk detection and prevention. The digitalisation of energy systems is particularly important as a key pillar of the green transition, enabling the use of grid flexibility and the management of microgrid systems.

Exposure to IROs in this segment is concentrated in:

- Data protection, cybersecurity and service continuity
- Information quality management and transparent communication with customers
- Management of skilled personnel and competencies (people and expertise as key inputs).

## 5. Sales and marketing development

In 2025, a customer and market oriented sales organisation was established with the objective of driving revenue growth across all divisions. Dedicated product managers lead agile, cross functional teams and are accountable for product profitability across the value chain.

### How the four divisions reinforce one another

The divisions form an interconnected whole that relies on related competencies (power engineering, energy management, industrial software, cybersecurity, project management) and a similar customer profile (B2B, critical infrastructure, long equipment life cycles):

- **Electricity generation** relies on project delivery and plant modernisation, where electromechanical engineering and system integration competencies directly complement experience in grid projects and equipment.
- **Transmission and distribution of electricity** represent the core of the KONČAR Group's industrial portfolio and "connect" the integration of renewable energy sources with the need for a resilient, stable and modern grid.
- **Urban mobility and infrastructure** utilise related power and control technologies, with an additional emphasis on the decarbonisation of transport, safety, reliability and system availability in public services.
- **Digital solutions and platforms** act as a horizontal layer: enabling management, monitoring, optimisation, predictive maintenance, data processing and cybersecurity—elements that are increasingly important in energy, mobility and industry.

## Significant markets and customers

KONČAR Group operates predominantly in a B2B environment with customers that include national power utilities, transmission and distribution system operators, industrial systems, railway operators, and infrastructure investors and cities. Although sales are realised with business customers, the resulting impacts and risks (e.g., safety, reliability of supply and infrastructure) are transferred to end users through the systems in which KONČAR Group solutions are applied.

With references in around 140 countries, and with key markets in the European Union, Southeast Europe, the Middle East and Asia, the KONČAR Group is highly export oriented, with EU markets particularly Germany, Sweden, Austria, Norway and the Netherlands having the greatest significance. The European Union accounts for 71.5% of total exports.

## Employees by geographic area

As at 31 December 2025, the KONČAR Group employs 6,268 employees. Most employees are located in the Republic of Croatia (6,127), while a smaller number are based in other countries through affiliated companies, representative offices or project engagements. This structure reflects the fact that the key development, production and engineering activities take place in Croatia, while international presence is achieved through sales, project deliveries and partnership models.

## Revenue breakdown by business segment and corresponding ESRS sectors

Table 1-2 Revenue by ESRS sectors

Business Segment	Revenue share in 2024 (%) <sup>*</sup>	Revenue share in 2025 (%)	2025 vs. 2024	Core Products and Services of the KONČAR Group
<b>Electricity generation</b>	8.52	9.22	+8.13	Manufacturing and refurbishment of generators; construction and modernisation of hydropower plants; solar power plant development; production of inverters and wind turbines; system operation, maintenance, and technical services.
<b>Transmission and distribution of electricity</b>	76.20	74.67	-2.01	Comprehensive solutions for high- and medium-voltage electricity infrastructure, including the production and sale of power, distribution, special-purpose and instrument transformers; overhead lines; turnkey substations; transformer tanks; primary and secondary equipment for grid applications; low-voltage switchgear; condition monitoring systems; diagnostics; testing; and technical supervision.
Transmission	27.40	28.78	+5.00	
Distribution	48.80	45.89	-5.94	
<b>Urban mobility and infrastructure</b>	10.00	10.89	+8.78	Design, manufacture, and maintenance of rail vehicles (e.g., trains, trams); development of railway infrastructure and urban infrastructure solutions including roads, lighting, and other public assets.
Mobility	6.42	7.02	+9.49	
Infrastructure	3.58	3.86	+7.50	
<b>Digital solutions and platforms</b>	2.43	2.60	+7.26	Digital solutions, digital services, product and production digitalisation, business support systems, ICT infrastructure and services.
<b>Other</b>	2.85	2.63	-7.67	Solutions that can't be included in business segment categories

<sup>\*</sup>Related to note 3 Sales revenues in the consolidated financial statements of the KONČAR Group



KONČAR

## At the heart of Europe's energy transition

The KONČAR Group contributes to EU sovereignty through:

- facilities and components for the generation transmission and distribution of electricity
- transport electrification
- digital solutions
- dual use technologies

The expertise, knowledge and dedication of all our employees are deeply embedded in the energy transition and the decarbonisation of the power sector in Croatia and worldwide.

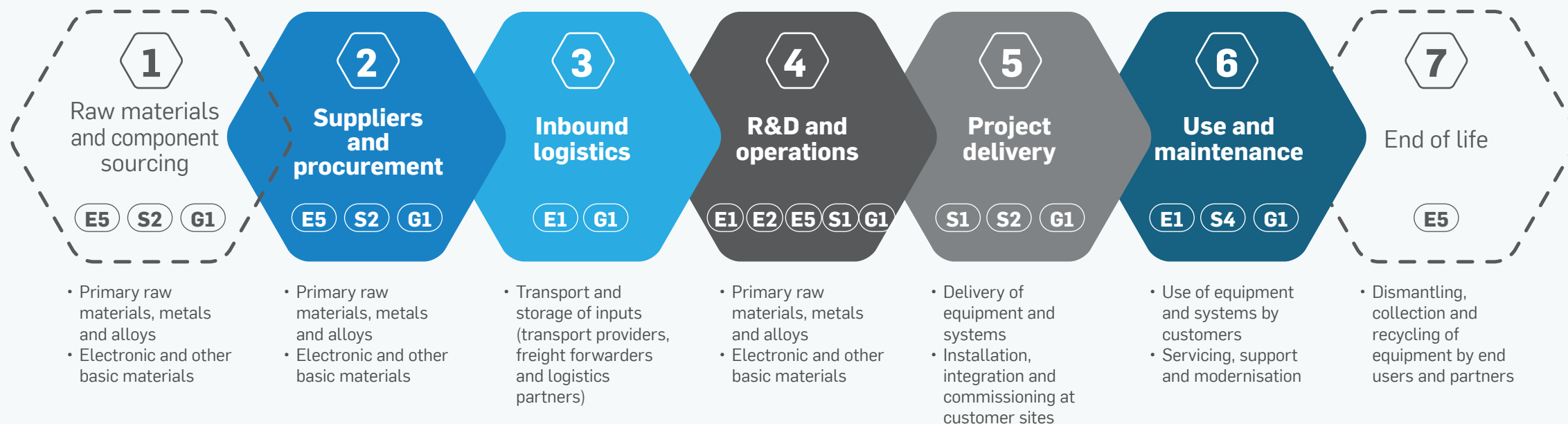
As a regional leader in technological development, we continuously create advanced solutions and innovative business models for the benefit of the community and the environment.



**Inspired by challenges,**  
we are driving the world toward an energy sustainable and responsible future.

# KONČAR Group Value Chain

The key stages of the value chain and the main areas where material impacts, risks and opportunities arise — and which are relevant to the KONČAR Group’s business model, governance and reporting — are presented below.



Stages 1 and 7 illustrate the broader context of the value chain, while stages 2–6 represent the core focus of the KONČAR Group’s materiality assessment and management activities.

**Legend:** (E1) Climate (E2) Pollution (E5) Resources and circular economy (S1) Own workforce (S2) Workers in the value chain (S4) Consumers and end users (G1) Business conduct

## Inputs and approach to securing inputs

The key inputs of the KONČAR Group include:

- People and expertise (engineering, production, domain and digital competencies)
- Materials and components (metals, electromechanical and electronic components)
- Technology and development (R&D, laboratories, development centres)
- Capital and financial resources (profit reinvestment, project financing)
- Energy and infrastructure (operational energy, with the gradual strengthening of renewable sources where applicable).

The approach to securing inputs is based on long term supplier relationships, supplier qualification and evaluation (quality, reliability and relevant ESG criteria), development partnerships with academic and professional institutions, and investments in the development of employee competencies.

## Outputs and outcomes (value for stakeholders)

- Customers: reliable equipment and solutions that enable grid stability, integration of renewable energy sources, more efficient mobility and digital management of critical infrastructure
- Investors and the financial community: a more stable growth profile based on infrastructure needs and long term market trends (energy transition, grid modernisation), together with strengthened risk management and transparency
- Employees and communities: high value added jobs, competence development, cooperation with educational institutions and contributions to the local economic ecosystem
- Wider society: an indirect contribution to energy supply security, infrastructure modernisation and reduction of environmental footprint through solutions implemented in systems of public interest.

## Key upstream and downstream actors and the position of the KONČAR Group

- Upstream: suppliers of metals, components and specialised equipment; logistics partners; development partners and research institutions
- Downstream: power utilities, grid operators, railway operators, industrial customers, cities and infrastructure investors; end users who operate the systems into which KONČAR solutions are integrated.

KONČAR Group simultaneously manages several value chains (power systems, rail systems and digital solutions), with material impacts, risks and opportunities arising at different points—from raw material and component sourcing, through own production and project execution, to the use, maintenance and modernisation of systems at customer sites.

## Key challenges and priority solutions/projects relevant to sustainability

In the context of 2025, sustainability management and business development are focused on challenges and solutions directly linked to material IROs, including:

- Ensuring reliable supply chains and managing exposure to market and regulatory changes (raw materials, components, delivery timelines)
- Strengthening capacities for digitalisation and cybersecurity in critical infrastructure
- Further improving energy and resource efficiency in own production
- Developing and commercialising solutions that support renewable energy integration, grid stability and system security.

Development and investment priorities are operationalised in practice through projects for the modernisation and expansion of production capacities, strengthening digital competencies and integration, and through the continuous development of solutions for the energy transition (transmission and distribution, renewable energy, mobility and infrastructure and digital solutions and platforms).

# Interests and views of stakeholders

SBM-2

KONČAR Group engages key stakeholders through regular business interactions and the double materiality process. In this way, sustainability priorities and governance activities are based on stakeholder expectations and the identified IROs.

## Stakeholder engagement

KONČAR Group recognises the importance of regular communication and information exchange with all stakeholders as essential contributors to its business. We have identified and segmented all individuals, communities and organisations that influence or contribute to the business or are affected by the operations of the KONČAR Group. In line with market developments, new communication channels are being introduced through which stakeholders can engage and access all relevant information.

## Understanding stakeholder interests and perspectives

During the double materiality assessment, the KONČAR Group identified key sustainability topics based on an assessment of stakeholder needs and dialogue with stakeholders, whereby:

- It was ensured that stakeholder interests and views were incorporated into the strategy and business model through a comprehensive stakeholder engagement process.
- The key groups of affected stakeholders within the value chain were identified, including employees, customers, suppliers, investors and communities.
- Mechanisms for stakeholder engagement were introduced, such as regular communication and targeted engagement including the materiality assessment questionnaire, to collect feedback and ensure that their interests and views were systematically considered and that their priorities for specific sustainability matters were determined.
- Stakeholder feedback was integrated into governance processes, serving as the basis for updating the sustainability strategy and supporting sustainable decision making.

## Key stakeholder assessment conclusions

- Customers: increased demand for products and solutions with higher energy efficiency and reduced CO<sub>2</sub> emissions
- Investors: focus on technologies that meet the needs of the green transition and decarbonisation, as well as on sustainability data transparency and regulatory compliance
- Suppliers: expectation of stricter environmental and social sustainability criteria and due diligence within the supply chain
- Regulators: increased requirements for reporting and due diligence
- Employees: emphasis on workplace safety and professional development
- Local communities: investments in infrastructure, supporting excellence among young people, supporting vulnerable groups and fostering inclusion.






The table below presents the key stakeholder groups, their main interests and expectations, and the ways in which they are engaged in the business processes of the KONČAR Group. Additionally, for each stakeholder group, a mapping is provided to relevant strategic priorities and the corresponding ESRS chapters/sections of the Report in which these interests are addressed.

# Key stakeholders, their expectations, and engagement mechanisms





Table 1-3 Stakeholder needs, expectations and engagement methods

Stakeholders	Key needs and expectations	Engagement channels and frequency	Strategic priorities	ESRS topics
 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>Product and service quality</li> <li>Delivery reliability</li> <li>Customer relationship management and complaints handling</li> <li>Responsible resource management</li> <li>Ethical business conduct</li> <li>Data privacy and protection</li> <li>Continuous product and service improvement</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings, workshops, and advisory sessions to foster transparent dialogue and long-term relationships</li> <li>Professional training and development activities, provided as needed</li> <li>Systematic handling and analysis of complaints, feedback, and suggestions</li> <li>Annual customer satisfaction survey</li> <li>Participation in trade fairs, conferences, and professional gatherings (on an ongoing basis)</li> <li>Dedicated corporate website with up-to-date information (regular updates)</li> <li>Email correspondence and digital communication channels (continuous availability)</li> <li>On-site customer visits as part of proactive relationship management</li> <li>Annual Sustainability Report (published regularly)</li> <li>Quarterly and annual business performance reports</li> <li>Promotional brochures and product information leaflets</li> <li>Active presence on LinkedIn (frequent updates)</li> <li>Končarevac corporate magazine (published monthly)</li> <li>English-language newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Net zero future</li> <li>Circular economy</li> <li>Business responsibility and transparency</li> <li>Supply chain responsibility</li> </ul>	<p><b>E1, E5, S4, G1</b></p>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>Fair remuneration and incentives</li> <li>Supportive work environment</li> <li>Professional development and recognition</li> <li>Business stability and growth</li> <li>Occupational health and safety</li> <li>Training and capacity building</li> <li>Equal opportunity and non-discrimination</li> <li>Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing learning and upskilling</li> <li>Intranet and internal services (regular updates)</li> <li>Email correspondence and digital communication channels (continuous availability)</li> <li>Annual Sustainability Report (published regularly)</li> <li>Meetings (as required)</li> <li>Business performance reports</li> <li>Active presence on LinkedIn (frequent updates)</li> <li>Jenz platform (continuously maintained)</li> <li>Dedicated corporate website with up-to-date information (regular updates)</li> <li>Končarevac corporate magazine (published monthly)</li> <li>Monthly newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Inclusion, diversity and equal opportunities</li> <li>Professional development and employee growth</li> <li>Young talent in focus</li> </ul>	<p><b>S1, G1</b></p>
 <p><b>Shareholders / Investors</b></p>	<ul style="list-style-type: none"> <li>Corporate business strategy and long-term vision</li> <li>Profitability</li> <li>Value creation</li> <li>Sustainable growth and responsible governance</li> </ul>	<ul style="list-style-type: none"> <li>General Assembly</li> <li>Direct communication (letters, email) as needed</li> <li>Annual Sustainability Report (published regularly)</li> <li>Business performance reports</li> <li>Active presence on LinkedIn (frequent updates)</li> <li>Dedicated corporate website with up-to-date information (regular updates)</li> <li>Email correspondence and digital communication channels (continuous availability)</li> <li>Public disclosures via ZSE and HANFA</li> <li>Public disclosures via HINA</li> <li>Končarevac corporate magazine (published monthly)</li> <li>Monthly newsletter</li> </ul>	<ul style="list-style-type: none"> <li>Net zero future</li> <li>Business responsibility and transparency</li> <li>Supply chain responsibility</li> </ul>	<p><b>E1, G1</b></p>

# Key stakeholders, their expectations, and engagement mechanisms

Stakeholders	Key needs and expectations	Engagement channels and frequency	Strategic priorities	ESRS topics
 <p><b>Suppliers</b></p>	<p>Mutual benefit and long term relationships                      Management systems                      Ethical conduct                      Scope of operations</p>	<p>Participation in trade fairs and industry conferences                      Supplier audits, site visits, and bilateral meetings (as required)                      Dedicated corporate website with up-to-date information (regular updates)                      Annual Sustainability Report (published regularly)                      Email correspondence and digital communication channels (continuous availability)                      Business performance reports                      Active presence on LinkedIn (frequent updates)                      Monthly newsletter</p>	<p><b>Supply chain responsibility</b>  <b>Circular economy</b>  <b>Net zero future</b>  <b>Business responsibility and transparency</b></p>	<p><b>S2, G1, E5, E1</b></p>
 <p><b>Business partners and trade representatives</b></p>	<p>Mutual benefit and partnership relations                      Respect for contractual obligations                      Market competitiveness                      Ethical conduct</p>	<p>Regular strategic and operational meetings                      Participation in trade fairs and industry conferences                      Dedicated corporate website with up-to-date information (regular updates)                      Email correspondence and digital communication channels (continuous availability)                      Active presence on LinkedIn (frequent updates)                      Končarevac corporate magazine (published monthly)                      Monthly newsletter</p>	<p><b>Business responsibility and transparency</b>  <b>Supply chain responsibility</b></p>	<p><b>G1, S2</b></p>
 <p><b>Workers' council / Trade unions</b></p>	<p>Participation in governance and decision-making processes                      Compliance with national labour legislation                      Freedom of association and collective bargaining rights</p>	<p>Meetings, as required                      Noticeboards (regularly updated)                      Annual Sustainability Report (published regularly)                      Business performance reports                      Dedicated corporate website with up-to-date information, regular updates                      Končarevac corporate magazine (published monthly)</p>	<p><b>Health and safety</b>  <b>Inclusion, diversity and equal opportunities</b>  <b>Professional development and employee growth</b>  <b>Business responsibility and transparency</b></p>	<p><b>S1, G1</b></p>
 <p><b>Professional and industry associations</b></p>	<p>Ongoing financial contributions                      Fostering knowledge exchange and professional development</p>	<p>Regular membership in relevant national and international associations                      Participation in working groups and expert bodies (ongoing)                      Attendance and contributions to conferences and expert forums                      Publishing and peer collaboration in technical publications                      Thematic meetings and roundtables (as needed)                      Annual Sustainability Report (published regularly)                      Business performance reports</p>	<p><b>Net zero future</b>  <b>Circular economy</b>  <b>Business responsibility and transparency</b>  <b>Knowledge transfer and consulting</b></p>	<p><b>E1, E5, G1</b></p>
 <p><b>Scientific and academic community</b></p>	<p>Applied research and joint development initiatives                      Knowledge transfer and collaboration on innovation                      Participation in cross-sectoral research consortia</p>	<p>Regular publication of scientific and technical papers                      Seminars and workshops (as needed)                      Active participation in academic and industry conferences                      Institutional memberships and academic partnerships                      Joint research activities                      Thematic roundtables                      Annual Sustainability Report (published regularly)                      Annual financial report</p>	<p><b>Young talent in focus</b>  <b>Professional development and employee growth</b>  <b>Net zero future (innovation and technologies)</b>  <b>Improved education conditions</b></p>	<p><b>S1, E1</b></p>

# Key stakeholders, their expectations, and engagement mechanisms

Stakeholders	Key needs and expectations	Engagement channels and frequency	Strategic priorities	ESRS topics
 <p><b>State authorities</b></p>	<p>Payment of taxes, contributions and fees Compliance with the legislative framework Reporting</p>	<p>Working groups (regularly) Correspondence, e-mail (regularly) Official website (regularly) Annual Sustainability Report Meetings (regularly) Participation in conferences and thematic meetings (as needed) Končarevac corporate magazine (published monthly) Memberships (regularly)</p>	<p><b>Net zero future</b> <b>Business responsibility and transparency</b></p>	<p><b>G1, E1</b></p>
 <p><b>Local communities</b></p>	<p>Ongoing financial and in-kind contributions through donations and sponsorships Responsible resource use: Ensuring sustainable and equitable use of economic, environmental, and social resources</p>	<p>Collaborative engagement: Regular site visits, structured dialogue, and joint initiatives Volunteerism: Employee-led volunteer actions take place several times a year Donations and sponsorships (regularly) Dedicated corporate website with up-to-date information (regular updates) Annual Sustainability Report (published regularly) Regular publication of the Sustainability Report and Business Performance Reports (annually) Active presence on LinkedIn Končarevac corporate magazine (monthly) Updates and resources shared via the official website and through direct email or correspondence</p>	<p><b>Empowered communities</b> <b>Net-zero future</b> <b>Circular economy</b></p>	<p><b>S3, E5, E2</b></p>
 <p><b>Financial community</b></p>	<p>Reporting on corporate performance and financial results</p>	<p>Zagreb Stock Exchange (ZSE): Regular updates Croatian Financial Services Supervisory Agency (HANFA): Regular disclosures Croatian News Agency (HINA): Timely announcements Official website: Continuously updated with relevant reports and publications Končarevac corporate magazine (published monthly) Business performance reports: Quarterly publications Sustainability reports (CSR/ESG): Annually published Investor relations: Regular meetings with existing and potential investors, as well as financial analysts</p>	<p><b>Net zero future</b> <b>Business responsibility and transparency</b></p>	<p><b>G1, E1</b></p>
 <p><b>Media</b></p>	<p>Transparent and timely communication with media about key developments, financial results, and strategic initiatives</p>	<p>Interviews, features, and press coverage, conducted as needed Regular and ad-hoc press conferences, particularly around major corporate announcements Končarevac corporate magazine, issued regularly to share updates and insights Press releases, issued on an as-needed basis to provide updates on significant projects and milestones Dedicated corporate website with up-to-date information (regular updates) Active presence on LinkedIn (frequent updates) Responding to media inquiries</p>	<p><b>Net zero future</b> <b>Business responsibility and transparency</b></p>	<p><b>G1, E1</b></p>

# Material impacts, risks and opportunities and their interaction with strategy and business model








SBM-3

In line with the double materiality assessment, the KONČAR Group has identified the material topics and the associated material impacts, risks and opportunities (IRO) relevant to the KONČAR Group's business model and strategic direction. The results of the double materiality assessment and the corresponding IROs are used as inputs for setting priorities, planning initiatives and updating the Action Plan of the Sustainability Strategy, ensuring that strategic decisions and operational activities are directed towards the areas of highest materiality and greatest exposure across the value chain.

A detailed description of impacts, risks and opportunities, as well as the status of strategic objectives, is provided within the topical reporting requirements in the subsequent sections of this Report. The results of the double materiality assessment, conducted in accordance with the list of sustainability matters defined in AR 16 of ESRS 1, together with the corresponding KONČAR Group sustainability strategic objectives, are presented below.





## Environment

### E1 Climate change








Climate change adaptation			
Climate change mitigation			
Energy			

**Strategic goal 1: Achieve a reduction in Scope 1 and 2 emissions**

### E2 Pollution

Air pollution		
Water pollution		







### E5 Resource use and circular economy

Resource inflows			
Resource outflows			
Waste			

**Strategic goal 2: Ensure waste reduction and the efficient and responsible use of resources in production**

## Social

### S1 Own workforce

Working conditions			
Equal treatment and opportunities			

**Strategic goal 3: Ensure a healthy and safe working environment for all employees and partners**

**Strategic goal 5: Enable employees' professional development and growth**


**Strategic goal 6: Strengthen KONČAR's appeal among young people and build KONČAR's**

### S2 Workers in the value chain

Working conditions		
Other labour rights		

**Strategic goal 4: Promote inclusion, diversity and equal opportunities**

### S3 Affected communities

Economic, social and cultural rights of communities	
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**Strategic goal 7: Continuously invest in the development and quality of life of local communities**

### S4 Consumers and end users

Corporate culture		
Whistleblower protection		

## Governance

### G1 Business conduct

Corporate culture		
Whistleblower protection		
Management of relationships with suppliers		
Anti-corruption and anti-bribery		

**Strategic goal 8: Commit to responsible and ethical management and the integration of sustainability into business operations**

**Strategic goal 9: Safeguard ethical integrity and conformity to Končar's values in the supply chain**

**Legend:**  positive impacts  negative impacts  risks  opportunities

## Description of the process to identify and assess material impacts, risks and opportunities IRO-1

The KONČAR Group's double materiality assessment (DMA) serves as the fundamental framework for identifying and assessing the materiality of impacts, risks and opportunities (IROs) associated with its own operations and the upstream and downstream value chain, as well as for determining the topics to be reported in accordance with ESRS requirements.

The assessment is designed to simultaneously capture the perspective of:

- The materiality of KONČAR Group's impacts on people and the environment, and
- The financial materiality of risks and opportunities that may affect the financial position, performance and long term resilience of the KONČAR Group.

### Engagement of key internal and external stakeholders

The inclusion of stakeholder interests and views, as described in previous section, forms an integral part of the KONČAR Group's double materiality assessment process. Within the methodological framework, a structured approach was developed for identifying and engaging relevant internal and external stakeholders, based on their importance to the operations of the KONČAR Group and the potential impacts of the business on them.

The process included the identification of key stakeholder groups, including regulatory bodies, investors and financial institutions, customers and business partners, suppliers, local communities, and employees at all organisational levels. Representatives of governance and expert functions, including risk management and sustainability functions, also participated in the assessment, ensuring the integration of business perspectives and operational specificities into the evaluation process.

Stakeholder engagement was carried out through structured consultations, questionnaires, existing communication channels and analysis of feedback, with stakeholder insights used to assess the perceived importance of the identified impacts, risks and opportunities. The results of stakeholder engagement were not considered in isolation but were integrated into the quantitative materiality assessment, together with the analysis of impact severity and financial exposure, ensuring a balanced and methodologically robust materiality determination.

### Value chain mapping

As part of the double materiality assessment, the material impacts, risks and opportunities were evaluated across all operations and throughout the entire KONČAR Group value chain. The business model encompasses activities in the production of power equipment, electricity transmission and distribution, digital solutions and platforms, and renewable energy sources. The upstream value chain includes key suppliers of materials and energy resources, manufacturers of specialised equipment, as well as strategic partners within the industry. In addition, investors and research and development partners play an important role in optimising innovation and reducing environmental impacts.

The downstream value chain includes users of KONČAR Group products and services, including energy companies, transmission and distribution system operators, transport operators and industrial entities, as well as end users who rely on KONČAR Group's technological solutions. It also includes stakeholders such as regulatory authorities and end customers of digital solutions and infrastructure.

The double materiality assessment also encompasses the evaluation of impacts on communities, workers within the value chain and employees of suppliers who are not directly employed by the KONČAR Group.

For impact assessments in segments with limited data availability, industry analyses, regulatory reports and studies were used to identify high risk areas and vulnerable groups, along with recognising the need to strengthen primary data collection within the value chain.

### Double materiality assessment methodology of the KONČAR Group

The double materiality assessment involved internal and external stakeholders important to the KONČAR Group, through several key steps:

1. **Initial identification of relevant sustainability areas** for further consideration according to the exhaustive list of topics in ESRS 1 AR 16. The starting point was a broad set of potential topics, compiled through a combination of previously defined Group topics and priorities from earlier reporting periods, the objectives of the KONČAR Group Sustainability Strategy 2024–2026, existing management systems, sector benchmarks, indicative sector topics according to SASB standards, as well as workshops and contributions from experts and relevant KONČAR Group functions, including the integration of risks from the KONČAR Group ERM system.
2. **A granular analysis of individual impacts, risks and opportunities (IROs)** within each identified topic, which included:
  - **For impact materiality:** establishing a system for the quantitative calculation of impact materiality, enabling objective comparison and prioritisation of impacts by considering the scale, scope, irremediability and likelihood of each impact. Particular attention was given to human rights impacts, where severity takes precedence over likelihood.
  - **For financial materiality:** analysing risks and opportunities by evaluating existing risks recorded in the KONČAR Group ERM system and additional risks and opportunities identified through the assessment of scale and likelihood.
  - **For each impact, risk and opportunity:** determining the relevant phase of the value chain (upstream, own operations, downstream) and defining the time horizon (short term, medium term and long term).
3. **Setting materiality thresholds** based on clearly defined quantitative values established in the previous step. Based on these thresholds, the topics were finally ranked into three groups:
  - **Key topics** – those of highest importance for the KONČAR Group's strategy and reporting.
  - **Important topics** – those that are considered in the strategy and reporting only in the parts that are relevant for the KONČAR Group.
  - **Monitored topics** – those that are not material but need to be monitored and reconsidered during the double materiality update and validation process and reported if they become material.

Based on this assessment, the KONČAR Group has established a clear foundation for reporting and communicating with all relevant stakeholders.

### Continuous updating and validation of the KONČAR Group's double materiality assessment

In 2025, the **same methodological framework** as in 2024 was applied, with a focus on the **annual validation** of the materiality of existing IROs and on determining whether there was a need to modify the set of material topics. The validation included an analysis of changes in the business model and value chain, regulatory and market developments, completed acquisitions and the updated risk profile of the KONČAR Group. It was concluded that no changes had occurred that would require a redefinition of material topics at the consolidated level, while the descriptions of individual IROs were further refined to eliminate overlaps and improve clarity.

The double materiality assessment was approved by the Management Board of KONČAR Inc. In the coming years, the KONČAR Group will continue to enhance and adapt the assessment in line with best practices and emerging guidelines within the Group's material topics.

## Disclosure requirements covered by the KONČAR Group's sustainability statement IRO-2

After completing the double materiality assessment, the KONČAR Group mapped the material impacts, risks and opportunities (IROs) to the relevant ESRS disclosure requirements and data points, as presented in Annex I. The materiality of information was determined using the approach previously described in the double materiality methodology, together with an assessment of its relevance to each topic and its usefulness for decision making by report users.

Disclosure requirements that are not linked to material IROs are not included in this Report. Data points arising from other EU regulations, as listed in Annex B of ESRS 2, are included in the table in Annex II, with references to the relevant sections or the note "Not material." Non material topics and the corresponding explanations are presented in Annex III.

# Environmental Information

## Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (the EU Taxonomy Regulation)

In 2025, the KONČAR Group once again achieved excellent business results. The energy and climate transition continues to drive high demand for electrical power equipment, which is one of the Group's most significant business segments, combined with structural changes implemented within the KONČAR Group, this has had a substantial impact on revenue growth, while the level of open commitments (backlog) indicates that this trend will continue in the upcoming period. Sustainable operations and responsible management of environmental impacts are no longer isolated challenges, but rather a standard and a key prerequisite for the long term competitiveness and resilience of manufacturing companies. The environmental domain is of particular importance to the KONČAR Group, given that a large share of its equipment is installed directly in the environment (substations, hydropower plants and other energy facilities, or rail vehicles).

The climate transition in the European Union has been recognised as one of the key areas of action, with significant greenhouse gas emission reductions. Achieving such targets requires substantial investments across all segments of economic activity, as well as within the broader community. In the absence of a unified framework that would facilitate the identification of activities and investments contributing to sustainable development, the European Parliament and the Council of the European Union adopted the Taxonomy Regulation in 2020, along with additional delegated acts that together form the EU Taxonomy system for environmentally sustainable activities. By defining criteria for identifying environmentally sustainable and aligned activities, the Taxonomy enhances the transparency of sustainability related information, facilitates the recognition of activities that significantly contribute to environmental objectives, and establishes a framework for directing financing towards sustainable technologies and companies. In doing so, it also helps prevent misleading sustainability practices (greenwashing).

**The EU Taxonomy defines six environmental objectives:**

1. Climate change mitigation (CCM) – covering activities that result in measurable reductions in greenhouse gas emissions;
2. Climate change adaptation (CCA) – covering activities that support adaptation to actual or expected climate change;
3. Sustainable use and protection of water and marine resources (WTR) – addressing activities that enhance water resource management and marine conservation;
4. Transition to a circular economy (CE) – encompassing activities that promote resource efficiency and waste minimisation;
5. Pollution prevention and control (PPC) – activities aimed at preventing or mitigating pollution;
6. Protection and restoration of biodiversity and ecosystems (BIO) – defines activities that preserve or restore ecosystems.

The Regulation distinguishes between two basic categories of prescribed activities:

1. Taxonomically eligible activities – economic activities that are listed in the Regulation under individual environmental objectives.
2. Taxonomically aligned activities – economic activities that are eligible and that additionally meet specific technical screening criteria and can be considered environmentally sustainable activities.

According to Article 3 of the Regulation, an economic activity is considered environmentally sustainable if it meets the following criteria:

1. Substantial contribution – In order for an economic activity to be considered environmentally sustainable, the first requirement of the regulation is that it significantly contributes to at least one of the 6 environmental objectives prescribed in Article 9 of the Regulation, whereby the prescribed technical screening criteria must be met.
2. Principle of no significant harm ("Do no significant harm") – The second requirement of the regulation stipulates that an economic activity, in order to be considered environmentally sustainable, must not cause significant harm to any other environmental objective.

In accordance with the requirements of Delegated Regulation 2021/2178 on publication of content and presentation of information on environmentally sustainable economic activities, this report provides information on key indicators, i.e. the shares of taxonomically aligned, eligible and non-eligible economic activities in the revenue and capital expenditure (CapEx) of the KONČAR Group.

Commission Delegated Regulation (EU) 2026/73, published on 8 January 2026, amends and simplifies previous Delegated Regulations (EU) 2021/2178, 2021/2139, and 2023/2486. As part of the "Omnibus" package, it introduces significant changes, including simplified technical screening criteria, simplified KPI templates, and the integration of materiality considerations in reporting. Commission Delegated Regulation (EU) 2026/73 applies from 1 January 2026. In preparing the disclosures for the 2025 financial year, the KONČAR Group considered the possibility of applying the simplifications introduced by this Regulation, to the extent that they were applicable to reporting for 2025. The operating expenditures (OpEx) KPI has been analysed in accordance with Delegated Regulation (EU) 2021/2178 and the amendments introduced by Delegated Regulation (EU) 2026/73. Based on the assessment conducted, it was determined that the items included in the OpEx KPI are quantitatively insignificant or immaterial; therefore, OpEx has not been elaborated in detail through separate tabular appendices.

The KONČAR Group report has been prepared on a consolidated basis and includes all companies within the Group. When calculating KPIs, particular attention was given to avoiding double counting, in line with the principles of the Taxonomy Regulation, which ensures that a single economic activity cannot be counted multiple times toward different environmental objectives or across different entities. To ensure this, each identified economic activity is assigned a clear allocation of related revenues and capital expenditures to the environmental objective it primarily contributes to. If an activity contributes to multiple environmental objectives, its financial amounts are included in the numerator only once and exclusively for the primary objective. This approach ensures that the same amounts are not counted multiple times, thereby fully avoiding double counting. When calculating KPIs for the KONČAR Group, intercompany transactions were not taken into account, as the report is prepared at a consolidated level.

The analysis of revenue and expenditures by activity was carried out in accordance with the Disclosures Delegated Act and the Delegated Acts prescribing the technical screening criteria. As part of the revenue analysis, a comprehensive list of turnover generated at the Group level was first compiled, and each item was assigned to the corresponding economic activity. Subsequently, an assessment was performed to determine whether each revenue item could, in line with the Delegated Acts, be associated with a taxonomy eligible activity, and whether the activity meets the relevant technical screening criteria for contributing to an

environmental objective. The capital expenditure analysis was performed by first determining the list of CapEx realised in 2025 that may, under the Delegated Acts, be associated with taxonomy eligible activities. Alignment with the Taxonomy Regulation could not be validated for this reporting period and is therefore not presented within the CapEx alignment KPIs, as the assessment and substantiation of compliance with the Minimum Social Safeguards (MSS) criteria had not been finalised by the reporting date.

**Assessment of activities considered taxonomy-eligible and taxonomy-aligned for KONČAR Group**

For the fifth consecutive year KONČAR Group is publishing its report in line with the EU Taxonomy Regulation. The report has been prepared on a fully consolidated basis, encompassing all entities within KONČAR Group. In calculating taxonomy-aligned Key Performance Indicators (KPIs), particular attention was paid to avoiding double counting by ensuring that each item was assigned to one KPI only.

As part of the assessment of the Group's taxonomy indicators, an analysis of OpEx was performed in accordance with the EU Taxonomy and the latest simplifications introduced by the Omnibus package, which allow for a focus on material and decision useful data while reducing the administrative burden of reporting. Since OpEx represents a quantitatively insignificant share of the total expenses of KONČAR Group companies, a detailed breakdown of individual OpEx items was not undertaken. Instead, OpEx was reviewed as part of the calculation of the denominator (total revenue, CapEx and OpEx) to confirm its relatively small share and thereby validate its immateriality in the context of taxonomy KPIs for alignment.

Accordingly, OpEx is not presented separately in the detailed tabular disclosures. The calculation confirmed that the denominator amounts to EUR 23.3 million and that OpEx does not exceed 3% of total OpEx, nor 2% of the revenue denominator, consistent with the previous year. The overall methodology remains fully aligned with the applicable regulatory requirements and the proportionality principles introduced by the amendments to Delegated Regulation (EU) 2026/73.

Table 2-1 EU-Taxonomy results for KONČAR Group: 2021–2025

	Taxonomy eligible				
	2021	2022	2023*	2024	2025
EU-Taxonomy Revenue	29%	29%	70%	77%	81%
EU-Taxonomy Capital Expenditures (CapEx)	44%	32%	45%	82%	60%
EU-Taxonomy Operating Expenditures (OpEx)	23%	19%	45%	41%	n/a

\* In relation to the published data in the section related to taxonomically eligible, a reassessment was carried out for the activity 3.2. Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which significantly contribute to climate mitigation.

KONČAR Group's report on the requirements set out by the Taxonomy Regulation and delegated acts is based primarily on activities classified in line with the NACE<sup>3</sup> classification.

<sup>3</sup>NACE classification is the abbreviation for the EU classification of economic activities, which establishes the standardised system of activity categories to be used across the European Union in order to ensure the comparability of collected statistical data.

The production portfolio of companies within KONČAR Group is structured into several key segments:

Electricity Generation

- Solar (photovoltaic) power plants
- Equipment manufacturing
- Turnkey projects, maintenance, overhauls, reconstruction, and plant refurbishment

Transmission and Distribution of Electricity

- Transformer substations
- Equipment manufacturing
- Construction, reconstruction, overhaul, and refurbishment of transmission and distribution facilities

Rail Vehicles and Infrastructure

- Low-floor battery, electric and diesel-electric multiple units
- Low-floor trams
- Components and systems for railway vehicles
- Railway infrastructure

In line with the NACE1 classification and for the purposes of the report prescribed by the Taxonomy Regulation ("the Report"), the majority (93%) of the products and services screened in order to identify Taxonomy-eligible activities are classified into three basic sectors:

Sector 3 Manufacturing

Sector 4 Energy

Sector 6 Transport

For the purpose of the disclosures in the Report, with the support of expert consultants, a comprehensive Group-wide screening of the business segments and manufacturing portfolio was conducted. The screening included professional functions such as manufacturing, research and development, and finance.

The Management Board of KONČAR - Electrical Industry Inc. has reviewed and adopted the Report and, in cooperation with the professional functions in charge of strategy implementation and activities in the field of sustainable development, agreed on a roadmap of activities in this area.

The KONČAR Group, as part of its business operations and its full transition toward a low carbon economy, continuously invests in technologies that reduce its own carbon footprint as well as the carbon footprint of its customers through the products it delivers.

Across all manufacturing activities, the objective is to pursue production processes that lead to high quality and durable products that can be revitalised and reused. The production methodology should ensure the use of an optimal amount of environmentally acceptable resources and maximise their utilisation. By using core resources (water, gas, electricity) efficiently, additional contributions are made toward sustainable production.

As reflected in the Company's business strategy, the development of products that reduce pollution and enhance energy savings remains a strategic imperative.



## Turnover from taxonomy-eligible activities

To calculate the turnover KPI, the companies included in the consolidation applied the ratio of net turnover generated from products and services associated with taxonomy eligible activities (numerator) to total net turnover (turnover denominator), as specified in point 1.1.1 of Annex I to the Delegated Act on disclosures.

The eligibility assessment was carried out across all companies, while at the Group level, the denominator representing sales based Turnover is consolidated and does not include intercompany transactions. Consolidated Turnover that meets the criteria for taxonomy eligible activities for 2025 amounts to EUR 1,065 million (2024: EUR 809 million), representing 80.77% (2024: 76.72%) of total turnover generated from the sale of products and services in 2025.

Taxonomy-eligible is primarily associated with companies whose core operations are aligned with the following economic activity categories:

- 3.20. Manufacturing, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity that substantially contribute to climate change mitigation or enable such contribution
- 3.1. Manufacture of renewable energy technologies
- 4.9. Transmission and distribution of electricity
- 3.3. Manufacture of low-carbon technologies for transport.

A detailed breakdown of all economic activities that generated taxonomy-eligible turnover in 2025 is presented in the table below:

Table 2-2 Taxonomy eligible turnover by activity

		Turnover in 000 EUR	
		2025	2024
1.2 (CE)	Production of electrical and electronic equipment	20,514	21,431
2.3 (CE)	Collection and transportation of non-hazardous and hazardous waste	2,160	1,731
3.1 (CCM)	Manufacture of renewable energy technologies	103,423	40,751
3.19 (CCM)	Production of component parts of railway vehicles	297	841
3.20 (CCM)	Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	628,156	559,294
3.3 (CCM)	Manufacture of low carbon technologies for transport	87,151	64,730
3.6 (CCM)	Manufacture of other low-carbon technologies	14	-
4.1 (CCM)	Electricity generation using solar photovoltaic technology	11,333	11,022
4.1 (CE)	Provision of IT/OT data-driven solutions	7,138	-
4.10 (CCM)	Storage of electricity	145	171
4.20	Cogeneration of energy for heating/cooling and electricity from bioenergy	-	428
4.3 (CCM)	Electricity generation from wind power	1,947	1,940
4.31 (CCM)	Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	160	-
4.5 (CCM)	Electricity generation from hydropower	45,610	18,192
4.8 (CCM)	Production of electricity from bioenergy	148	139
4.9 (CCM)	Transmission and distribution of electricity	92,249	39,971
5.2 (CCM)	Renovation of the water collection, purification and supply system	131	100
5.2 (CE)	Sale of spare parts	2,886	116
5.4 (CE)	Sale of used goods	432	4
5.5 (CCM)	Collection and transport of non-hazardous waste in source segregated fractions	472	391
5.5 (CE)	Product-as-a-service and other circular use and result-oriented service models	6	-
6.14 (CCM)	Infrastructure for rail transport	46,743	6,953
6.15 (CCM)	Infrastructure enabling low-carbon road transport and public transport	-	26,697
7.4 (CCM)	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	2,350	-
7.5 (CCM)	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of building	175	-
7.6 (CCM)	Installation, maintenance and repair of renewable energy technologies	465	42
7.7 (CCM)	Acquisition and ownership of buildings	656	2,564
8.2 (CCA)	Computer programming, consulting and related activities	10,451	10,386
9.1 (CCM)	Research, development and innovation with market potential (to contribute to mitigating climate change)	-	804
9.3 (CCM)	Professional services related to energy performance of buildings	15	-
<b>Total taxonomic numerator</b>		<b>1,065,227</b>	<b>808,967</b>
Denominator		1,320,019	1,054,377
<b>Coverage</b>		<b>80.70%</b>	<b>76.72%</b>

Denominator related to Note 3 Turnover from sales in the consolidated financial statements of the KONČAR Group.

## Capital expenditures (CAPEX)

For the calculation of the CapEx KPI, the companies within the Group established the numerator and denominator in full conformity with the provisions of points 1.1.2.1 and 1.1.2.2 of Annex I to the Delegated Regulation on disclosures. The assessment was carried out in accordance with all relevant methodological requirements of the EU Taxonomy framework, ensuring compliance with the prescribed definitions, eligibility criteria and alignment conditions for capital expenditure.

KONČAR Group's total capital expenditures pertain to the acquisition of assets and include all capitalised investments in tangible and intangible assets, right-of-use assets, and investment properties.

In 2025, taxonomy-eligible capital expenditures amounted to EUR 64.4 million (2024: EUR 36.2 million), representing 60.6% (2024: 82.41%) of total CapEx in accordance with the EU Taxonomy Regulation.

A substantial portion of this CAPEX pertains to the following activities:

- 7.1 Construction of new buildings
- 7.7 Acquisition and ownership of buildings
- 7.2 Renovation of existing buildings
- 3.20 Manufacture, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for electricity transmission and distribution
- 3.1 Manufacture of renewable energy technologies
- 6.6 Freight transport services by road

A detailed breakdown of all activities contributing to taxonomy-eligible CAPEX in 2024 is provided in the table below.

Table 2-3 Taxonomy eligible CapEx by activity

		Capital expenditures in 000 EUR	
		2025	2024
1.2 (CE)	Production of electrical and electronic equipment	2,132	743
3.1 (CCM)	Manufacture of renewable energy technologies	4,992	2,064
3.19 (CCM)	Production of component parts of railway vehicles	-	58
3.20 (CCM)	Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	6,715	5,495
3.3 (CCM)	Manufacture of low carbon technologies for transport	-	494
3.6.	Production of other low-carbon technologies	-	193
4.1.	Electricity generation using solar photovoltaic technology	-	613
4.3 (CCM)	Electricity generation from wind power	44	172
4.31 (CCM)	Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling	40	71
4.5 (CCM)	Electricity generation from hydropower	27	-
4.9 (CCM)	Transmission and distribution of electricity	360	139
5.2 (CCM)	Renovation of the water collection, purification and supply system	58	1
5.2 (CE)	Sale of spare parts	-	3,424
5.3 (CCM)	Construction, extension and operation of wastewater collection and treatment	64	-
6.14 (CCM)	Infrastructure for rail transport	1,961	214
6.15 (CCM)	Infrastructure enabling low-carbon road transport and public transport	-	1,366
6.5 (CCM)	Transport by motorbikes, passenger cars and light commercial vehicles	1,907	3,019
6.6 (CCM)	Freight transport services by road	3,367	221
7.1 (CCM)	Construction of new buildings	24,183	14
7.2 (CCM)	Renovation of existing buildings	7,026	2,304
7.3 (CCM)	Installation, maintenance and repair of equipment for energy efficiency	883	9,350
7.4 (CCM)	Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking lots connected)	54	2
7.5 (CCA)	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	16	33
7.5 (CCM)	Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	113	-
7.6 (CCA)	Installation, maintenance and repair of technologies for energy from renewable sources	255	30
7.6 (CCM)	Installation, maintenance and repair of technologies for energy from renewable sources	891	1,227
7.7 (CCM)	Acquisition and ownership of buildings	9,144	3,923
9.1 (CCM)	Research, development and innovation with market potential (to contribute to mitigating climate change)	381	1,005
<b>Total taxonomic numerator</b>		<b>64,613</b>	<b>36,175</b>
Denominator		107,669	43,897
<b>Coverage</b>		<b>60.01%</b>	<b>82.41%</b>

## Conclusion

The KONČAR Group was among the first in Croatia to adopt transparent disclosures required under the EU Taxonomy. In line with the obligations arising from the EU sustainable finance regulatory framework, the KONČAR Group assessed, within its 2025 sustainability report, whether the activities performed by individual Group entities are taxonomy eligible.

The analysed activities were confirmed as taxonomy eligible; however, the alignment of these activities could not be verified for the current reporting period and is therefore not presented within the alignment KPIs. This is because, as of the reporting date, the assessment and documentation of compliance with the Minimal Social Safeguards (MSS) criteria had not yet been completed.

## Template 1: Share of turnover, capital expenditure and operating expenditure from products or services associated with taxonomy-aligned economic activities - disclosure for year (N) (summary of key performance indicators)

Financial year (2025)		KONČAR Group		Breakdown of taxonomy-aligned economic activities by environmental objective												
KPI (1)	Total (2)	Share of taxonomy-eligible activities (3)	Taxonomy aligned activities(4)	Share of activities aligned with the EU Taxonomy (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)		Share of enabling activities (12)	Share of transitional activities (13)	Unassessed activities considered not relevant (14)	Taxonomy-aligned economic activities in the previous financial year (2024) (15)	Share of taxonomy-aligned economic activities in the previous financial year (2024) (16)
	EUR thousand	%	EUR thousand	%	%	%	%	%	%	%	%	%	%	%	EUR thousand	%
Turnover	1,320,019	80.70%	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	73.35%	0.01%	0.00%	0.00	0.00%
Capital expenditure	107,669	60.01%	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.30%	24.27%	0.00%	0.00	0.00%
Operating expenditure	23,333	N/P	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/P	N/P	100%	0.00	0.00%

## Template 2: Share of turnover from products or services associated with taxonomy eligible or taxonomy aligned economic activities - disclosure for the year (2025) (breakdown by activity)

Reported KPI (Turnover)		KONČAR Group											
Financial year (2025)													
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible turnover) (3)	Taxonomy-aligned KPI (monetary value of turnover) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned turnover) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)			
		%	EUR	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
3.20 Manufacture, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for electricity transmission and distribution	CCM	47.59%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
3.1 Manufacture of renewable energy technologies	CCM	7.84%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
4.9 Transmission and distribution of electricity	CCM	6.99%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
3.3 Manufacture of low-carbon technologies for transportation	CCM	6.60%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
6.14 Infrastructure for rail transport	CCM	3.54%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
4.5 Electricity generation from hydropower	CCM	3.46%	0.00	0.00%	%	%	%	%	%	%			0.00%
1.2 Manufacture of electrical and electronic equipment	CE	1.55%	0.00	0.00%	%	%	%	%	%	%			0.00%
4.1 Electricity generation using solar photovoltaic technology	CCM	0.86%	0.00	0.00%	%	%	%	%	%	%			0.00%
8.2 Computer programming, consultancy and related activities	CCA	0.79%	0.00	0.00%	%	%	%	%	%	%			0.00%

Reported KPI (Turnover)		KONČAR Group											
Financial year (2025)													
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible turnover) (3)	Taxonomy-aligned KPI (monetary value of turnover) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned turnover) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)			
		%	EUR	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
4.1 Provision of IT/OT data-driven solutions	CE	0.54%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
5.2 Sale of spare parts	CE	0.22%	0.00	0.00%	%	%	%	%	%	%			0.00%
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM	0.18%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
2.3 Collection and transport of non hazardous and hazardous waste	CE	0.16%	0.00	0.00%	%	%	%	%	%	%			0.00%
4.3 Electricity generation from wind power	CCM	0.15%	0.00	0.00%	%	%	%	%	%	%			0.00%
7.7 Acquisition and ownership of buildings	CCM	0.05%	0.00	0.00%	%	%	%	%	%	%			0.00%
5.5 Collection and transport of non-hazardous waste in source-segregated fractions	CCM	0.04%	0.00	0.00%	%	%	%	%	%	%			0.00%
7.6 Installation, maintenance and repair of renewable energy technologies	CCM	0.04%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
5.4 Sale of used goods	CE	0.03%	0.00	0.00%	%	%	%	%	%	%			0.00%
3.19 Production of component parts of railway vehicles	CCM	0.02%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%	E		0.00%

Reported KPI (Turnover)		KONČAR Group											
Financial year (2025)													
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible turnover) (3)	Taxonomy-aligned KPI (monetary value of turnover) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned turnover) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)			
		%	EUR	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
4.31 Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%		T	0.00%
4.8 Production of electricity from bioenergy	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%			0.00%
4.10 Storage of electricity	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
5.2 Renovation of the water collection, purification and supply system	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%			0.00%
9.3 Professional services related to energy performance of buildings	CCM	0.00%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
3.6 Production of other low-carbon technologies	CCM	0.00%	0.00	0.00%	%	%	%	%	%	%	E		0.00%
5.5 Product-as-a-service and other circular use- and result-oriented service models	CE	0.00%	0.00	0.00%	%	%	%	%	%	%			0.00%
<b>Total alignment by objective</b>					%	%	%	%	%	%			
<b>Total KPI (Turnover)</b>		<b>80.70%</b>	<b>0.00</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>0.00%</b>

## Template 3: Share of capital expenditure from products or services associated with taxonomy eligible or taxonomy aligned economic activities - disclosure for the year (2025) (breakdown by activity)

Reported KPI (CapEx)		KONČAR Group											
Financial year (2025)													
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible CapEx) (3)	Taxonomy-aligned KPI (monetary value of CapEx) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned CapEx) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)			
		%	EUR	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
7.1 Construction of new buildings	CCM	22.46%	0.00	0.00%	%	%	%	%	%	%		T	0.00%
7.7 Acquisition and ownership of buildings	CCM	8.49%	0.00	0.00%	%	%	%	%	%	%			0.00%
7.2 Renovation of existing buildings	CCM	6.53%	0.00	0.00%	%	%	%	%	%	%			0.00%
3.20 Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity, which contribute significantly to climate mitigation	CCM	6.24%	0.00	0.00%	%	%	%	%	%	%			0.00%
3.1 Manufacture of renewable energy technologies	CCM	4.64%	0.00	0.00%	%	%	%	%	%	%			0.00%
6.6 Freight transport services by road	CCM	3.13%	0.00	0.00%	%	%	%	%	%	%			0.00%
1.2 Production of electrical and electronic equipment	CE	1.98%	0.00	0.00%	%	%	%	%	%	%			0.00%
6.14 Infrastructure for rail transport	CCM	1.82%	0.00	0.00%	%	%	%	%	%	%	E		0.00%

Reported KPI (CapEx)		KONČAR Group												
Financial year (2025)														
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible CapEx) (3)	Taxonomy-aligned KPI (monetary value of CapEx) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned CapEx) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)	
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)				
		%	EUR	%	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	CCM	1.77%	0.00	0.00%	%	%	%	%	%	%	%		T	0.00%
7.6 Installation, maintenance and repair of technologies for energy from renewable sources	CCM	0.83%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%
7.3 Installation, maintenance and repair of equipment for energy efficiency	CCM	0.82%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%
9.1 Research, development and innovation with market potential (to contribute to mitigating climate change))	CCM	0.35%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%
4.9 Transmission and distribution of electricity	CCM	0.33%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%
7.6 Installation, maintenance and repair of technologies for energy from renewable sources	CCA	0.24%	0.00	0.00%	%	%	%	%	%	%	%			0.00%
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	CCM	0.01%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%
5.3 Construction, extension and operation of wastewater collection and treatment	CCM	0.06%	0.00	0.00%	%	%	%	%	%	%	%			0.00%
5.2 Renovation of the water collection, purification and supply system	CCM	0.05%	0.00	0.00%	%	%	%	%	%	%	%			0.00%
7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in parking lots connected to buildings)	CCM	0.05%	0.00	0.00%	%	%	%	%	%	%	%	E		0.00%

Reported KPI (CapEx)		KONČAR Group											
Financial year (2025)													
Economic activities (1)	Code (2)	Taxonomy-eligible KPI (share of taxonomy-eligible CapEx) (3)	Taxonomy-aligned KPI (monetary value of CapEx) (4)	Taxonomy-aligned KPI (share of taxonomy-aligned CapEx) (5)	Environmental objective of taxonomy-aligned economic activities						Enabling activity (12)	Transitional activity (13)	Share of taxonomy-aligned activities within taxonomy-eligible activities (14)
					Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular economy (9)	Pollution (10)	Biodiversity (11)			
		%	EUR	%	%	%	%	%	%	%	(E if applicable)	(T if applicable)	%
4.3 Electricity generation from wind power	CCM	0.04%	0.00	0.00%	%	%	%	%	%	%			0.00%
4.31 Production of energy for heating/cooling from gaseous fossil fuels in an efficient centralized heating and cooling system	CCM	0.04%	0.00	0.00%	%	%	%	%	%	%		T	0.00%
4.5 Electricity generation from hydropower	CCM	0.03%	0.00	0.00%	%	%	%	%	%	%			0.00%
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings	CCA	0.01%	0.00	0.00%	%	%	%	%	%	%			0.00%
<b>Total alignment by objective</b>					%	%	%	%	%	%			
<b>Total KPI Capital Expenditures</b>		<b>60.01%</b>	<b>0.00</b>	<b>0.00%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>			<b>0.00%</b>

# ESRS E1 Climate change

## Material impacts, risks and opportunities

E1.SBM-3, E1.IRO-1

Material topic	IRO		Value chain	Time horizon
Climate change adaptation	PI	<b>Climate resilience of products</b> The development and manufacture of equipment designed for demanding operating conditions enable the KONČAR Group to contribute to the resilience of technical systems to extreme climate conditions, in line with customer requirements and the long-term reliability needs of infrastructure.	Own operations Downstream	Short to long-term
	O	Significantly increased demand for products capable of operating reliably under demanding climatic conditions and prolonged load regimes creates an opportunity for the KONČAR Group to develop innovative and climate-resilient solutions.	Own operations Downstream	Medium to long-term
	O	<b>Active collaboration with suppliers</b> Active engagement and ongoing relationship management with suppliers contribute to understanding supply chain challenges and changes associated with transitional and physical risks.	Upstream Own operations	Short to long-term
	PR	<b>Adaptation of operational processes and sites to climate change</b> Climate-related impacts may affect operating costs through supply-chain disruptions and business interruptions and may lead to additional adaptation-related costs for locations situated in climate-vulnerable areas. (Linked to ESRS E5 – Resource Use and Circular Economy)	Upstream Own operations	Short to long-term
	O	<b>Infrastructure resilience</b> The construction and maintenance of the KONČAR Group's infrastructure are planned in a manner aimed at mitigating or proactively preventing potential risks associated with climate change.	Upstream Own operations	Short to long-term
Climate change mitigation	NI	<b>GHG emissions</b> Greenhouse gas emissions generated by the KONČAR Group's own operations, as well as along the upstream and downstream stages of the value chain, contribute to climate change and may result in negative environmental impacts.	Upstream Own operations Downstream	Short to long-term
	PI	<b>Reduction of GHG Emissions</b> By reducing GHG emissions in its manufacturing operations through increased energy efficiency and the procurement and generation of energy from renewable sources, the KONČAR Group contributes to the mitigation of climate change (Linked to ESRS E5 – Resource Use and Circular Economy)	Upstream Own operations	Short to long-term
	PI	The KONČAR Group's solutions enable the integration of renewable energy sources into power and transport networks and support the transition towards cleaner and more sustainable energy systems. (Linked to ESRS E5 – Resource Use and Circular Economy)	Downstream	Short to long-term
	PI	Energy-efficient design and the use of best-available materials in the manufacture of the KONČAR Group's products (such as electrical and electronic equipment, rolling stock and digital control systems) reduce losses and energy consumption during the use phase. (Linked to ESRS E5 – Resource Use and Circular Economy)	Downstream	Short to long-term
	PPI	The development of new products such as a battery-powered multiple unit (BEMU) with an accompanying charging system, as well as a specialised measurement train with a low CO <sub>2</sub> footprint for key industries, demonstrates significant potential for further contribution to decarbonisation across the value chain.	Own operations Downstream	Short to long-term
	O	<b>Increased demand for key products</b> As climate neutrality and decarbonisation become market standards, demand for the KONČAR Group's low-carbon solutions is increasing, particularly in the segments of power infrastructure, smart grids and electrified transport.	Downstream	Medium to long-term
	O	EU and national governments provide funding for green infrastructure projects, renewable energy sources and the modernisation of energy systems, which may increase demand for the KONČAR Group's products.	Downstream	Medium to long-term
	TR	<b>Rising raw material costs</b> Rising prices of key raw materials and inputs associated with the climate transition, regulatory changes and shifts in demand may increase operating costs (Linked to ESRS E5 – Resource Use and Circular Economy)	Upstream	Medium to long-term

Material topic	IRO		Value chain	Time horizon
Climate change mitigation	TR	<b>Business adaptation costs</b> Adapting business operations to new regulatory requirements, market expectations and sustainability standards may require additional investments and increase the costs of adapting business processes and products. (Linked to ESRS E5 – Resource Use and Circular Economy)	Own operations	Medium to long-term
	TR	<b>Achievement of transition objectives</b> Not achieving transition objectives may lead to less favourable financing terms and an increased cost of capital.	Own operations	Medium to long-term
	O	Investors prioritise companies with clear decarbonisation strategies and favour sustainable projects, which enables access to more favourable financing conditions through green bonds and credit facilities	Own operations	Medium to long-term
	TR	<b>Misalignment between technical and environmental requirements</b> The customer's technical and environmental requirements are not aligned, meaning that it is not possible to deliver a product that simultaneously meets both the technical and environmental requirements of the customer. (Linked to ESRS E5 – Resource Use and Circular Economy)	Own operations Downstream	Medium to long-term
Energy	PI	<b>Energy efficiency and renewable energy</b> The KONČAR Group uses electricity from renewable sources in its production processes, including electricity generated by its own photovoltaic power plants, and records a reduction in energy consumption per unit of revenue through systematic energy management. This is achieved by applying the ISO 50001 standard in key Group companies, investing in energy-efficient technologies, and optimising energy consumption in buildings and production facilities.	Own operations	Short to long-term
	TR	<b>Increase in energy prices</b> Increases in energy prices resulting from physical and transition risks in the power sector further raise energy costs for industry and consumers.	Own operations	Medium to long-term
	TR	<b>Decarbonisation of production processes</b> Investments in new technologies aimed at improving energy efficiency and reducing emissions required for the decarbonisation of production processes may significantly increase capital expenditure.	Own operations	Medium to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

### Climate related risks, opportunities and business model resilience

The KONČAR Group recognises climate change as a key strategic factor affecting long-term competitiveness, business resilience and the development of products and services. In line with the requirements of ESRS E1, the KONČAR Group has conducted an integrated assessment of transitional and physical climate-related risks and opportunities across the entire value chain, with the objective of understanding their potential financial and operational materiality in the short, medium and long term.

The climate risk assessment is based on internationally recognised methodologies and scenarios, including the NGFS (Network for Greening the Financial System) orderly transition scenario for transition risks and the RCP 4.5 and RCP 8.5 climate scenarios for physical risks, in accordance with the ISO 14091 guidelines. The identification and assessment process included the identification of relevant climate hazards and transition risk drivers, the assessment of exposure, sensitivity and vulnerability of assets and business activities, scenario analysis across different time horizons, and the evaluation of the materiality of impacts, risks and opportunities at the level of the Group's own operations and the value chain.

### Climate transition risks and opportunities

The KONČAR Group operates in an industrial environment strongly shaped by regulatory, market and technological changes associated with the global transition to a low carbon economy. The identified transition risks primarily arise from the development of climate related policies and regulations, technological progress, changes in market expectations, as well as reputational and financial requirements imposed by investors and customers.

**Regulatory and legal risks** relate to the progressive tightening of the regulatory framework associated with climate change and sustainable business practices, including CSRD, the EU Taxonomy, the Carbon Border Adjustment Mechanism (CBAM), and the expansion of the EU Emissions Trading System (EU ETS). These risks may result in increased compliance costs, requirements to demonstrate the energy efficiency and low carbon footprint of products, as well as potential limitations on access to markets and public procurement procedures for products that do not meet the new criteria.

**Technological risks** are associated with the need for continuous investments in the development of products with lower losses, reduced emissions and advanced materials, as well as with the risk of technological lag if innovations are not implemented in a timely manner. At the same time, the technological transition represents an opportunity to strengthen competitive positioning through the development of advanced energy and transport solutions aligned with decarbonisation requirements.

**Market and reputational risks** arise from increasing expectations of customers such as power system operators, investors and financial institutions regarding transparency, product life cycle assessment (LCA), and evidence of greenhouse gas emissions reductions. Failure to meet these expectations may result in reduced contracting, loss of market share or less favourable financing conditions. Additional risks also arise from the integration of climate related criteria into credit and investment risk assessments, which may potentially affect financing costs.

Under the NGFS orderly transition scenario, the KONČAR Group assesses transition risks as manageable, provided that the business model is adapted in a timely

manner, continuous investments are made in research and development, and climate objectives are actively integrated into strategic and financial planning. The results of the analysis indicate that the climate transition represents regulatory, technological and market related challenges for the KONČAR Group, while simultaneously creating significant business opportunities. Given that the Group's product portfolio is closely linked to power systems, infrastructure electrification, grid modernisation and improvements in energy efficiency, the KONČAR Group is well positioned to benefit from growing demand for technologies that support the energy transition. Additional opportunities arise from the development of technological innovations and digital solutions for power systems, as well as from the expected increase in investments in the electrification of transport systems and transport infrastructure. Greater availability of green financing instruments may further enable more favourable financing conditions for related projects, thereby supporting the development of project activities and market opportunities.

### Physical climate risks

Physical climate related impacts, risks and opportunities were identified through a Climate Risk and Vulnerability Assessment (CRVA) conducted in accordance with the ISO 14091:2021 guidelines, as well as the requirements of ESRs E1 and Commission Delegated Regulation (EU) 2021/2139. The assessment encompassed an analysis of the sensitivity of business activities, a geospatial assessment of asset exposure to climate hazards, an evaluation of vulnerability, and an assessment of the materiality of physical climate risks. The exposure analysis was carried out using GIS tools and the CORDEX Europe climate model, applying the RCP 4.5 and RCP 8.5 scenarios. Climate projections were analysed across three time horizons:

- reference period (1981–2010)
- medium-term period (2021–2040)
- long-term period (2041–2060).

The assessment indicates that the most relevant climate hazards for the operations of the KONČAR Group are related to chronic temperature changes, heatwaves and temperature stress, wildfires, storms and flooding. By the mid 21st century, an increase in average daily maximum temperatures of approximately 2–2.5°C compared to the historical period is expected, accompanied by an increase in the number of hot days, particularly in eastern Croatia and the Dalmatian region. Within this context, the most pronounced assessed exposure relates to heatwaves, temperature stress and wildfires, primarily in terms of employees' working conditions and the need for appropriate adaptation measures. Increased exposure to flooding has been identified at the Novo Zvečevo (Papuk) and Zlatar locations, while other operational sites are situated in areas with a low probability of flooding.

At the same time, the results of the assessment indicate that the KONČAR Group's operations and assets are not exposed to extremely high physical climate risks, and that the majority of operational locations are situated in areas with low or moderate exposure to climate hazards. Existing risk management measures, including fire protection systems, safety protocols and infrastructure protection measures, further reduce the overall level of assessed risk. Although locally more pronounced exposure to certain climate hazards has been identified at specific locations, particularly Novo Zvečevo and Zlatar, these sites are not operational locations and the Group does not conduct business activities there. As such, they are not critical to business continuity nor do they represent a material share of the KONČAR Group's total asset value or production capacities. Consequently, the identified physical climate risks have not been assessed as material to the KONČAR Group's business.

The KONČAR Group will continue to systematically monitor the development of climate hazards and regularly update its physical climate risk assessment to ensure timely adaptation of operations and to maintain the long term resilience of assets and operational activities.

### Value chain resilience

Upstream value chain – The KONČAR Group's supply chain is exposed to transition and physical risks through potential disruptions in the availability of raw materials, rising prices of low-carbon materials, and climate-related impacts on suppliers' production and logistics capacities. Resilience is ensured through supplier diversification, long-term partnership relationships, and the integration of ESG criteria into procurement processes.

Own operations – The Group's own operations are exposed to physical risks through climatic conditions and to transition risks through regulatory requirements and rising energy prices. Operational resilience is based on industry standard facility design, systematic energy management, preventive maintenance, and the gradual decarbonisation of production processes. Infrastructure protection systems, business continuity plans and safety protocols further contribute to the resilience of operational activities to climate related impacts.

Products and solutions in the use phase – The KONČAR Group's products are directly exposed to climatic conditions, but are designed to ensure reliable operation across a wide range of climate scenarios. At the same time, transition risks related to market expectations represent an opportunity for the development of low carbon, energy efficient solutions that contribute to the resilience of power and transport systems.

Logistics, installation and servicing – Field activities are exposed to climatic conditions and operational challenges, while resilience is ensured through flexible planning, adaptation of working regimes and the application of safety procedures.

### Conclusion on the Resilience of the Strategy and Business Model

Based on the integrated assessment and scenario analysis conducted, it can be concluded that the KONČAR Group's business model, operational activities and value chain demonstrate resilience to the identified climate risks across the analysed scenarios and time horizons. Transition risks are primarily linked to regulatory changes, technological progress and changes in market expectations; however, they simultaneously create significant business opportunities associated with the energy transition and increased investments in power and transport infrastructure. Transition risks are managed through the transition plan, strategic investments and product development, while the identified physical climate risks are addressed through existing and planned adaptation measures.

In this context, it has been assessed that the climate transition may have a positive long-term effect on the KONČAR Group's market outlook and competitiveness.

## Transition Plan for Climate Change Mitigation E1-1

A transition plan for climate change mitigation represents a roadmap for transitioning the company's strategy and business model towards a sustainable economy compatible with limiting global warming to 1.5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050.

### Strategic framework and alignment with climate objectives

During 2025, the KONČAR Group defined and developed a Climate Transition Plan (hereinafter: the Plan), which sets out measurable greenhouse gas emissions reduction targets for Scope 1 and Scope 2, as well as a framework for the gradual reduction of Scope 3 emissions across the value chain. The Plan was approved by the Management Board of KONČAR Inc. and developed as one of the key implementation instruments of the KONČAR Group Sustainability Strategy 2024–2026, in particular under the priority "A Zero-Emission Future". The Plan operationalises the KONČAR Group's climate ambitions through defined measures, target values, investment priorities and monitoring indicators. Climate transition considerations are integrated into the business strategy, the risk management system, investment planning and the operational plans of all KONČAR Group companies included in the consolidation perimeter.

### Methodological basis and reference year

The reference year for target setting is 2024, when a comprehensive inventory of Scope 1, Scope 2 and Scope 3 emissions was prepared for the first time in accordance with the GHG Protocol methodology. Target values were defined based on an assessment of the impact of decarbonisation measures on the emissions profile of the reference year.

To assess future trends, the SSP2 ("Middle of the Road") climate scenario was applied, which assumes a gradual decarbonisation pathway combined with moderate economic growth. This scenario was used in conjunction with the IPCC 1.5°C pathways to ensure alignment with the European Union's long term climate ambitions.

### Alignment with Science Based Targets

Although the KONČAR Group had not yet completed formal SBTi validation of its targets at the time of preparing the Plan, its long term strategic ambition remains to achieve climate neutrality by 2050. The targets and indicators established in this Plan represent a realistic and credible trajectory for emissions reduction based on the information currently available, existing development plans, and investments that are, at this stage, operationally justified and economically feasible.

The Group assumes that further technological advancements, increased availability of new solutions, the strengthening of internal capacities, and improved data reliability—particularly for Scope 3—will enable continuous enhancement of measures and support the achievement of climate neutrality by 2050.

### Emissions reduction targets

#### Scope 1 – Direct CO<sub>2</sub> emissions from the consumption of fossil fuels

The projection of greenhouse gas emissions reductions from Scope 1 – fossil fuel combustion compared to the 2024 reference year is presented in the table below, showing both absolute emission values and the corresponding relative reduction expressed as a percentage.

Year	Emissions (tCO <sub>2</sub> ekv)	Change compared to 2024
2024	18,258	Reference year
2030	5,258	–71%
2050	4,512	–75%

Greenhouse gas emissions reductions are achieved through the implementation of Strategy A – decarbonisation of the vehicle fleet (mobility) and mobile assets, and Strategy B – decarbonisation of stationary energy sources. Key measures include the gradual electrification of the vehicle fleet and work machinery, the replacement of fossil fuels with electricity or alternative low carbon fuels, the modernisation of boiler rooms and heating systems, the introduction of heat pumps and other high efficiency technologies, as well as the optimisation of energy consumption through energy efficiency measures in production and office facilities.

In certain industrial processes (e.g. at the Ferokotao company), commercially viable alternatives to fossil fuels are currently not available. As a result, technological options will continue to be analysed with the aim of achieving an approximately 90% reduction in Scope 1 emissions by 2050.

#### Scope 1 – Fugitive greenhouse gas emissions (SF<sub>6</sub> and other F gases)

SF<sub>6</sub> emissions in 2024 were calculated using a conservative approach based on procured quantities, due to the lack of a complete SF<sub>6</sub> gas inventory. In 2026, the establishment of a precise measurement system and a subsequent adjustment of the baseline value are planned. The complete phase out of SF<sub>6</sub> is envisaged by 2034.

Year	Emissions (tCO <sub>2</sub> ekv)	Change compared to 2024
2024	11,239.37	Reference year
2030	15,688.09	39.6%
2040	0.00	–100%
2050	0.00	–100%

The reduction of fugitive emissions is achieved through the implementation of Strategy C – management of fluorinated gases.

#### Scope 2 – Indirect emissions

Year	Location based approach (tCO <sub>2</sub> ekv)	Change compared to 2024	Market based approach (tCO <sub>2</sub> ekv)	Change compared to 2024
2024	7,058.97	Reference year	4,608.77	Reference year
2030	8,802.65	+24.7%	3,438.87	–25.4%
2050	9,097.70	+28.9%	2,031.10	–55.9%

The trend in Scope 2 greenhouse gas emissions shows different dynamics depending on the calculation approach applied. Under the location based approach, greenhouse gas emissions are increasing in the medium term due to the gradual electrification of business processes, heating systems and part of the vehicle fleet, resulting in a shift of a portion of greenhouse gas emissions from Scope 1 to Scope 2. This trend reflects higher electricity consumption as a consequence of decarbonisation measures that replace the direct use of fossil fuels with electricity based solutions.

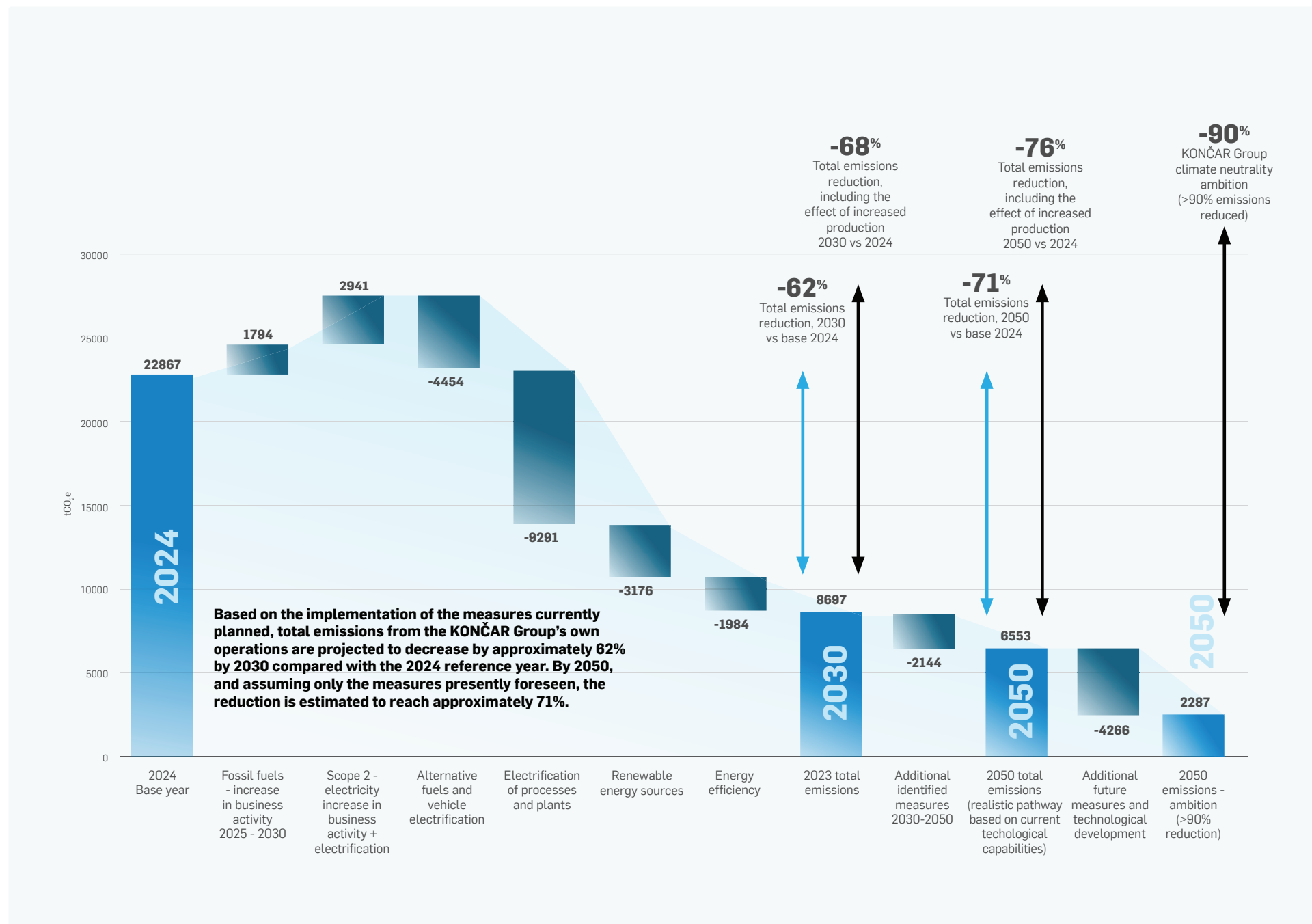
## Decarbonisation pathway

The KONČAR Group's decarbonisation pathway illustrates the expected temporary increase in greenhouse gas emissions in the initial phase from its own operations (Scope 1 and Scope 2), driven by the growth of business activities and production capacities, as well as the gradual electrification of certain operations. The main reduction in emissions towards the 2050 target year is achieved through the implementation of key decarbonisation measures, including the replacement of fossil fuels with electricity and other low carbon solutions, electrification of the vehicle fleet and work machinery, modernisation of energy systems, and improvements in the energy efficiency of processes and infrastructure.

Based on the implementation of the measures currently planned, total emissions from the KONČAR Group's own operations are projected to decrease by approximately 62% by 2030 compared with the 2024 reference year. By 2050, and assuming only the measures presently foreseen, the reduction is estimated to reach approximately 71%.

At the same time, considering the planned growth in business activities and the associated increase in electricity consumption due to the electrification of processes and equipment, the net emissions reduction effect amounts to approximately 68% by 2030 and approximately 76% by 2050 compared with the reference year, based on the measures and technological options currently planned. Despite the short term increase in emissions linked to production growth resulting from capacity expansion and electrification, total emissions gradually decline owing to structural changes in energy use, improvements in energy efficiency and the transition to renewable energy sources, thereby enabling substantial long term absolute reductions in greenhouse gas emissions.

## SCOPE 1 AND SCOPE 2



### Scope 3 – Value chain emissions

For Scope 3, a long term target of achieving net zero emissions by 2050 has been defined. Due to the complexity of the value chain, quantitative short term targets have not yet been established. The gradual introduction of measurable targets is planned, with the ambition of reducing relevant greenhouse gas emissions by approximately 30% once a more robust monitoring and data collection system is in place.

At this stage, the Plan covers the key Scope 3 categories, including:

- Procurement of raw materials and components
- Supplier activities and logistics
- Transport of products
- Emissions during the use of products

Priority activities are focused on:

- Collaboration with suppliers to establish systems for monitoring and reducing greenhouse gas emissions
- Reducing greenhouse gas emissions associated with the procurement of steel, copper and aluminium
- Increasing the share of recycled and low carbon materials
- developing products with lower losses and a reduced carbon footprint over the product life cycle.

### Financial planning and investments

Although the transition requires initial investments, it contributes in the long term to reducing regulatory risks, stabilising energy costs and strengthening competitiveness. Accordingly, the implementation of the Plan requires significant capital and operational investments, including:

- Modernisation of production systems
- Electrification of the vehicle fleet
- Improvements in the energy efficiency of buildings and facilities
- Development of new production sites (locations Zaprešić and Sesevetski Kraljevec)
- Investments in renewable energy sources
- Replacement of F gases and reduction of fugitive emissions

Planned investments are integrated into the KONČAR Group's medium term financial planning. In capital allocation decisions, alignment with the EU Taxonomy criteria is considered, in particular with regard to making a substantial contribution to climate change mitigation and compliance with the "Do No Significant Harm" principle.

### Governance and oversight of the Plan

The Management Board of KONČAR Inc. is responsible for the preparation, approval and implementation of the Plan, and approves the decarbonisation strategies, defined emissions targets and the investment decisions required to achieve them. The Supervisory Board oversees the implementation of the Plan, reviews progress reports submitted by the Management Board, and approves key strategic decisions related to the climate transition.

Monitoring of implementation includes:

- Annual updating of the greenhouse gas (GHG) inventory
- Monitoring progress towards emissions reduction targets
- Oversight of investments and transition measures,
- Integration of climate related risks into the risk management system

The Transition Plan was defined and developed during 2025 based on the greenhouse gas emissions inventory for the 2024 reference year, which serves as the reference point for setting greenhouse gas emissions reduction targets and assessing the impacts of the planned decarbonisation measures. Formal adoption of the Plan is scheduled for 2026, following a review of the baseline situation, an analysis of achieved greenhouse gas emissions and operational assumptions, and the adoption of decisions on future decarbonisation strategic directions and investment priorities. Once adopted, the Plan will be regularly reviewed at least every three years, or earlier in the event of significant changes in business activities or the regulatory environment, or if deviations in greenhouse gas emissions or key operational assumptions exceed a threshold of 5% compared to planned values.

### Long term climate neutrality ambition

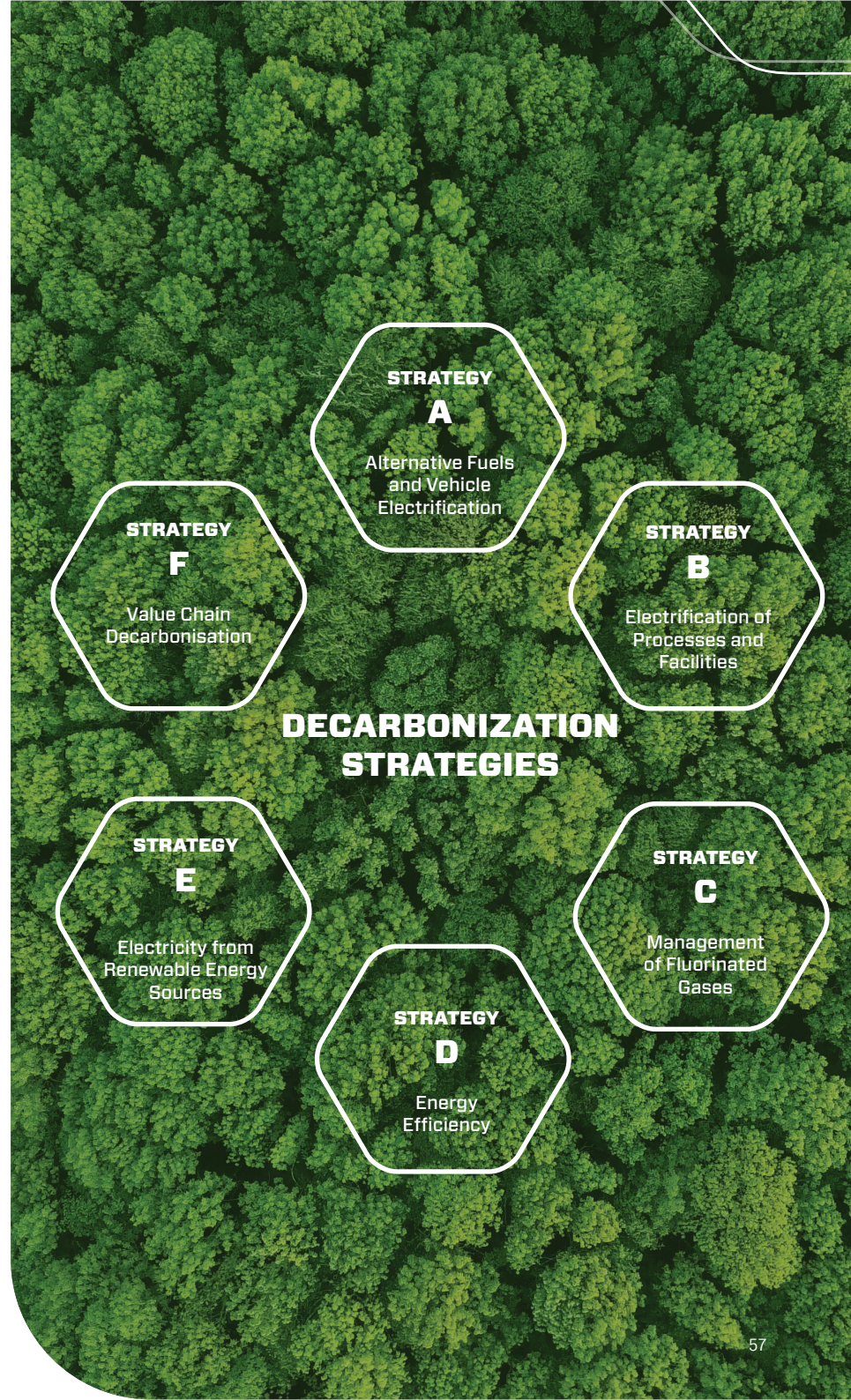
The KONČAR Group has set an ambition to achieve climate neutrality by 2050. In line with the Science Based Targets initiative (SBTi) approach, priority is given to achieving approximately 90% of actual emissions reductions, while the remaining residual greenhouse gas emissions may be addressed through high quality offsetting mechanisms. The Plan provides a structured, measurable and financially integrated framework for a gradual transition towards low carbon business operations.

## Decarbonisation strategies

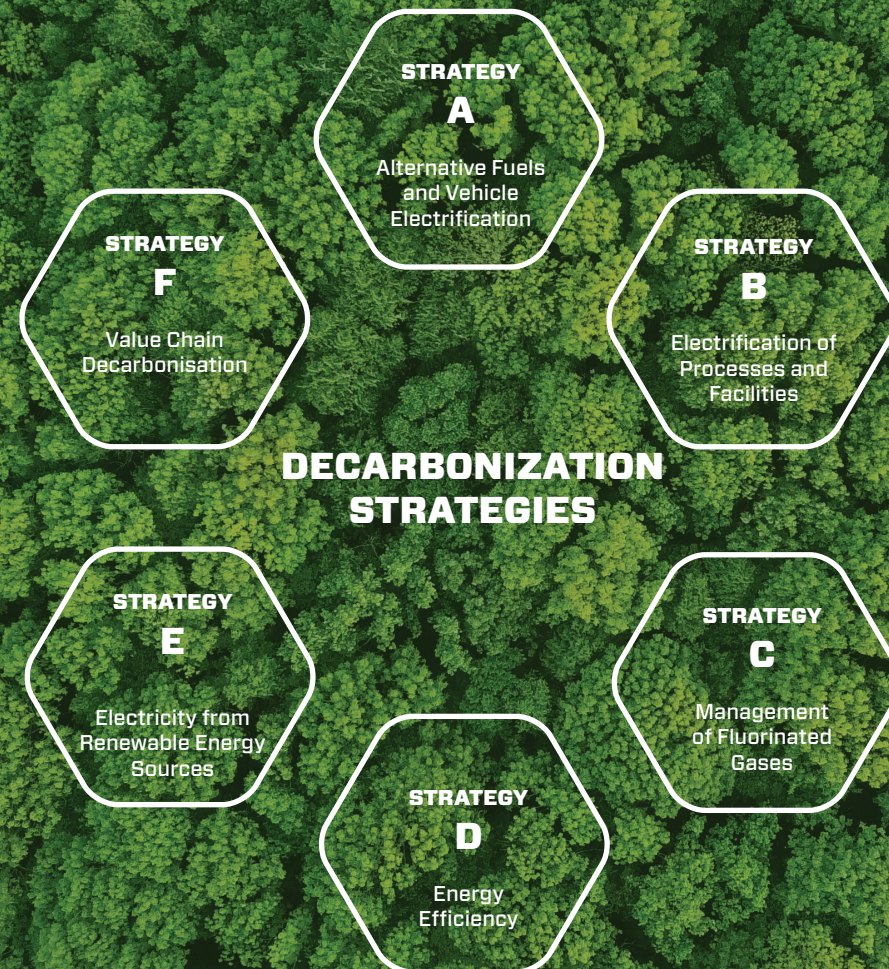
Six key decarbonisation strategies have been defined to steer the KONČAR Group towards a sustainable transition to a low carbon business model. The KONČAR Group develops and implements decarbonisation strategies covering all key emission sources within Scope 1 and Scope 2, as well as a consolidated Scope 3 decarbonisation strategy encompassing nine strategic directions (recommendations) for reducing greenhouse gas emissions.

These strategies are designed to deliver short, medium and long term objectives and form the foundation of a long term plan to reduce greenhouse gas emissions, improve energy efficiency, and promote innovation and sustainable technologies across all business segments.

A detailed description of the decarbonisation strategies outlined above, together with the related measures, resources and target values, is presented in the Section E1-4 Action and Targets Related to Climate Change.



### DECARBONIZATION STRATEGIES



## Policies related to climate change E1-2

Climate change mitigation and adaptation, energy efficiency, and the use of renewable energy sources are governed through an interrelated set of policies and governance frameworks. The key document within this framework is the KONČAR Group Sustainability policy, which is complemented by the Transition Plan for Climate Change Mitigation, climate relevant aspects of the environmental and energy management systems, and the KONČAR Group Supplier Code of Conduct:

- **The KONČAR Group Sustainability Policy** establishes the fundamental principles of climate action at the level of the entire KONČAR Group. It encompasses climate change mitigation through the reduction of greenhouse gas emissions, the development of energy efficient products and services, and the use of renewable energy sources in operations, as well as climate change adaptation through strengthening the resilience of operations and products to climate related impacts and the development of solutions that support customers in adapting to climate change. The Group's climate ambitions are further formalised through the strategic objective "A Zero Emission Future", which is operationalised through the development of a Climate Transition Plan as a framework for the transition towards climate neutrality.
- **The Transition Plan** for climate change mitigation represents the key implementation framework for the decarbonisation of the KONČAR Group. It defines measurable greenhouse gas emissions reduction targets for Scope 1 and Scope 2, a framework for the gradual reduction of Scope 3 emissions across the value chain, and priority measures related to energy efficiency, electrification, increasing the share of renewable energy, and reducing fugitive emissions. The Plan links climate objectives with strategic planning, climate risk management, investment decision making and the long term ambition of achieving climate neutrality.
- **Integrated Management System Policy pertaining to quality, environmental protection, occupational health and safety and energy**, specifically the environmental management system certified in accordance with ISO 14001 and the energy management system certified in accordance with ISO 50001—supports the operational implementation of climate related commitments within the KONČAR Group's own operations. Within this framework, the KONČAR Group systematically monitors energy consumption, implements measures to improve energy efficiency, increases the share of renewable energy, and integrates energy efficiency and decarbonisation criteria into investments, equipment modernisation and process management.
- **The KONČAR Group Supplier Code of Conduct** operationalises climate related expectations towards suppliers. The Supplier Code of Conduct requires suppliers to reduce greenhouse gas emissions, improve energy efficiency, use renewable energy sources wherever possible, apply responsible energy and resource management, and, where applicable, measure their carbon footprint and set emissions reduction targets. Through this approach, climate governance is extended beyond the Group's own operations and is progressively embedded into the supply chain.

Additional information on individual policies are available in Annex IV.

## Actions and targets related to climate change E1-3, E1-4

The key short term target of the KONČAR Group is to reduce total Scope 1 and Scope 2 greenhouse gas emissions by 45% by 2030 compared to the 2019 base year. Emissions calculations indicate that, by the end of 2025, emissions under the market based approach had been reduced by approximately 5% compared to the base year.

The measures, resources and target values associated with the previously described emissions reduction objectives of the KONČAR Group are presented according to the decarbonisation strategies defined in the KONČAR Group's Transition Plan. Significant capital and operating expenditures (CapEx and OpEx) related to the implementation of climate related measures are aligned, where applicable, with disclosures under the EU Taxonomy. Total CapEx over the implementation period of the Plan up to 2030 is estimated at EUR 50,317,064.

### Strategy A – Alternative Fuels and Vehicle Electrification

Strategy A is focused on reducing greenhouse gas emissions from the vehicle fleet and mobility. Total investments are estimated at EUR 10,708,293. Of this amount, EUR 9,508,293 relates to the replacement of passenger vehicles under activity 6.5 Transport by motorcycles, passenger cars and light commercial vehicles, while EUR 700,000 is allocated to activity 6.6 Road freight transport services. At KONČAR Group locations, the installation of electric vehicle charging stations has continued, thereby supporting the use of electric vehicles in internal activities and creating the necessary infrastructure for further decarbonisation of mobility. Investments in this area amount to EUR 500,000 under activity 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and parking areas associated with buildings). These investments represent 21% of the total estimated CapEx of the Plan over the period up to 2030 for the KONČAR Group. The implementation of this strategy will be further supported by a vehicle fleet monitoring project

**Target values:** For this strategy, no separate quantitative target value has been set for the reporting period. Its contribution is monitored through the overall reduction of Scope 1 and Scope 2 emissions, as well as through the gradual transformation of mobility towards lower emission solutions.

### Strategy B – Electrification of Processes and Facilities

Strategy B focuses on the gradual modernisation of equipment and processes in order to create the conditions for electrification where this is technically and economically feasible. Within this framework, investments continue to be made in equipment modernisation, automation and real time energy consumption monitoring systems, alongside further upgrades of production systems and infrastructure. Total investments under this strategy are estimated at EUR 25,608,241. Of this amount, EUR 24,608,241 is allocated under activity 3.20 – Manufacture, installation and servicing of high , medium and low voltage electrical equipment for the transmission and distribution of electricity that makes a substantial contribution to climate change mitigation or enables such a contribution, while EUR 1,000,000 is allocated under activity 7.3 – Individual renovation measures consisting of the installation, maintenance or repair of energy

efficiency equipment. These investments represent 51% of the total estimated CapEx of the Transition Plan for the period up to 2030 for the KONČAR Group. This strategy is closely linked to Strategy D – Energy Efficiency, as electrification and technological modernisation together contribute to reducing dependence on fossil fuels.

**Target values:** No separate target value has been defined for this strategy. Instead, its impact is monitored through energy efficiency indicators and through the overall Scope 1 and Scope 2 greenhouse gas emissions reduction targets presented in E1.1.

### Strategy C – Management of Fluorinated Gases

In accordance with the deadlines defined by Regulation (EU) 2024/573, KONČAR – Switchgear Ltd. is implementing activities aimed at reducing emissions associated with the use of SF<sub>6</sub> gas. Within this framework, type testing of a new generation of switchgear modules for the 24 kV voltage level (ON1 series) has been successfully completed, and by the end of the year the first commercial contract for the delivery of installations from this series was signed. The product uses synthetic air as the insulating medium instead of sulfur hexafluoride, while arc interruption is achieved through vacuum circuit breakers.

**Target values:** The objective of this strategy is the gradual reduction and, in the long term, elimination of the use of SF<sub>6</sub> gas in line with regulatory deadlines and technological feasibility, thereby directly contributing to the reduction of Scope 1 emissions and to the KONČAR Group's net-zero transition.

### Strategy D – Energy efficiency

Strategy D covers measures aimed at improving the energy efficiency of production facilities, buildings and equipment. During the reporting period, modernisation and infrastructure refurbishment measures were implemented, including the replacement of outdated equipment with more energy efficient alternatives, thermal insulation of buildings, and optimisation of lighting systems. These measures continuously reduce energy consumption per unit of product and service. Implementation was supported by energy audits, the rollout of energy management systems across the KONČAR Group's manufacturing companies, and the monitoring of energy consumption through the ISO 50001 system. Investments in improving the energy efficiency of buildings are estimated at EUR 11,779,280 under activity 7.3 – Installation, maintenance and repair of energy efficiency equipment. These investments account for 23% of the total estimated CapEx of the Plan for the period up to 2030 for the KONČAR Group. An ISO 50001 certified energy management system is already in place at KONČAR Inc., KONČAR – Digital, Dalekovod jsc, Dalekovod Projekt, Dalekovod OSO and Dalekovod MK. During the reporting period, 89% of companies completed the planned preparatory activities for the implementation of an energy management system, and it is expected that all manufacturing companies will obtain energy management system certification during 2026.

**Target values:** The key target of this strategy is to achieve a 35% improvement in energy efficiency by 2026 compared to the 2019 base year, measured as the ratio of energy consumption to revenue or production volume. In 2025, an improvement of 33% compared to the base year was achieved.

## Strategy E – Electricity from Renewable Energy Sources

Strategy E focuses on increasing the share of renewable electricity in the KONČAR Group's energy consumption and strengthening its own generation from renewable sources. The majority of KONČAR Group companies operating in the Republic of Croatia purchase electricity from renewable sources certified under the HEP ZelEn programme, and going forward the Group intends to continue securing the use of "green" electricity for all KONČAR Group companies through joint procurement. Investments in renewable energy generation are estimated at EUR 927,000 under activity 7.6 – Installation, maintenance and repair of renewable energy generation technologies, in accordance with EU Taxonomy definitions. These investments account for 2% of the total estimated CapEx of the Plan for the period up to 2030 for the KONČAR Group. In the coming period, further investments in renewable energy sources are planned through the installation of additional photovoltaic panels on own facilities, the expansion of in house solar capacities, and the consideration of potential investments in external projects or green power purchase agreements.

**Target values:** The objective is to ensure that by 2026, 35% of total energy consumption and 100% of electricity consumption are sourced from renewable energy, with 15% of required electricity planned to be generated from the Group's own renewable energy sources. In 2025, 28% of total energy consumption was covered by renewable sources, including purchased green electricity and own generation, representing a 1% increase compared to 2024, primarily due to the use of new in house solar energy sources. At the same time, the share of electricity from renewable sources reached 93%, compared to 89% in the previous period. Own photovoltaic power plants at company locations covered approximately 10% of the KONČAR Group's total electricity consumption, an increase from 7% in the previous period.

## Strategy F – Value Chain Decarbonisation

Strategy F focuses on reducing emissions through process optimisation, the selection of materials and components with a lower carbon footprint, more efficient logistics, and the development of products with a reduced climate impact over their life cycle. Continuous improvements are pursued within production processes to lower greenhouse gas emissions, including reductions in energy losses and more efficient logistics, while eco design standards are applied in product design to minimise the carbon footprint across the entire product life cycle. In the coming period, further strengthening of value chain data monitoring and reporting systems is planned, particularly through the consolidation of data on material and product transport, the establishment of a unified platform for supplier pre qualification and assessment based on ESG criteria, and the further integration of climate relevant indicators into strategic procurement processes and value chain management.

**Target values:** The objectives of this strategy in the reporting period are predominantly qualitative and focused on continuous improvements, strengthening the data foundation, and the systematic integration of climate related criteria into decision making processes related to materials, logistics, suppliers and product development. Progress is monitored through annual reporting and the further enhancement of monitoring systems.

## Research and Development (R&D)

The implementation of the strategies is further supported horizontally by the KONČAR Group's continuous investments in research and development of solutions for the green transition. These investments include the development of more energy efficient products, the application of new technologies for the use of renewable energy sources, and the replacement of harmful substances in production processes. Such investments have been preliminarily estimated for 2025 at 1% of the KONČAR Group's total CapEx, amounting to approximately EUR 380,000 in accordance with the EU Taxonomy (activity CCM 9.1 – Research, Development and Innovation). Future research activities will be predominantly associated with the reduction of emissions arising from the use of products within activity 3.20 – Manufacture, installation and servicing of high, medium and low voltage electrical equipment for the transmission and distribution of electricity that makes a substantial contribution to climate change mitigation or enables such a contribution, as well as activity 3.1 – Manufacture of renewable energy technologies.

## Monitoring and implementation of targets

All of the defined targets and indicators are regularly monitored through the climate measures and targets monitoring system, which includes periodic internal reporting on energy consumption, tracking progress against established key performance indicators, and informing the Management Board of KONČAR Inc. on progress towards the achievement of targets. Progress is also reported through the annual sustainability report. In the event of deviations from planned trajectories, the KONČAR Group will implement corrective actions and, where necessary, update its decarbonisation strategies to remain aligned with the objectives of the Paris Agreement and national energy and climate plans. The implementation monitoring system is further enhanced through the SAP project, the vehicle fleet monitoring project, the consolidation of data on the transport of materials and products within the KONČAR Group, and the establishment of a unified platform for supplier pre qualification and assessment based on ESG criteria within the strategic procurement process.

## Energy consumption and mix

E1-5

The KONČAR Group monitors the consumption of energy and fuels derived from crude oil and petroleum products, as well as natural gas, by type of energy source across the entire KONČAR Group. The KONČAR Group is committed to the responsible use of energy and resources in line with the principles of the KONČAR Group Sustainability Policy and the Integrated Management System Policy, which includes the following commitments:

- To manage natural resources responsibly by promoting efficiency in the use of energy, fuels and materials
- To continuously work on improving the energy performance of KONČAR Group companies through the adoption and implementation of energy management programmes, guidelines and targets
- To ensure the availability of resources and information necessary for the effective implementation of energy management system activities
- To monitor and comply with all applicable legal requirements and regulations related to energy efficiency and energy use
- To incorporate energy efficiency requirements, where economically justified, into the procurement of energy, machinery and other equipment, as well as into investment and refurbishment projects
- To promote awareness of rational energy use among employees and other persons under the company's control

Energy consumption within the KONČAR Group, as presented in Table 2.1 Energy Consumption by Energy Source, is collected from primary data sources of KONČAR Group companies, including electricity bills, district heating invoices and purchased fuels. Data on energy generated from renewable energy sources are collected through software tools used for monitoring photovoltaic and wind power plants. Energy consumption and the feed in of electricity generated at the Pometeno brdo wind power plant into the grid are measured based on electricity meter readings. Energy production from non renewable sources originates from backup generators fuelled by diesel and petrol, boiler rooms using natural gas and fuel oil, impregnation equipment using diesel, thermogenic units using oil and natural gas, drying chambers powered by natural gas, and gas cutters fuelled by propane butane. Other fossil fuel energy sources include petrol, diesel and LPG used by passenger vehicles, as well as propane butane for forklifts and aviation fuel used by helicopters.



Table 2-4 Energy consumption by energy source

<b>Energy consumption and mix</b>	<b>Year 2024</b>	<b>Year 2025</b>	<b>Comparison 2025/2024</b>
(1) Consumption of coal and coal-derived fuels (MWh)	0.00	0.00	n/a
(2) Consumption of crude oil and petroleum-derived fuels (MWh)	28,092.84	36,953.68	+32%
(3) Consumption of natural gas fuels (MWh)	47,760.60	49,699.15	+4%
(4) Consumption of fuels from other fossil sources (MWh)	n/a	n/a	n/a
(5) Consumption of purchased or acquired electricity, heating, steam and cooling energy from fossil sources (MWh)	18,274.33	17,213.79	-6%
(6) Total energy consumption from fossil fuels (MWh) (calculated as the sum of rows 1 to 5)	94,127.77	103,866.62	+10%
Share of Energy from Fossil Sources in Total Energy Consumption (%)	73%	72%	-1%
(7) Consumption from nuclear sources (MWh)	0	0	0%
Share of Energy from Nuclear Sources in Total Energy Consumption (%)	0%	0.00	0%
(8) Consumption of fuels from renewable sources, including biomass (including industrial and municipal waste of biological origin, biogas, renewable hydrogen, etc.) (MWh)	0.00	0.00	n/a
(9) Consumption of purchased or acquired electricity, heating, steam and cooling energy from renewable sources (MWh)	31,322.81	35,859.31	+14%
(10) Consumption of renewable energy from own production, excluding fuels (MWh)	2,698.64	3,567.37	+32%
(11) Total energy consumption from renewable sources (MWh) (calculated as the sum of rows 8 to 10)	34,021.45	39,426.68	+16%
Share of Energy from Renewable Sources in Total Energy Consumption (%)	27%	28%	+1%
<b>Total energy consumption (MWh) (calculated as the sum of rows 6, 7 and 11)</b>	<b>128,149.22</b>	<b>143,293.30</b>	<b>+12%</b>

Total energy produced from non renewable energy sources by the KONČAR Group in 2025 amounted to 42,824.60 MWh, representing a 15% decrease compared to 2024, while total energy produced from renewable energy sources amounted to 23,185.01 MWh in the reporting year, which is 10% lower than in 2024.

Table 2-5 Total energy produced from non-renewable and renewable sources

<b>Energy Produced</b>	<b>Year 2024</b>	<b>Year 2025</b>	<b>Comparison 2025/2024</b>
Total energy produced from non-renewable sources (MWh)	50,502.55	42,824.60	-15%
Total energy produced from renewable sources (MWh)	25,668.64	23,185.01	-10%

Climate impacting sectors were identified at the level of activities in accordance with the NACE classification relevant to the operations of the KONČAR Group. As all KONČAR Group activities fall, by definition under ESRS, within climate impacting sectors—primarily Section C (Manufacturing) – energy intensity is assessed on an aggregate basis in relation to the KONČAR Group’s total net revenue. According to the audited consolidated financial statements, total net revenue amounted to EUR 1,320,019,356.00 (as referenced in Note 3 Revenue from Sales to the KONČAR Group consolidated financial statements).

Table 2-6 Total Energy Consumption from Activities in Climate-Impacting Sectors per Net Revenue from Activities

Energy Intensity per Net Revenue	Year 2024	Year 2025	Comparison 2025/2024
Total energy consumption from activities in climate-impacting sectors per net revenue from climate-impacting activities (MWh/€)	0.000122	0.000109	-10.7%

## Gross Greenhouse Gas Emissions from Scopes 1, 2 and 3 and Total Greenhouse Gas Emissions E1-6

The KONČAR Group calculated gross Scope 1 and Scope 2 greenhouse gas emissions for 2025 and compared them with the 2019 base year, in line with the objectives of the KONČAR Group Sustainability Strategy 2024–2026. Table 2.4 below presents the calculation of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for 2025. Gross Scope 1 greenhouse gas emissions for 2025 amount to 20,082.42 tCO<sub>2</sub>e. In 2025, the KONČAR Group's gross Scope 2 greenhouse gas emissions under the location based approach amount to 7,172.49 tCO<sub>2</sub>e, while under the market based approach they amount to 3,845.29 tCO<sub>2</sub>e. Total greenhouse gas emissions in 2025 under the location based approach amount to 7,636,846.18 tCO<sub>2</sub>e (7.6 MtCO<sub>2</sub>e), while under the market based approach total emissions amount to 7,633,518.98 tCO<sub>2</sub>e (7.6 MtCO<sub>2</sub>e).

Table 2-7 Breakdown of Greenhouse Gas Emissions – by country, operational segments, economic activity, subsidiary, greenhouse gas category or source type

	Retrospective				Key Milestones and Target Years			
	Year 2019 Base year	Year 2024	Year 2025	Comparison 2025/2024	Year 2026	Year 2030	(Year 2050)	Annual % of Target Value / Base Year
<b>Scope 1 Greenhouse Gas Emissions</b>								
Gross Scope 1 Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> equivalent)	11,980.37	29,497.31 (15,677.65) *	20,082.42 (14,974.92)*	-32.0%	n/a	45%	/	n/a
Percentage of Scope 1 Greenhouse Gas Emissions from Regulated Emissions Trading Schemes (%)	0	0	0	0	0	0	0	n/a
<b>Scope 2 Greenhouse Gas Emissions</b>								
Gross Scope 2 Greenhouse Gas Emissions (Location-Based) (tonnes of CO <sub>2</sub> equivalent)	6,631.25	7,058.97	7,172.49 (5,966.16)*	+1.6%	n/a	45%	/	
Gross Scope 2 Greenhouse Gas Emissions (Market-Based) (tonnes of CO <sub>2</sub> equivalent)	6,285.25	4,608.77	3,845.29 (2,704.92)*	-16.5%	n/a	45%	/	
<b>Significant Scope 3 Greenhouse Gas Emissions</b>								
Total Gross Indirect Scope 3 Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> equivalent)	n/a	6,261,290.94	7,609,591.27	+21.5%	n/a	n/a	n/a	n/a
1. Purchased goods and services	n/a	271,833.38	312,200.26	+14.9%	n/a	n/a	n/a	n/a
2. Capital goods	n/a	71,881.71	17,605.60	-75.5%	n/a	n/a	n/a	n/a
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	n/a	6,248.91	5,839.46	-6.6%	n/a	n/a	n/a	n/a
4. Upstream transportation and distribution	n/a	5,772.50	87,895.00	+1,422.7%	n/a	n/a	n/a	n/a

	Retrospective				Key Milestones and Target Years			
	Year 2019 Base year	Year 2024	Year 2025	Comparison 2025/2024	Year 2026	Year 2030	(Year 2050)	Annual % of Target Value / Base Year
<b>Significant Scope 3 Greenhouse Gas Emissions</b>								
5. Waste generated in operations	n/a	1,886.47	1,813.53	-3.9%	n/a	n/a	n/a	n/a
6. Business travel	n/a	1,319.12	Not calculated.	n/a	n/a	n/a	n/a	n/a
7. Employee commuting	n/a	814.14	Not calculated.	n/a	n/a	n/a	n/a	n/a
8. Upstream leased assets	n/a	Included in Scope 1 and/or Scope 2	1,705.56	n/a	n/a	n/a	n/a	n/a
9. Downstream transportation and distribution	n/a	1,771.40	22,545.10	+1,172.7%	n/a	n/a	n/a	n/a
10. Processing of Sold Products	n/a	Not included	Not included	n/a	n/a	n/a	n/a	n/a
11. Use of sold products	n/a	5,867,593.40	7,149,976.46	+21.9%	n/a	n/a	n/a	n/a
12. End-of-life treatment of sold products	n/a	29,842.73	5,534.23	-81.5%	n/a	n/a	n/a	n/a
13. Downstream leased assets	n/a	853.46	731.13	-14.3%	n/a	n/a	n/a	n/a
14. Franchises	n/a	None	None	n/a	n/a	n/a	n/a	n/a
15. Investments	n/a	1,473.72	3,744.94	+154.1%	n/a	n/a	n/a	n/a
<b>Total Greenhouse Gas Emissions</b>								
Total Greenhouse Gas Emissions (Location-Based) (tonnes of CO <sub>2</sub> equivalent)	n/a	6,297,847.21	7,636,846.18	+21.3%	n/a	n/a	n/a	n/a
Total Greenhouse Gas Emissions (Market-Based) (tonnes of CO <sub>2</sub> equivalent)	n/a	6,295,397.01	7,633,518.98	+21.3%	n/a	n/a	n/a	n/a

\*In 2019, fugitive emissions were not calculated and certain companies were not included in the calculation. Therefore, the emissions shown in brackets represent Scope 1 emissions for 2024 and 2025 that are comparable with the emissions reported for 2019.

The KONČAR Group defined its greenhouse gas emissions reduction targets and implementation periods during 2025 as part of the development of the Transition Plan for Climate Change Mitigation (see E1-1). Progress toward achieving these targets is monitored through the disclosed greenhouse gas emissions indicators presented in this section.

The most significant share of Scope 3 emissions arises from the use of sold products over their lifetime (94%) and from purchased goods and services (4%), while all other categories collectively account for 2% of the total footprint. This structure directly reflects the KONČAR Group's business model, whose portfolio includes, among other things, energy intensive equipment with transmission losses (such as transformers), electrically powered products (electric motors), systems using fossil fuels (diesel electric trains), and equipment containing insulating greenhouse gases.

**Greenhouse Gas Emissions Intensity**

Location based greenhouse gas emissions intensity (total greenhouse gas emissions per net revenue) amounts to 0.005785 tCO<sub>2</sub>e/EUR (compared to 0.00597305 tCO<sub>2</sub>e/EUR in 2024), while market based greenhouse gas emissions intensity (total greenhouse gas emissions per net revenue) amounts to 0.00578292 tCO<sub>2</sub>e/EUR (compared to 0.005970726 tCO<sub>2</sub>e/EUR in 2024) (as referenced in Note 3 Revenue from Sales to the KONČAR Group's consolidated financial statements).

Table 2-8 Total Greenhouse Gas Emissions per net revenue

<b>Greenhouse Gas Emissions Intensity per Net Revenue</b>	Year 2024	Year 2025	% 2025/2024
Total Greenhouse Gas Emissions (Location-Based) per Net Revenue (tonnes of CO <sub>2</sub> equivalent/€)	0.00597305	0.005785	-3.1 %
Total Greenhouse Gas Emissions (Market-Based) per Net Revenue (tonnes of CO <sub>2</sub> equivalent/€)	0.005970726	0.00578292	-3.1%

### General information related to the calculation of Greenhouse Gas emissions

Organisational boundaries define the operations and assets included in the greenhouse gas inventory. As all KONČAR Group companies are wholly or majority owned by the Group, the operational control approach has been selected. Operational boundaries encompass greenhouse gas emissions that arise directly or indirectly from the KONČAR Group's operations and facilities, classified into Scopes 1, 2 and 3.

### Comparison with the base year and strategic framework

According to the current KONČAR Group Sustainability Strategy, 2019 has been defined as the base year. In order to ensure comparability, the analysis against the base year includes exclusively those activities and operational boundaries that were covered by the original 2019 calculation and relate to Scope 1 and Scope 2 emissions. The results indicate that, in 2025, Scope 1 and Scope 2 greenhouse gas emissions under the location based approach increased by approximately 13% compared to the 2019 base year. This increase was primarily driven by Scope 1 emissions, due to higher fuel consumption in mobile sources resulting from intensified business activities and expanded operational volumes. In contrast, under Scope 2 and the market based approach, a decrease of 5% was recorded, reflecting the KONČAR Group's strategic focus on increasing the share of electricity sourced from renewable energy.

As a result of the continuous development of monitoring methodologies and the Group's commitment to maximising data accuracy, the KONČAR Group will develop a new Sustainability Strategy during 2026. This document will redefine the base year at Group level and establish new, clearly measurable key performance indicators (KPIs) aligned with the latest regulatory requirements and the long term development objectives of the KONČAR Group.

### Calculation Boundaries and Methodology

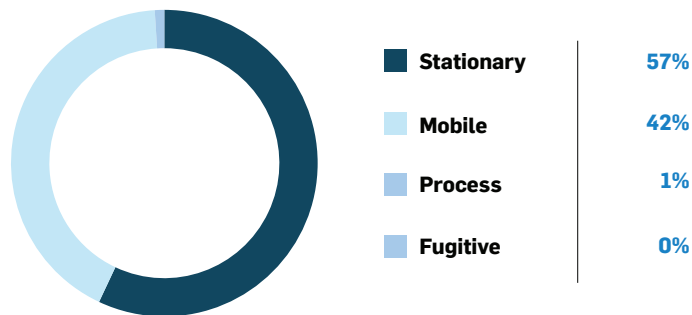
In accordance with the GHG Protocol and ESRS requirements, the structure of the KONČAR Group's greenhouse gas inventory is divided into three scopes:

#### Scope 1 – Direct emissions

It includes emissions from sources that are under the direct control or ownership of the KONČAR Group:

- Stationary sources: combustion of natural gas and fuel oil in boiler rooms, paint shops and drying chambers; operation of backup generators running on diesel and petrol; and combustion of propane butane in foundries and cutting facilities.
- Mobile sources: fuel consumption by the vehicle fleet, work machinery, and the use of jet fuel for helicopter operations.
- Fugitive emissions: releases of refrigerants from air conditioning and refrigeration systems.
- Process emissions: emissions generated directly in technological cutting and welding processes.

The most significant contribution to Scope 1 emissions comes from the combustion of natural gas and fuel oil for heating and technological processes, as well as from the consumption of liquid fuels by the vehicle fleet (Figure 1).



### Scope 2 – Indirect Emissions from Purchased Energy

Includes greenhouse gas emissions arising from the generation of energy required by the KONČAR Group for the operation of its facilities and production processes, which is purchased from external suppliers - namely electricity and thermal energy - thereby covering all companies within the Group.

In addition, the KONČAR Group has its own electricity generation capacity, and in 2025 it produced 3,685.01 MWh from its own photovoltaic power plants, thereby reducing the net Scope 2 footprint.

Results are reported using both the location based approach (based on the national grid emission factor) and the market based approach (based on supplier specific emission factors).

### Scope 3 – Other Significant Indirect Emissions

This scope covers the broadest range of impacts across the value chain, with a particular focus on:

- Upstream activities: procurement of raw materials (metals, electrical equipment, electronics, etc.) and services, capital goods (equipment and vehicles), transport and distribution, waste generated in operations, and upstream leased assets.
- Downstream activities: transport to customers, use of sold products (electricity consumption of electric motors, energy losses during transformer operation), end of life treatment of products, downstream leased assets, and investments.

Scope 3 emissions account for 99.6% of the KONČAR Group's total carbon footprint. Within this scope, based on collected data, the most significant share - 94% - originates from the use phase of sold products, primarily through electricity consumption of electric motors and trains, as well as energy losses from transformers over their lifetime. The remaining significant share of 4% relates to the procurement of materials and services. These findings confirm the strategic importance of developing energy efficient products for the decarbonisation of the entire sector.

### Data Management

Data quality is ensured through a structured process:

- Training and coordination: During the period 2023–2025, workshops were

conducted for employees across all KONČAR Group companies to align methodologies for data collection.

- Standardisation: Data are collected using standardised templates based on primary data sources, including meter readings, supplier invoices, internal records, ERP systems, ISO management systems, and product technical documentation.
- Conservative approach: In cases where data were not fully available (e.g. specific waste streams), conservative assumptions were applied in order to avoid underestimation of impacts.

The overall percentage of Scope 3 greenhouse gas emissions calculated using primary data amounts to 3% for 2025, compared to 0.38% in the previous period.

The calculation of greenhouse gas emissions for 2025 is based on currently available activity data, scientifically recognised emission factors, and calculation methodologies applicable at the time of publication of this sustainability report. Where necessary, the KONČAR Group will retroactively adjust historical data in future reporting cycles in the event of significant changes in methodology, the availability of more accurate primary data, or a redefinition of operational boundaries in line with the new Sustainability Strategy to be developed during 2026.

## ESRS E2 Pollution

### Material impacts, risks and opportunities

E2.IRO-1

Material topic	IRO		Value chain	Time horizon
Air and water pollution	PI	<b>Systematic environmental management</b> Systematic management of environmental aspects through the application of the ISO 14001 standard enables air and water emissions to be kept within legally prescribed limits and prevents pollution incidents related to business activities, such as the handling of transformer oil, chemicals and gases within KONČAR Group companies.	Own operations	Short to long-term
	NI	<b>Air and water pollution</b> Air and water pollution is primarily associated with the upstream part of the value chain, particularly with emissions from suppliers' extractive and processing activities, while emissions within own operations remain within legal limits (related to E5 – Resource use and circular economy).	Upstream Own operations	Short to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

KONČAR Group carries out a systematic process for identifying actual and potential impacts, risks and opportunities related to pollution within its activities and across the entire value chain. In most KONČAR Group companies and at nearly all production sites, environmental aspects—and therefore pollution—are managed in accordance with the ISO 14001 standard, which includes regular identification of environmental aspects and control of emissions to air, water and soil. The objective is to keep pollutant emissions below legally prescribed limits and to prevent any pollution incidents—for example, the use and handling of transformer oil is strictly monitored to avoid any leakage into the environment. The KONČAR Group's double materiality assessment identified air and water pollution as a material environmental topic for the Group, particularly in the context of the supply chain and own production sites. In the upstream part of the value chain, the main negative impacts are associated with water and air emissions arising from raw material extraction and material processing by suppliers. Within own operations, environmental impacts are primarily related to air emissions (e.g., from energy facilities or technological processes), with all recorded pollutant emissions remaining within the prescribed limit values.

KONČAR Group implements proactive measures to prevent potential negative impacts on local communities. To date, no significant negative effects of business operations on local communities have been recorded. In preparing new projects, the Group's companies participate, either directly or indirectly through investors, in the preparation of environmental documentation and in procedures assessing potential impacts on the environment, natural resources and the population. These procedures include legally required public consultations, which ensure that the views of the local community are considered and addressed, particularly with regard to environmental emissions, noise and waste.

During on site project execution, strict protection measures are applied such as dust control, noise management and safety protocols with the aim of minimising impacts on residents and their quality of life. Aware of the potential challenges between business objectives and community interests, KONČAR Group maintains ongoing dialogue with stakeholders and, in cases of concerns related to potential pollution, cooperates with local authorities, community representatives and relevant organisations. This integrated approach from formal impact assessment procedures to continuous communication and community investment ensures responsible project management and consideration of the needs of affected communities.

## Policies related to pollution

E2-1

The KONČAR Group manages environmental pollution matters through clearly defined policies and certified management systems, in accordance with the legal requirements of the Republic of Croatia and the relevant regulations of the European Union. The KONČAR Group applies the Integrated Management System Policy for quality, environmental protection, occupational health and safety, and energy, which is based on the principle of preventing, reducing and controlling environmental pollution. The KONČAR Group companies manage pollution through an established environmental management system in accordance with the ISO 14001 standard, thereby ensuring a systematic approach to identifying, monitoring, managing and mitigating potential environmental impacts. Additional information on individual policies is available in Annex IV.

## Actions and targets related to pollution

E2-2, E2-3

Measures and resources related to pollution are established and monitored through the environmental management systems implemented in KONČAR Group companies in accordance with the ISO 14001 standard.

The measures include strict compliance with prescribed emission limit values, regular monitoring and measurement of air and water emissions carried out by authorised laboratories, and the recording of results in accordance with applicable legal requirements. The application of emission reduction technologies includes air filtration systems, wastewater treatment systems, process optimisation and the introduction of environmentally acceptable raw materials. Specialised environmental protection personnel and financial resources are ensured for maintaining and improving environmental protection systems across all KONČAR Group companies, alongside employee training for responding to incident situations.

The target values related to environmental pollution correspond to the legally prescribed emission limits for air and water. Their achievement is systematically monitored through regular compliance checks. Monitoring includes measuring and/or calculating emissions and comparing the results with prescribed limit values. If deviations from permissible values are identified, corrective measures are taken immediately to return operations within the required limits. This approach ensures continuous fulfilment of mandatory objectives and contributes to the ongoing improvement of the KONČAR Group's environmental performance.

Throughout 2025, no environmental incidents were recorded, confirming the effectiveness of the policies and measures applied.

## Air and water pollution E2-4

At the KONČAR Group level, air and water pollutants are consolidated. At the level of each individual KONČAR Group company that operates a discharge point to air and/or water, only those pollutants that exceed the reporting thresholds defined in Annex 2 of the Ordinance on the Environmental Pollution Register (Official Gazette 3/2022) are monitored. This Ordinance ensures the implementation of Regulation (EC) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of the European Pollutant Release and Transfer Register (E PRTR). Pollutants that exceed the prescribed threshold values are reported to the Environmental Pollution Register.

Nine KONČAR Group companies hold water permits for nine locations. The water permits prescribe, among other requirements, the quantities of wastewater discharges and the emission limit values for pollutants. In line with the conditions of the permits, authorised laboratories carry out analyses of discharged wastewater according to the prescribed frequency, from two to four times per year. The results of these analyses are submitted to and recorded in the Environmental Pollution Register.

Measurements of air pollutant emissions are conducted at the Borongaj, Sesevski Kraljevec, Jankomir, Susedgrad, Velika Gorica and Donji Kraljevec sites, in accordance with the legally prescribed biennial frequency. Between measurement periods, emissions are monitored using calculation methods. In 2025, measurements were carried out at four locations (Sesevski Kraljevec, Jankomir, Velika Gorica and Donji Kraljevec), while at the remaining locations the annual pollutant release quantities were determined using calculation methods.

The consolidated quantities of released pollutants, covering emissions from all sources within KONČAR Group companies over which the Group has financial and operational control, are presented below.

Table 2-9 Total amounts of pollutants released

During 2025, an increase in released quantities of nitrogen oxides and particulate matter into the air was recorded, resulting from new emission sources introduced at the sites of companies acquired during 2025. The increased quantities of metals (copper, zinc, iron and selenium) in wastewater are associated with raw material storage and handling processes, which is a consequence of intensified production activities. At the same time, a decreasing trend was observed for most other wastewater indicators.

Pollutant	Quantities of pollutants released				Comparison 2025 / 2024
	Air 2025	Air 2024	Water 2025	Water 2024	
	(kg/year)	(kg/year)	(kg/year)	(kg/year)	
<b>General indicators</b>					
Total Suspended Solids (TSS)	0.00	0.00	7206.60	13751.87	-48%
Chemical Oxygen Demand – Dichromate (CODCr)	0.00	0.00	20272.57	47731.40	-58%
Biochemical Oxygen Demand (BOD <sub>5</sub> )	0.00	0.00	7457.13	18616.43	-60%
<b>Inorganic substances</b>					
Nitrogen Oxides (as NO <sub>2</sub> )	3716.63	2400.92	0.00	0.00	+55%
Carbon Monoxide (CO)	202.72	3419.07	0.00	0.00	-94%
Cyanides (total CN)	0.00	0.00	0.10	1.07	-91%
Fluorides (F <sup>-</sup> )	0.00	0.00	2.64	3.70	-29%
Total Nitrogen	0.00	0.00	3545.74	6559.94	-46%
Sulphides	0.00	0.00	10.01	189.46	-95%
Sulphites (SO <sub>3</sub> <sup>2-</sup> )	0.00	0.00	50.75	90.81	-44%
Sulphates (SO <sub>4</sub> <sup>2-</sup> )	0.00	0.00	500.56	2009.37	-75%
Chlorides (Cl <sup>-</sup> ) (Cl)	0.00	0.00	863.53	1076.34	-20%
Free Chlorine (Cl <sub>2</sub> )	0.00	0.00	0.34	0.31	+10%
Total Phosphorus	0.00	0.00	205.60	477.25	-57%
<b>Organic substances</b>					
Halogenated Organic Compounds (as AOX)	0.00	0.00	8.78	12.27	-28%
Trichloromethane (Chloroform)	0.00	0.00	0.01	0.10	-88%
Total Aromatic Hydrocarbons	0.00	0.00	0.18	0.19	-5%
Anionic Detergents	0.00	0.00	86.69	168.53	-49%
Non-Ionic Detergent	0.00	0.00	61.86	156.74	-61%
Cationic Detergents	0.00	0.00	0.21	0.17	+27%
Volatile Lipophilic Substances (Total Oils/Fats)	0.00	0.00	987.16	2052.26	-52%
Total Hydrocarbons	0.00	0.00	63.75	73.57	-13%
<b>Metals</b>					
Arsenic and its compounds (as As)	0.00	0.00	0.13	0.17	-25%
Cadmium and its compounds	0.00	0.00	0.13	0.40	-68%
Chromium and its compounds (as Cr)	0.00	0.00	0.37	1.41	-74%
Chromium VI (Cr <sup>6+</sup> )	0.00	0.00	0.37	1.41	-74%
Copper and its compounds (as Cu)	0.00	0.00	11.20	3.51	+219%
Nickel and its compounds (as Ni)	0.00	0.00	0.37	1.41	-74%
Lead and its compounds (as Pb)	0.00	0.00	0.32	0.43	-25%
Zinc and its compounds (as Zn)	0.00	0.00	26.60	16.06	+66%
Vanadium (V)	0.00	0.00	0.12	0.10	+24%
Barium (Ba)	0.00	0.00	1.58	3.56	-56%
Boron (B)	0.00	0.00	9.04	23.49	-62%
Tin (SN)	0.00	0.00	2.61	5.72	-54%
Manganese (Mn)	0.00	0.00	0.52	0.77	-32%
Selenium (Se)	0.00	0.00	0.26	0.06	+342%
Silver (Ag)	0.00	0.00	0.07	0.49	-85%
Iron (Fe)	0.00	0.00	224.88	81.76	+175%
<b>Particles</b>					
Suspended particulate matter (PM <sub>10</sub> )	574.11	328.80	0.00	0.00	+75%

## ESRS E5 Resource use and circular economy

### Material impacts, risks and opportunities

E5-IRO-1

Material topic	IRO		Value chain	Time horizon
Resource inflow	PI	<b>Recycled and sustainable materials in strategic products</b> KONČAR Group designs products with a long service life and the possibility of refurbishment and revitalisation, while favouring the use of recycled materials and materials with a reduced carbon footprint in final products where technologically justified, such as transformers that contain recycled oils, copper and transformer steel. This reduces the need for extraction of primary raw materials and the environmental footprint of the products.	Upstream Own operations	Short to long-term
	NI	<b>Consumption of carbon intensive and environmentally intensive resources</b> The use of carbon intensive and environmentally intensive energy and materials in industrial production is associated with risks of natural resource depletion and long term raw material availability, particularly in global extractive activities over which the KONČAR Group has no control but which affect the availability of raw materials necessary for its operations.	Upstream Own operations	Short to long-term
	TR	<b>Volatility in market prices and availability of raw materials and components</b> Increasing demand for green technologies and renewable energy sources is placing additional pressure on supply chains, which may lead to delivery delays, reduced availability of key semi finished products and components, and rising prices. These factors increase production costs and financial risks, while simultaneously creating the need for supply chain diversification and the development of resilience strategies (related to G1 – Business conduct).	Upstream	Short to long-term
Resource outflow	PI	<b>Development and implementation of products with a lower environmental footprint</b> KONČAR Group develops and implements products with a lower environmental footprint during the use phase and at the end of their lifecycle. The Group seeks to select suppliers whose materials and components are safe for people and the environment and can be recycled after the product's useful life, or can be disposed of safely. In the future, increased use of materials and components with a low carbon footprint, a higher share of recycled content, and a stronger emphasis on circular economy principles is expected.	Upstream Own operations Downstream	Short to long-term
	NI	<b>Materials with specific regulatory requirements</b> In KONČAR Group's production processes and final products, depending on the project and customer requirements, materials subject to specific regulatory controls may be used. Their negative environmental impacts can occur if they are not properly handled or disposed of, such as insulating media used in certain types of high voltage equipment (SF <sub>6</sub> ) (related to E1 – Climate change).	Own operations	Short to long-term
	PI	<b>Customer information on recycling and proper disposal</b> By informing customers about recycling options and the proper disposal of certain product components at the end of their lifecycle, the amount of waste is further reduced and responsible resource management is encouraged (related to E2 – Pollution).	Downstream	Short to long-term
	PI	<b>Efficient management of input materials and waste</b> Efficient management of input materials and waste at site level is based on circular economy principles, aimed at optimising processes and reducing waste generation. Through the implementation of the waste management plan, KONČAR Group contributes to reducing waste and mitigating negative impacts on people and the environment.	Own operations	Short to long-term
	NI	<b>Waste generation during production</b> Production activities generate hazardous and non hazardous waste, which KONČAR Group manages systematically through ISO 14001. Most of the waste is reused and/or recycled, significantly reducing the amount of waste disposed of in landfills.	Own operations	Short to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

KONČAR Group conducts a systematic process of identifying and assessing impacts, risks and opportunities related to resource use and circular economy, covering its own operations as well as the upstream and downstream parts of the value chain. The assessment is based on the KONČAR Group's double materiality process and on the application of internationally recognised tools, such as the GHG Protocol. Internal experts from relevant departments within KONČAR Group companies participated in the process, ensuring the use of in house technical knowledge when identifying these topics. External stakeholders were also consulted, including customers and key suppliers, in order to incorporate perspectives from the wider value chain and address feedback from market partners.

The assessment covered all key sub topics related to resource use and circular economy: resource inflows (input materials and raw materials), resource outflows related to products and services, and waste generation and management. Analysis of these flows enabled the identification of material impacts and risks at different stages of the value chain, including material procurement, production processes, product use, and end of life phases.

As part of this process, data from internal systems and databases were used, primarily from the waste management system, which records all waste streams and disposal methods. These data enabled precise identification of waste types and quantities associated with operational activities. In addition, key upstream and downstream resource flows in the value chain were mapped, identifying the main materials used by the KONČAR Group and monitoring the share of renewable or recycled raw materials, as well as the types of waste generated. Furthermore, for assessing resource outflows, KONČAR Group relied on internal expertise related to product life cycles, including the environmental impacts of products during use and the possibilities for recycling or safe disposal at the end of their life cycle. In line with best practices and the insights obtained, steps are being taken to increase the share of secondary (recycled) raw materials used and to reduce the amount of waste sent to landfills. KONČAR Group is already working towards these goals, for example, activities have been initiated with suppliers to ensure the collection of data on the share of recycled materials in the materials and components purchased. This enables monitoring of progress in increasing recycled content within the supply chain. Such collaboration with external partners contributes to more effective identification of circularity opportunities and to strengthening the overall sustainability of the KONČAR Group value chain.

During the assessment, certain data availability limitations were identified. In cases where primary data were not fully available—for example, for specific input materials in deeper supply chain tiers or for product end of life disposal phases—the KONČAR Group relied on reasonable assumptions and estimates based on the best information available.

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

KONČAR Group's policies related to resource use and circular economy are primarily based on the Integrated Management System Policy for quality, environmental protection, occupational health and safety, and energy, as well as on the KONČAR Group Sustainability Policy. Through this framework, the KONČAR Group systematically monitors material and energy consumption, waste generation and opportunities for improving resource efficiency, with relevant companies additionally

supported by certified management systems in accordance with ISO 9001, ISO 14001 and ISO 50001.

These policies aim to reduce the consumption of primary raw materials, improve material efficiency, reduce waste generation, and increase reuse, recovery and recycling where technically and economically feasible. In this regard, the waste hierarchy principles are applied, giving priority to waste prevention, extension of product and component life, reuse and repair, followed by recycling and other forms of recovery. The objective is to gradually reduce reliance on primary resources and, where applicable, increase the share of secondary and renewable materials from sustainable sources.

In product development and manufacturing, the KONČAR Group is gradually introducing eco design principles, particularly through product design optimisation, reduction of material intensity, improved disassembly, maintenance and recycling potential, and lower environmental impact throughout the product life cycle. Special attention is given to the responsible use of metals and other key materials in the production of power and industrial equipment.

The application of these policies is not limited to own operations. In the upstream value chain, the KONČAR Group promotes responsible resource management and the application of environmental standards, such as environmental management systems like ISO 14001 through supplier selection and evaluation processes. In the downstream value chain, policies are reflected in the quality and durability of products, as well as their potential for maintenance, refurbishment, and recycling after use. In this way, the KONČAR Group integrates resource management and circular economy principles into its operations, product development and value chain relationships. Additional information on individual policies is available in Annex IV.

## Actions and targets related to resource use and circular economy E5-2, E5-3

The KONČAR Group's actions, resources and target values related to resource use and circular economy are aimed at addressing the material impacts and risks associated with resource inflows, resource outflows and waste. In 2025, activities were largely carried out through the existing operational resources of the procurement, production, product development, environmental protection and sustainable business functions, without a separately allocated Group level investment programme dedicated exclusively to circular economy. Activities were primarily focused on improving data quality, strengthening supplier requirements, developing products with a longer service life and improving waste management.

### Resource inflows

In the area of resource inflows, measures are focused on increasing the share of recycled and more sustainable materials in strategic materials and packaging, and on reducing reliance on primary and environmentally intensive resources. During 2025, the KONČAR Group continued activities related to the collection and verification of data on the share of recycled materials and sustainably certified biological materials, including communication with suppliers and the integration

of quality, environmental and certification requirements into supplier selection and evaluation processes. These activities were carried out by the responsible procurement, production and environmental protection functions, with support from the sustainable business function.

Target values: Under the Sustainability Strategy, the KONČAR Group monitors the objective of increasing the use of wood and cardboard from renewable sources by 2026, as well as the objective of increasing the share of recycled materials in strategic materials and packaging. In 2025, the KONČAR Group demonstrated the use of 0.24 % certified sustainable biological materials, while the share of recycled components amounted to 0.93 %. For packaging, the recyclable packaging content rate was monitored in 2025, amounting to 88 %.

### Resource outflows

In the area of resource outflows, measures are focused on the development and implementation of products with a lower environmental footprint, a long service life and greater potential for maintenance, refurbishment and recycling at the end of their life cycle. Activities are carried out through the existing resources of the development, engineering, production and quality management functions and include the selection of materials and components that are less harmful to people and the environment, where technically and commercially feasible. Particular attention is given to materials with specific regulatory requirements to ensure that their use and disposal are controlled in accordance with technical and regulatory standards.

Target values: In 2025, no separate quantitative target values were set at the KONČAR Group level for resource outflows, instead, this area is monitored through product development, customer requirements, and indicators related to product and packaging recyclability, published later in this chapter. In the downstream value chain, activities continued to focus on providing customers with information on the proper disposal and recycling of products after use, where applicable for specific product groups.

### Waste

In the area of waste, measures are the most operationalised and are aimed at reducing waste generation, increasing reuse, recycling and other forms of recovery, and reducing landfill disposal.

Target values: The key target value in this area is that by 2026 at least 80 % of production waste is diverted from landfill. This target primarily relates to the higher levels of the waste hierarchy, preparation for reuse, recycling and other forms of recovery before final disposal. After the target was exceeded in 2024, when 86 % of waste was diverted from landfill, a result of 84 % was achieved in 2025, demonstrating that the KONČAR Group continues to maintain performance above the set target.

All target values in the area of resource use and circular economy were established within the KONČAR Group Sustainability Strategy 2024–2026. Based on improvements in data availability and quality, the KONČAR Group will consider further operationalisation and expansion of target values in the coming periods.

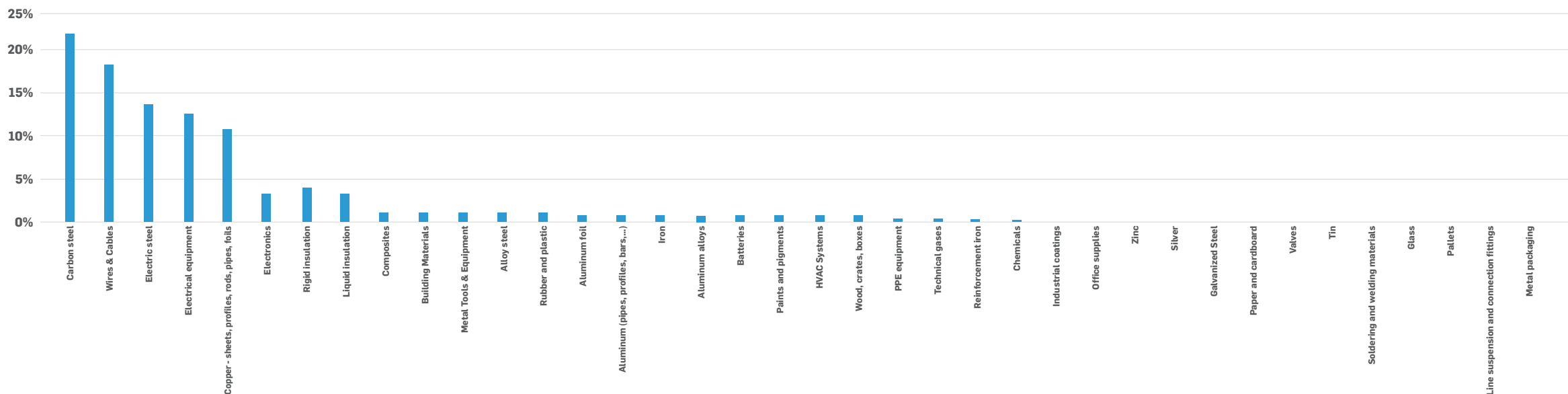
## Resource inflows

E5-4

The KONČAR Group bears significant responsibility for the products it offers on the market and therefore seeks to manage the entire production chain by overseeing the quality of every individual production process within KONČAR Group companies. Particular attention is given to selecting suppliers whose materials and components are safe for people and the environment and can be recycled after the end of the product's service life, or can be disposed of safely. When selecting suppliers for specific groups of materials and services, it is required that they meet defined criteria for quality, delivery deadlines and payment terms, while also adhering to occupational health and safety requirements and environmental protection standards. Where applicable, suppliers are required to provide evidence (certificates) demonstrating compliance with these requirements. Companies maintain a supplier database containing existing and potential suppliers. In addition to basic information (name, address, telephone number, email, contact person), the database also includes other information that may influence supplier selection, such as references, records of complaints, quality management systems, occupational health and safety practices and environmental protection measures.

To clearly identify the most important materials for KONČAR Group's business, an analysis of procurement structure by share in total procurement value was carried out. The results of this analysis, presented in the accompanying chart, show that 90% of input materials are concentrated in key categories: metals, wires and cables, electrical equipment and electronics, while the remaining 10% consists of all other materials. The chart clearly highlights the critical materials whose procurement is financially and strategically most significant for KONČAR Group's operations and enables the identification of areas requiring particular attention in terms of supply chain sustainability and resource use optimisation in future reporting periods.

Structure of the procurement of input materials



Data on input materials were collected from KONČAR Group companies through individual data collection templates. Information was gathered on the type, quantities, mass, invoice value, supplier, country of origin, mode of transport, product purpose, availability of primary data and related elements.

Given that the collected data are not yet fully complete, performing a full calculation based on the average data method was not possible. Instead, a combination of supplier specific primary data (accounting for approximately 14 %) and the average data method for key materials was used.

Below are the resource use data for the KONČAR Group for which complete information is available in this reporting period.

Table 2-10 Resource use data for the KONČAR Group

Resource inflows	Values in 2024	Values in 2025	Comparison 2025/2024 (%)
Total weight of technical and biological materials used (in tonnes)	183,241.18	259,877.54	+42%
Total weight of biological materials (including biofuels for non-energy purposes) from sustainable sources (in tonnes)	0	599.79	-
Share of biological materials (including biofuels for non-energy purposes) from sustainable sources (%)	0%	0.23%	+0.23%
Absolute weight of recycled components used (in tonnes)	1,712.79	2,370.53	+38%
Share of recycled components used (%)	0.94%	0.93%	-0.01%

## Resource outflows

ES-5

The key products of the KONČAR Group include power equipment (transformers, generators, electric motors, control and switchgear equipment), electric vehicles and infrastructure for renewable energy sources. The primary materials used in production are metals such as steel, copper and aluminium, as well as composite materials and plastics. A portion of the products is designed to enhance circularity, facilitating repair, reuse and recycling, particularly of metal components.

Products are generally designed for long term use (10 – 40 years or longer, depending on the product type), with the possibility of periodic maintenance and repair, further extending their life cycle. The total estimated recyclability rate of KONČAR Group products is approximately 93 %. This rate is based on the recyclability of materials used in production, with metal materials (steel, copper and aluminium) providing the highest contribution, and plastics and composite materials contributing to a lesser extent.

The packaging used mainly includes wooden pallets, cardboard boxes and plastic films, with an estimated recyclable content rate of 88 %. KONČAR Group continuously works to increase this rate through packaging material optimisation and an increased use of recyclable or reusable packaging.

The disclosed data on resource outflows (product and packaging recyclability rates and waste quantities) were collected based on quantities reported from internal records of individual companies and subsequently consolidated at the KONČAR Group level.

As the data are based on different records and tracking methodologies within individual companies, they are currently approximate and subject to a certain level of uncertainty. To reduce data uncertainty and improve reliability, the KONČAR Group enhanced data collection processes in 2025, revised the Waste Management Rulebook and included requirements for more accurate waste processing and disposal data from waste management companies. At the same time, activities were initiated to implement a system for systematic waste monitoring to ensure granular and comparable data across all production facilities. These activities are carried out using existing resources of the environmental protection, production, procurement and sustainable business functions.

Table 2-11 Total waste generated

Total waste generation by type	Amount in 2024 (tonnes)	Amount in 2025. (tonnes)	Comparison 2025/2024
Total generated waste	8,774.93	10,483.16	19%
Total hazardous waste generated	914.64	1,139.40	25%
Total radioactive waste generated	0	0	-

Table 2-12 Waste disposal and recovery

Waste treatment and diversion breakdown by disposal method and waste type	Amount in 2024		Amount in 2025		Comparison 2025/2024 (%)	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Waste diverted from disposal	189.31	7,322.34	189.34	8,592.72	0%	+17%
Preparation for reuse	0	0	125.56	483.55	-	-
Recycling	163.73	7,232.2	35.09	6,081.84	-79%	-16%
Other recovery operations (including R1 incineration)	25.58	90.14	28.69	2,027.33	+12%	+2%
Waste directed to disposal	725.33	537.95	950.06	751.49	+31%	+40%
Incineration (D10 incineration on land)	109.31	6.68	323.46	1.03	+196%	-85%
Landfilling	366.24	182.04	249.78	234.76	-32%	+29%
Other disposal operations	249.78	349.23	376.82	515.70	+51%	+48%
Total waste generated	914.64	7,860.29	1,139.40	9,344.21	+25%	+19%
Total amount of unrecycled waste	1,263.28		1,701.55		+35%	
Share of unrecycled waste	14.40 %		16.23 %		+2%	

The overall increase in waste quantities in 2025 should primarily be viewed in the context of the expanded scope of the KONČAR Group, including new acquisitions and a larger number of companies included, as well as the increased scale of business and production activities. The data presented were collected from the internal reports of individual KONČAR Group companies based on the official R ONTO forms and were subsequently consolidated at the KONČAR Group level. Companies within the KONČAR Group report based on records maintained in accordance with national waste management regulations.

# Social matters



## ESRS S1 Own workforce

### Material impacts, risks and opportunities

S1.SBM-3

Material topic	IRO		Value chain	Time horizon
Working conditions	PI	<b>Secure employment</b> A stable employment structure, primarily based on open ended and full time employment contracts, contributes to employee security and business continuity, with employee turnover levels comparable to the industry average	Own operations	Short to long-term
	PI	<b>Fair remuneration</b> The KONČAR Group ensures fair and competitive remuneration in line with qualifications, responsibilities and scope of work, including appropriate compensation for work performed under specific conditions, such as work on Sundays and public holidays, as well as overtime, night and shift work.	Own operations	Short to long-term
	PNI	Rising prices and increased living costs may represent a source of financial pressure for certain employees in lower paid segments.	Own operations	Short to long-term
	PI	<b>Social dialogue, freedom of association and collective bargaining</b> Through regular negotiations and information exchange with trade unions, the KONČAR Group ensures transparency, stability and trust in industrial relations.	Own operations	Short to long-term
	PI	The KONČAR Group respects freedom of association and non interference in the establishment of and membership in trade unions, ensures good faith bargaining, provides time and facilities for employee representatives, and guarantees protection against dismissal and non discrimination of trade union members.	Own operations	Short to long-term
	PI	Collective bargaining ensures clear rights and obligations for employees, while in companies that are not signatories to collective agreements, at least equivalent standards of employee rights are ensured through internal regulations.	Own operations	Short to long-term
	NI	<b>Overtime due to growing demand and labour shortages</b> Insufficiently aligned work schedules, including sub optimally organised shift work and overtime during periods of increased production for certain employee groups, may affect job satisfaction and lead to increased stress and reduced productivity.	Own operations	Short to long-term
	R	<b>Labour availability</b> The departure of key employees, together with difficulties in identifying and attracting qualified replacements on the labour market due to labour shortages and migration towards markets with more favourable employment conditions, may have a negative impact on business continuity and the availability of required competencies.	Own operations	Short to long-term
	PI	<b>Occupational health and safety</b> An occupational health and safety management system aligned with the ISO 45001 standard, supported by continuous training and the work of dedicated committees, contributes to accident prevention, risk reduction and the strengthening of a safety culture.	Own operations	Short to long-term
	PPI	Health promotion programmes, including supplementary health insurance, preventive medical examinations and sports activities, further support employee well being and the prevention of health risks.	Own operations	Short to long-term
R	An increased likelihood of accidents in certain work processes, particularly in sectors with permanent exposure to sources of hazard, may result in occupational injuries, including the risk of serious and potentially fatal injuries associated with the construction of energy facilities, work near high voltage installations and work at height.	Own operations	Short to long-term	
PI	<b>Work-life balance</b> The KONČAR Group makes ongoing efforts to maintain a healthy work-life balance for employees, thereby contributing to employee well being, stress reduction, and increased trust and satisfaction. These efforts include benefits such as flexible working arrangements, including flexible working hours and hybrid working models where feasible, as well as active encouragement of the use of parental rights.	Own operations	Short to long-term	

Material topic	IRO		Value chain	Time horizon
Equal treatment and opportunities	PI	<b>Gender equality and equal pay for work of equal value</b> The remuneration system within the KONČAR Group is based on the principle of equal pay for work of equal value and is aligned with the principles of non discrimination and gender equality.	Own operations	Short to long-term
	PNI	The imbalance in gender representation is influenced by the structure of the industry and may affect perceptions of equality; however, salary analyses by pay grades do not indicate a less favourable position for women.	Own operations	Short to long-term
	PI	<b>Training and skills development</b> Continuous employee training and skills development through structured education and specialisation programmes strengthen employee competencies and competitiveness.	Own operations	Short to long-term
	PI	By organising thematic workshops that enable the dissemination of sustainability related knowledge, the KONČAR Group enhances employee awareness and organisational capacities.	Own operations	Short to long-term
	PI	The development of individual development plans and performance management systems for key positions supports motivation, talent retention and the long term development of the organisation.	Own operations	Short to long-term
	PI	<b>Employment and inclusion of persons with disabilities</b> The employment of persons with disabilities, together with workplace adaptations and additional benefits such as extended leave entitlements and financial support, contributes to an inclusive working environment.	Own operations	Short to long-term
	PI	Through partnership projects and public initiatives—such as cooperation with the Croatian Paralympic Committee, sponsorship of sporting events, support for vulnerable groups, and the marking of the International Day of Persons with Disabilities—the KONČAR Group actively contributes to the social inclusion of persons with disabilities (related to S3 – Affected communities).	Own operations	Short to long-term
	PI	<b>Measures against violence and harassment in the workplace</b> Through the implementation of a strict zero tolerance policy towards violence and harassment, confidential whistleblowing mechanisms, protection of whistleblowers and employee training, the KONČAR Group strengthens a culture of respect for human rights and ethical standards (related to G1 – Business conduct).	Own operations	Short to long-term
	R	<b>Trust in grievance mechanisms</b> Employee trust in grievance mechanisms is based on clear information about reporting channels, effective protection of whistleblowers and consistent, impartial handling of reported cases. If any of these elements is not perceived as sufficiently effective, this may result in reduced use of reporting channels and hinder the timely identification of irregularities (related to G1 – Business conduct).	Own operations	Short to long-term
	PI	<b>Diversity</b> The KONČAR Group fosters an inclusive working environment that respects the diversity of all employees, including foreign workers. Support for integration and assistance provided to parents returning from maternity or parental leave contribute to their inclusion and overall well being.	Own operations	Short to long-term
PI	<b>Adequate accommodation</b> Ensuring adequate accommodation for employees working outside their place of residence contributes to reduced stress, increased employee satisfaction and enhanced motivation for fieldwork.	Own operations	Short to long-term	
PI	<b>Privacy</b> By implementing clear personal data protection policies, complying with applicable legal frameworks, and ensuring transparency and data security throughout recruitment and business processes, the KONČAR Group makes a key contribution to building trust among candidates and employees and maintaining regulatory compliance.	Own operations	Short to long-term	

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

The KONČAR Group's reporting scope covers all persons within its own workforce who may be materially affected by the Group's operations, including approximately 6,300 employees of the KONČAR Group (compared to approximately 5,500 employees in 2024), as well as the safety of external collaborators and contractors working at KONČAR Group facilities. Certain material impacts also relate to workers who are not in an employment relationship, such as self-employed individuals and workers engaged through specialised employment agencies, whose work is supervised and managed by individual KONČAR Group companies.

The actual and potential impacts, risks and opportunities of the KONČAR Group arise from the Group's business model and strategy. Employees represent a fundamental factor for the long-term sustainability and competitiveness of the KONČAR Group, as their professional competencies, technical expertise and organisational capacities directly support the achievement of strategic objectives, the quality of products and services, and the resilience of the business model. The identified positive impacts result from a proactive approach to employee development, investments in professional training, and efforts to ensure appropriate remuneration and stable working conditions for different employee groups, thereby contributing to the retention of qualified personnel.

Negative impacts related to business processes are not systemic or widespread but are primarily associated with increased workloads and challenges in securing additional qualified personnel, affecting almost all segments of the KONČAR Group's operations and recognised as a key risk. An additional key risk relates to the ongoing management of occupational safety in connection with inherently hazardous processes in certain sectors, despite a high level of safety management. Employees working in production facilities and those engaged in fieldwork, particularly in the assembly of industrial plants, are exposed to specific risks related to the use of specialised equipment, machinery and tools, working at height, handling heavy loads and variable working conditions. These risks are characteristic of such workplaces and working environments and are recorded within the ISO 45001:2018 occupational health and safety management system. The KONČAR Group continuously invests in employee training, the application of the highest occupational safety standards, and the monitoring and evaluation of safety procedures in order to reduce risks and sustainably improve working conditions for all employees.

## Policies related to own workforce S1-1

Management of material impacts, risks and opportunities related to the own workforce is based on the KONČAR Group Sustainability Policy, the Integrated Management System Policy, the Diversity Policy and the Privacy Policy. These policies apply to all employees within the KONČAR Group and to the entire workforce in the areas of working conditions, occupational health and safety, and equality and diversity. In addition to these policies, KONČAR Group companies apply Codes of Conduct, specific policies and internal rulebooks that regulate in detail matters relating to the protection of human and labour rights, fair working conditions, occupational safety, prohibition of forced and child labour, freedom of association and collective bargaining, and the prevention of discrimination.

The policies are grounded in the requirements of applicable national legislation, such as the Labour Act, as well as in the principles of internationally recognised instruments in the field of human and labour rights. The Code of Conduct at the level of KONČAR Inc. was aligned in 2025 with the recommendations of the OECD Guidelines for multinational enterprises on responsible business conduct. Occupational health and safety are governed through a certified occupational health and safety management system in accordance with ISO 45001:2018, as part of the Integrated Management System Policy. The KONČAR Group continuously promotes the harmonisation of policies across all companies to ensure comprehensive and consistent protection of labour and human rights.

In the area of equality, diversity and inclusion, the KONČAR Group fosters a working environment based on respect for diversity and equal opportunities and applies a zero tolerance approach to discrimination and harassment. Policies and internal acts provide protection against discrimination based on personal characteristics and other grounds protected by applicable legislation and internal rules. Formal channels for reporting irregularities, discrimination and harassment are in place, while the procedures for receiving, handling and remedying reports are described in more detail in section S1.3.

Particular attention is given to increasing the representation of women in managerial and highly qualified positions, the employment and inclusion of persons with disabilities, the integration of foreign workers, and support for employees at different stages of life, including parents returning from maternity and parental leave. These commitments are also defined in the Diversity Policy, which is aimed at promoting equal opportunities and inclusion and monitoring progress in the area of diversity.

The operational implementation of these policies is ensured by human resources management functions within KONČAR Group companies. Monitoring of their application is carried out through regular internal audits and the internal reporting system, while oversight of implementation is the responsibility of the management boards of KONČAR Group companies and the Management Board of KONČAR Inc. All policies are made available to employees via the Intranet and official websites, ensuring that rights, obligations and available protection mechanisms are clearly communicated and accessible to all relevant groups of the own workforce. Additional information on individual policies is available in Annex IV.

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

The KONČAR Group promotes an open communication culture in which all employees are encouraged to express their views, suggestions and concerns. Formal employee engagement is ensured through employee representative bodies, primarily Works Councils and trade union representatives, in cooperation with designated employer representatives. The highest governing body that includes employee representation is the Supervisory Board, while operational implementation of employee relations is carried out by the members of management boards and human resources management functions. In those KONČAR Group companies where a Works Council has not been established, the trade union representative assumes the rights and obligations of the Works Council. In companies where neither a Works Council nor a trade union is in place, employee representatives are elected and dismissed by employees through free and direct elections.

Employees are involved in decision making through mandatory consultations between management and employee representatives. Prior to adopting any decision that is significant for the economic or social position of employees, the employer is required to consult the Works Council. The Works Council informs the trade union of such intended decisions, ensuring two-way communication. Through employee representatives and consultation with the Works Council, employee perspectives are integrated into decision-making processes.

The Human Resources function also conducts an annual employee satisfaction survey, on the basis of which it assesses, implements, improves and proposes new measures to ensure long-term employee satisfaction. The purpose of the survey is to understand employee satisfaction and attitudes within individual companies and across the KONČAR Group as a whole. Survey results, together with the results of other surveys such as organisational climate surveys and additional indicators including employee turnover and absenteeism, serve as the basis for developing action plans aimed at improving areas where improvement needs have been identified.

The employee satisfaction survey was conducted as part of the regular organisational diagnostics process in November 2025, and the results are available to all employees via the KONČAR Group intranet. In certain companies, questionnaires were distributed in English to foreign workers within the own workforce in order to ensure their inclusion. In 2025, a further increase in response rates was recorded, along with an improvement in employee satisfaction indicators, with the Employee Satisfaction Index (ESI) increasing to 66.61 compared with 64.32 in 2024.

The KONČAR Group applies multiple channels for regular employee engagement, conducted at different intervals:

- Quarterly information sharing – At least every three months, the Management Board reports to the Works Council on the business situation and performance, work organisation and other matters of importance to employees.
- Semi-annual employee assemblies – At the initiative of the Works Council, assemblies of all employees are generally held twice a year to provide comprehensive information and facilitate discussion on the state of business operations. At these assemblies, the Management Board presents key information, and employees are given the opportunity to ask questions and engage in discussion.
- Ongoing communication – Through internal communication channels (the Intranet and internal services, email, the Končarevac internal magazine, and the internal social network Jenz), employees receive continuous updates on the KONČAR Group and its individual companies. These channels also enable employees to submit proposals or comments throughout the year.

The KONČAR Group monitors the effectiveness of employee engagement through continuous dialogue and feedback from the Works Council and trade unions, which serve as platforms through which employees can raise proposals or concerns. The fact that collective bargaining processes are conducted on a regular basis is an indicator of constructive cooperation. For example, in

July 2025, Annex to the KONČAR Collective Agreement – 2024 was signed, and towards the end of 2025 a new KONČAR Collective Agreement – 2026 was agreed, increasing employees' material rights. This reflects a successful social dialogue and the KONČAR Group's ability to recognise and respond to employee needs.

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

The KONČAR Group has established formalised processes for receiving and addressing employee grievances and for the remediation of negative impacts on its own workforce. In the event of a negative impact, such as a violation of labour rights, occupational safety issues, discrimination, harassment or unethical conduct internal procedures aligned with applicable legislation are applied, including the Whistleblower Protection Act and the Labour Act. A particularly important role is assigned to the confidential person for receiving reports of irregularities, who is responsible for investigating reported cases and initiating remediation procedures.

The KONČAR Group provides several specific channels through which employees can directly communicate their concerns or needs:

- The whistleblower reporting channel – a confidential person responsible for receiving reports of irregularities, including the possibility of anonymous reporting
- Workers' Council and trade unions – available to all employees for direct communication with the employer
- Human resources Departments – acting as a centralized support function for individual employment related matters
- Digital communication channels – the internal social network Jenz, enabling employees to communicate with management, including through anonymous messaging
- Employee dignity protection procedure – a formal channel aligned with the Labour Act.

These channels are continuously promoted among employees through internal communication campaigns, training activities and regular meetings with employee representatives, thereby actively supporting the accessibility of mechanisms for raising concerns. In addition to the formal whistleblowing channel, human resources functions, managers and employee representatives also play an active role in handling employee grievances, ensuring timely responses and systematic resolution of issues.

The KONČAR Group systematically monitors and supervises the effectiveness of the established reporting channels. The confidential person maintains detailed records of all reports received, including the outcomes of completed procedures. At the same time, relevant organisational units within individual companies, such as legal and compliance functions regularly analyse grievance trends and assess the effectiveness of corrective measures implemented. In addition, periodic system evaluations are carried out in the form of internal audits and reports. Information on received grievances and their resolution is disclosed in section S1 17, while whistleblower protection and protection against retaliation are described in section G1 1.

The KONČAR Group assesses employee awareness of and trust in grievance raising channels through regular employee satisfaction surveys, as well as through analyses of the use of individual channels. The results of these surveys and analyses are used to further improve communication channels, including through additional training and communication campaigns.

## Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions S1-4, S1-5

The KONČAR Group is committed to achieving positive impacts and opportunities and to effectively managing and preventing material negative impacts and risks related to its own workforce. To ensure that its activities contribute to a safe, inclusive and supportive working environment, the KONČAR Group carries out regular audits and reviews of business processes, monitors

working conditions, maintains open communication with employees and trade unions, and adjusts its measures based on the assessment of material impacts, risks and opportunities, internal performance indicators and employee feedback. For the effective management of this area, the KONČAR Group allocates the necessary resources, including the establishment of appropriate internal committees, the operation of a dedicated human resources department coordinating employee training and development, and financial investments in education, occupational health and safety systems, the development of digital competencies and inclusive initiatives. In addition, detailed action plans are developed with clearly defined implementation timelines within the broader set of strategic objectives defined by the Sustainability Strategy 2024–2026 related to the own workforce, in particular through:

- Strategic goal 3 – Implementing a safe and healthy working environment for all employees and associates
- Strategic goal 4 – Promote inclusion, diversity and equal opportunities
- Strategic goal 5 – Fostering career advancement and professional growth for employees
- Strategic goal 6 – Fostering youth engagement and cultivating Končar's image as desirable employer

The implementation of these strategic priorities in practice is reflected in measures and activities addressing the identified material impacts, risks and opportunities related to the own workforce, as presented below. Within this section, measures, target values and effectiveness monitoring are presented in interconnected thematic blocks, in line with the identified material impacts, risks and opportunities related to the own workforce.

### Employee health, safety and well being

In the area of occupational health and safety, the KONČAR Group implements measures aimed at preventing injuries, reducing occupational risks and strengthening a culture of safety. A key role is played by the certified occupational health and safety management system in accordance with ISO 45001, supported by regular risk assessments, training activities, internal and external audits, and the work of occupational safety committees. Measures are particularly focused on work processes with permanent sources of hazards, including work at height, work in proximity to high voltage and the construction of energy facilities.

In addition to injury prevention and occupational risk mitigation measures, the KONČAR Group also implements activities aimed at employee well being, including supplementary health insurance, preventive medical examinations, sports activities, as well as training and workshops related to stress prevention and mental health protection. When an actual negative impact is identified, including a workplace injury or other safety incident, a root cause analysis is carried out, corrective and preventive measures are implemented, and, where necessary, work processes, working conditions and training programmes are adjusted.

Target values: Through the Sustainability Strategy 2024–2026, the KONČAR Group has set the goal of maintaining the percentage of lost working hours due to occupational injuries below 1 % by the end of 2026. Progress is monitored through the ISO 45001 occupational health and safety management system, occupational injury records, and internal and external audits. In 2025, the percentage of lost working hours due to occupational injuries remained at the same level as in the previous year, amounting to 0.2 %. The KONČAR Group also monitors the goal of providing supplementary health insurance to employees. Progress is tracked through the share of employees covered by supplementary health insurance at the Group level. In 2025, 80 % of employees were covered by supplementary health insurance.

The effectiveness of measures is additionally monitored through the number and nature of occupational injuries, risk assessment results, findings from internal and external audits, activities of occupational safety committees, and indicators of employee participation in health promotion and well being programmes.

### Working conditions, material security and social dialogue

With respect to working conditions, the KONČAR Group implements measures aimed at maintaining a stable employment structure, ensuring fair and competitive remuneration, and mitigating negative effects related to financial pressure, excessive working hours and impaired work-life balance. Key measures include collective bargaining and regular updates of collective agreements and internal acts, remuneration for work performed under special conditions, adjustments to work schedules and shift work, and, where applicable, the provision of adequate accommodation for employees working outside their place of residence. The KONČAR Group maintains regular social dialogue with Works Councils and trade unions and ensures freedom of association, collective bargaining and consultation on matters relevant to the economic and social position of employees. These measures contribute to employment security, employees' material security and the maintenance of stable industrial relations.

Target values: Separate measurable and time bound target values have not been established at the Group level. The effectiveness of measures is monitored through collective bargaining outcomes, employee turnover, working hours, absenteeism, employee satisfaction and organisational climate survey results, and other relevant HR indicators. Based on these indicators, the need for adjustments to work organisation, material rights and related internal acts is assessed.

### Equal treatment, diversity, inclusion, dignity protection and privacy

The KONČAR Group implements measures aimed at promoting equal opportunities, gender equality, equal pay for work of equal value and an inclusive working environment for different groups of employees. Activities in this area include increasing the representation of women in managerial and highly qualified positions, the employment and inclusion of persons with disabilities, the integration of foreign workers, and support for employees at different stages of life, including parents returning from maternity and parental leave. In 2025, KONČAR Inc. continued cooperation with UNICEF through educational activities for parents, with the aim of supporting employees at different life stages and strengthening awareness of children's rights and their importance within the wider business community.

In relation to protecting employee dignity and preventing inappropriate behaviour, the KONČAR Group applies measures of zero tolerance towards violence, harassment and discrimination, supported by formalised reporting channels and remediation procedures.

In addition, through the application of personal data protection rules and restrictions on access to employee data, the KONČAR Group seeks to ensure that its data processing practices do not result in negative impacts on employee privacy.

Target values: Progress is monitored through the implementation of measures and operational indicators, including workforce structure data, representation of specific employee groups, survey results, employee complaints and reports, and the implementation of activities aimed at inclusion and dignity protection. During the reporting period, no separate measurable and time bound target values were set at the KONČAR Group level for each individual inclusion and equal opportunity area; therefore, effectiveness is monitored through the aforementioned indicators and regular reviews of implementation.

### Skills development, talent retention, labour availability and future talent development

In response to the risk of labour shortages and the need to preserve key competencies, the KONČAR Group implements measures aimed at skills development, employee retention and strengthening the long term employability of its workforce. Through the KONČAR Academy and other internal and external programmes, employees are provided with professional, digital, managerial and ESG related training, as well as various forms of professional development, specialisation and knowledge transfer. In 2025, the 26th cycle of joint training programmes at the KONČAR Group level was completed within the KONČAR Academy. A total of 682 participants from 13 companies completed internal training programmes, while an additional 175 participants completed MS Excel and MS Word programmes. Training covered a wide range of topics, from specific technical areas such as ISO based management systems, TPM (Total Productive Maintenance), social engineering risks, and methodologies for calculating carbon footprint and product life cycle, to stress management, communication with challenging clients and negotiation skills. These measures simultaneously contribute to positive employee impacts and support opportunities for the KONČAR Group related to attracting, developing and retaining a qualified workforce and adapting to the green and digital transition. The training programme for 2026 envisages a further expansion of content, including 35 seminars and courses, more than 1,500 registered participants, and 20 new topics in the areas of soft skills, ESG, IT and future oriented competencies.

To ensure the long term availability of competencies, the KONČAR Group also implements measures related to student and pupil internships, scholarships, cooperation with educational institutions and employee referral programmes. These activities contribute to strengthening the KONČAR Group's employer brand, earlier engagement with future employees and the creation of a long term talent pipeline required for business development.

Target values: The KONČAR Group monitors the goal of allocating at least 20 % of total training hours to the development of employees' digital skills during the strategic period until the end of 2026. Progress is tracked through annual training plans and records of training activities at the KONČAR Group level. In 2025, the share of training hours dedicated to digital skills development amounted to approximately 13 %.

In the area of attracting and developing future talent, no separate measurable and time bound target values were established at the KONČAR Group level during the reporting period. The effectiveness of measures is monitored through the number of participants in internships, the number of scholarships awarded, cooperation with educational institutions, the number of employee referrals and other indicators related to talent attraction and development.

## Characteristics of the undertaking's employees

SI-B

Table 3-1 Employees by type of contract and gender

Number of Employees by type of contract and gender	Year 2024			Year 2025		
	Women	Men	Total	Women	Men	Total
Total employees	1,089	4,358	5,447	1,194	5,074	6,268
Permanent employee	1,020	4,041	5,061	1,139	4,635	5,774
Temporary employees	69	317	386	55	439	494
Employees with zero guaranteed hours	0	0	0	0	0	0
Full time employees	1,073	4,324	5,397	1,178	5,022	6,200
Part time employees	12	38	50	16	52	68

As at 31 December 2025, the total number of employees of the KONČAR Group amounted to 6,268, representing an increase of 15 % compared to 5,447 employees in the previous reporting period. The increase in headcount reflects business growth, the expansion of project activities and acquisitions completed during the reporting period, which further strengthened the KONČAR Group's operational and technological base.

The gender structure of the workforce continues to reflect the technical and industrial profile of the KONČAR Group's operations. In 2025, women accounted for approximately one fifth of the total workforce. Although the absolute number of female employees increased, their relative share slightly decreased from 20 % to 19 %, due to more intensive hiring in production, engineering and project related functions. The development of diversity and inclusion remains part of the KONČAR Group's strategic priorities within the area of employees and communities.

The majority of employees continue to be permanent, full time employees. The increase in the absolute number of employees on fixed term contracts is associated with the expanded scope of operations and the integration of newly acquired companies, without material changes to the overall employment structure. Accordingly, the employment structure in 2025 primarily reflects strategic business growth and development, while maintaining a stable and long term sustainable employment model.

During the reporting period, part time employment was used by a total of 68 employees within the KONČAR Group, compared to 50 employees in the previous period. The majority of part time employees are retirees whose full time employment is legally restricted. Other reasons for part time employment include flexible working arrangements related to caring for children with developmental difficulties, supplementary employment, reduced workloads, and individual contractual arrangements based on employment contracts designed to meet the professional needs of multiple group companies.

Table 3-2 Number of employees in countries with 50 or more employees representing at least 10 % of total number of employees

Number of employees in countries	Year 2024	Year 2025
CROATIA	5,326	6,127
TOTAL	5,326	6,127

Although the KONČAR Group has a global presence, the majority of its employees are located in Croatia. Employees in KONČAR Group companies operating in other countries account for less than 10 % of the total workforce and are therefore not presented separately.

During the reporting period, 639 employees left the KONČAR Group, representing a decrease compared to 676 employees in 2024. The employee turnover rate at the KONČAR Group level in 2025 amounted to 10.37 %, reflecting a decrease compared to 12.56 % in the previous year. The numerator of the turnover rate represents the number of employees who left the KONČAR Group, while the denominator represents the average number of employees during the reporting period. Changes in the turnover rate should be considered in the context of the KONČAR Group's growth, including acquisitions and organisational changes during the year, which affected the average number of employees and the workforce structure.

Employee data are prepared on the basis of internal records and systems and represent headcount as at 31 December 2025. The total number of employees represents the number of individuals who have an employment contract and are included on the payroll, regardless of contract type, at year end. External collaborators and workers provided by third parties are excluded from this figure. In accordance with the KONČAR Group's consolidated financial statements as at 31 December 2025, the KONČAR Group had 6,345 employees (compared to 5,503 employees as at 31 December 2024) (related to the KONČAR Group consolidated financial statements – I. General information about the Group). This figure represents the most representative available value for linking non financial and financial indicators, as it is slightly higher due to including companies that are not material for granular analysis within the scope of this Report.

## Collective bargaining coverage and social dialogue S1-8

Collective bargaining agreements cover 64 % of the KONČAR Group's employees, which is broadly in line with the coverage level of 63 % in 2024. This coverage is achieved through the KONČAR Collective Agreement – 2024, concluded in December 2024, and the related Annex I to the Collective Agreement from July 2025, which is applicable to seven KONČAR Group companies (KONČAR Inc., KONČAR - Switchgear, KONČAR - Electric Vehicles, KONČAR - Electronics and Informatics, KONČAR - Motors and Electrical Systems, KONČAR - Generators and Motors, KONČAR - Metal Structures) and three separate collective agreements apply to companies within Dalekovod Group: (Dalekovod jsc., Dalekovod OSO and Dalekovod - Metal Structures).

Table 3-3 Reporting template on the coverage of collective bargaining and social dialogue

Collective bargaining coverage		Social dialogue
Coverage level	Number of employees covered by collective bargaining agreements (EEA only*)	Number of employees represented through workplace employee representation mechanisms (EEA only*)
60 - 79%	Croatia	
80 - 100%		Croatia

\* European Economic area

## Diversity metrics S1-9

Table 3-4 Gender distribution among employees (headcount and percentage) at the executive management level

Gender representation at the executive management level				
Gender	Number of employees 2024	Percentage in 2024	Number of employees 2025	Percentage in 2025
Men	95	83%	124	81%
Women	20	17%	29	19%

The highest management within the KONČAR Group comprises the members of the Management Board of KONČAR Inc. and its affiliated companies, as well as employees one level below the Management Board (B 0.5 and B 1).

Table 3-5 Number of employees (head count) under 30 years old, between 30 and 50 years old and above 50 years old

Distribution of employees by age				
Age	Number of employees 2024	Percentage in 2024	Number of employees 2025	Percentage in 2025
<30	982	18%	1,242	20%
30-50	3,063	56%	3,441	55%
>50	1,402	26%	1,585	25%

In 2025, the KONČAR Group demonstrated clear progress towards workforce modernisation and the strengthening of human capital. At the highest management level, progress is evident in terms of gender diversity: the number of women increased from 20 to 29, representing a rise of 45 %, while the share of women increased from 17 % to 19 %. Importantly, this advancement occurred alongside an increase in the total number of members of the highest management level, which further confirms that the inclusion of women in governance and management structures represents a genuine and sustainable trend, regardless of the specific characteristics of the industry.

At the same time, the age structure of employees indicates enhanced attractiveness of the KONČAR Group for younger workers in the labour market. The number of employees under the age of 30 increased from 982 to 1,242, representing a growth of 26 %, with their share rising to 20 % compared to 18 % in the previous period. Other age groups also showed growth in absolute terms, accompanied by minor changes in relative shares. Overall, the KONČAR Group is simultaneously expanding its talent base, strengthening diversity at leadership levels, and building a balanced age structure that supports the organisation's long term sustainability and resilience.

## Adequate Wages S1-10

The KONČAR Group ensures that all employees receive a base gross salary that exceeds the minimum thresholds prescribed by the Minimum Wage Act and the Government Regulation on the Minimum Wage, primarily through the provisions of its collective bargaining agreements.

The KONČAR Group invests in the development and continuous improvement of its employees and seeks to achieve a balanced approach between monetary and non monetary rewards, as well as between fixed and variable remuneration components. Fixed remuneration reflects employees' relevant professional experience, competencies and organisational responsibilities. Variable remuneration is primarily linked to achieved and previously defined objectives and plans of KONČAR Group companies. Variable remuneration provides incentives for prudent long term risk taking and supports effective risk management.

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

## Health and safety metrics S1-14

100 % of the own workforce were covered by the occupational health and safety management system in both the reporting and the previous period. The coverage also includes individuals provided by companies primarily engaged in employment services, whose work is directed and supervised and who operate under the management of individual KONČAR Group companies. During 2025, as in the previous reporting period, no fatal incidents resulting from occupational injuries or work related illnesses were recorded among the own workforce or among other workers operating at KONČAR Group locations.

In the reporting period, a total of 92 occupational injuries were recorded within the own workforce, corresponding to an injury rate of 8.17 per 1,000,000 hours worked. This represents an increase compared to 79 occupational injuries and an injury rate of 7.71 in the previous period. The increase is attributable to improvements in monitoring systems and the standardisation of occupational injury records across certain KONČAR Group companies, resulting in more consistent and comprehensive data coverage.

The data used for the calculation were collected from internal records and systems. In certain companies, the number of hours worked was estimated based on customary or standard working time, taking into account entitlements to paid time off (for example, paid leave, paid sick leave and public holidays).

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

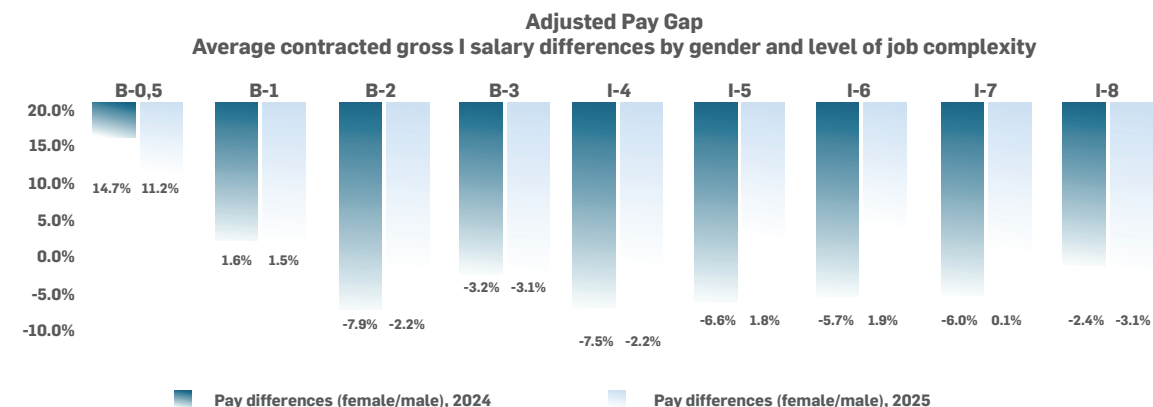
KONČAR Group is committed to promoting pay equality and continuously monitors the ratio of total employee compensation by gender, in line with its Diversity, Equity, and Inclusion (DEI) objectives. In 2025, the KONČAR Group applied for the Equal Pay Champion certification awarded by SELECTIO Solutions d.o.o., and in March 2026, for the second consecutive year, was awarded the Equal Pay Champion certificate. The award of the Equal Pay Champion certificate confirms the KONČAR Group's commitment to building a fair remuneration system, as well as the implementation of concrete actions aimed at aligning with new guidelines and principles of pay equity, based on a methodology that incorporates salary data by gender, length of service and educational level. The certification covers a broader range of topics beyond employee pay levels alone, including the evaluation of all practices

and initiatives undertaken by the organisation to establish solid foundations for an equitable system of remuneration, rewards and career advancement, thereby addressing the root causes of gender pay inequality. In addition, the assessment also evaluates the extent to which the organisation has adopted a strategic approach to DEI practices.

Table 3-6 Pay gap within the KONČAR Group

Job complexity level	Gender pay gap (F/M) (2024)	Gender pay gap (F/M) (2025)
B-0,5	+14.7%	+11.2%
B-1	+1.6%	+1.5%
B-2	-7.9%	-2.2%
B-3	-3.2%	-3.1%
I-4	-7.5%	-2.2%
I-5	-6.6%	+1.8%
I-6	-5.7%	+1.9%
I-7	-6.0%	+0.1%
I-8	-2.4%	-3.1%

Graphical representation of differences in agreed gross salaries between women and men by complexity levels for the KONČAR Group



When speaking about the results of such analysis at the KONČAR Group level, it is evident from the applied methodology that in the two job categories with the highest complexity levels (B-0.5 and B-1), women achieve equal or higher salaries compared to men.

This data indicates a trend towards aligning the KONČAR Group with the EU directive on increasing the number of women in leadership positions and achieving pay equality between women and men. The pay gap in favour of men within pay grades that

include mixed gender positions decreased compared to the previous year. Furthermore, there is a visible calculated salary difference in favour of men within salary grades that include a variety of job roles. The methodology applied here takes into account differences only between salary grades and not data related to individual job positions. Within the same salary grade, there are positions with varying job content (tasks). Employees in the KONČAR Group, within the same salary grade and on the same job positions (e.g., Security Guard), receive equal pay regardless of gender, which is ensured not only by KONČAR Group's trend towards equal pay for women and men but also through internal processes. At the Group level, a pay difference of -3.9 % in favour of women was identified. The analysis was conducted based on contracted gross salary (gross I), excluding the remuneration of Management Board members.

The total remuneration ratio, defined as the total annual remuneration of the highest paid individual in the company divided by the median annual total remuneration for all employees (excluding the highest paid individual) in 2025 amounted to 1:15.11 in 2025, compared to 1:17.02 in the previous year.

The organisation conducts regular analyses related to gender diversity and monitors trend developments over time. Although men account for 81 % of the workforce (compared to 83 % in 2024), an upward trend in the hiring of women has continued over the past year, with women representing 25 % of new hires (compared to 33 % in 2024). This indicates the organisation's active efforts to reduce gender imbalance and promote more balanced female representation.

In 2025, women accounted for 26 % of all promotions (compared to 35 % in 2024), 35 % of participants in development programmes (compared to 41 % in 2024), and 27 % of the talent pool (compared to 30 % in 2024). These developments confirm that the organisation remains consistently committed to creating equal and sustainable opportunities for career advancement, despite variations in year on year trends in women's progression rates.

## Incidents, complaints and severe human rights impacts 51-17

Table 3-7 Reported cases of discrimination and received complaint

Reported cases of discrimination and received complaints	2024	2025
Number of confirmed cases of discrimination, including workplace harassment	0	0
Number of complaints submitted by own workers through internal grievance channels	3	3
Number of complaints submitted to National Contact Points	0	0
Amount of fines, sanctions, or compensation paid - connected to own workforce	0	0
Number of severe human rights issues and incidents connected to own workforce	0	0
Cases of non-respect of UNGPs/OECD Guidelines	0	0
Amount of fines, sanctions, or compensation paid – connected to severe human rights issues and incidents	0	0

During the 2025 reporting period, the same number of complaints were received through employee concern raising channels as in the previous period. In 2024, two complaints related to alleged violations of employee dignity and one related to alleged discrimination, while in 2025 all three complaints concerned alleged violations of employee dignity. All reported cases were handled in accordance with applicable legislation and internal regulations. Following the completion of fact finding procedures, no violations were confirmed in any of the cases and no further measures were taken. In both reporting periods, no severe human rights violations or incidents related to the own workforce were recorded.



## ESRS S2 Workers in the value chain

### Material impacts, risks and opportunities

S2.98M-3

Material topic	IRO		Value chain	Time horizon
Working conditions	PI	<b>Contribution to safe employment and adequate wages</b> Through long term partnership relationships with suppliers, particularly local small and medium sized enterprises, the KONČAR Group has a positive impact on the continuity and sustainability of their operations, supporting stable employment and more adequate wages for their employees (related to G1 – Business conduct).	Upstream	Short to long term
	PI	<b>Working hours</b> The KONČAR Group requires its suppliers to comply with statutory requirements related to labour rights and working time, thereby contributing to improved working conditions in the upstream part of the value chain, particularly among suppliers operating in labour intensive sectors with lower income workforce segments (related to G1 – Business conduct).	Upstream	Short to long term
	PI	<b>Contribution to occupational health and safety in the value chain</b> By requiring compliance with statutory occupational health and safety requirements and with site specific rules applicable at locations where the KONČAR Group operates or performs works, as well as through regular assessments of key suppliers, the KONČAR Group can positively influence occupational safety conditions throughout the value chain.	Upstream	Short to long term
	PNI	<b>Labour and human rights in the value chain</b> The risk of labour and human rights violations within the value chain, arising from insufficient due diligence upstream, may result in the unintended engagement of suppliers that do not respect acceptable labour conditions and human rights standards, or that collaborate with partners who fail to comply with such standards.	Upstream	Short to long term
Other employment related rights	PI	<b>Labour and human rights in the value chain</b> The KONČAR Group monitors supplier compliance with sustainability standards in order to ensure the protection of human rights and the elimination of child labour and forced labour within the value chain.	Own operations	Short to long term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

The KONČAR Group identifies the following categories of workers in the value chain who may be materially affected by the Group's operations:

- Workers employed by suppliers, particularly in the production of input raw materials, materials and components

- Third party workers engaged in the installation and maintenance of KONČAR Group equipment, as well as in the construction of KONČAR Group production capacities
- Customers' operational personnel, such as workers on power grids, in industrial plants and within railway systems, whose working conditions and safety are directly linked to the quality and reliability of KONČAR Group products

The KONČAR Group sources the majority of its procurement from domestic suppliers and suppliers within the European Union, where working conditions are strictly regulated. As a result, no systemic negative impacts on workers in the value chain have been identified, and the risks of child labour and forced labour are assessed as minimal. Nevertheless, particular attention is paid to the procurement of certain raw materials and components that may be sourced outside the EU (such as metals and specialised electronic components), for which the KONČAR Group applies enhanced due diligence measures to reduce exposure to such risks.

Through its Supplier Code of Conduct, the KONČAR Group requires suppliers to apply internationally recognised labour standards, including fair wages, regulated working hours and high occupational safety standards, thereby contributing to improved working conditions for supplier employees. In addition, the Group regularly conducts ESG assessments, audits and pre qualification procedures for key suppliers in order to further promote improvements in working conditions and responsible business conduct. At the same time, customers are provided with equipment and solutions that meet high safety and quality standards, directly improving occupational safety conditions for end user workers, particularly in high risk industries such as the power sector and railway transport. Furthermore, the KONČAR Group provides continuous training and support to its suppliers and partners in the implementation of safety procedures and sustainable business practices.

Key risks for the KONČAR Group arise from the potential inadequate implementation of labour standards within supplier chains outside the EU. Specific risks have been identified for workers in labour intensive industries supplying raw materials or components to the KONČAR Group (e.g., metal production and electronic component manufacturing). The KONČAR Group manages these risks by assessing supplier sustainability performance indicators, requiring relevant certifications and setting explicit requirements for suppliers.

## Policies, actions and targets related to workers in the value chain

S2-1, S2-4, S2-5

Policies related to workers in the value chain are based on the principles of international standards (ISO standards, UN Global Compact principles), the legislation of the Republic of Croatia and the European Union, as well as internationally recognised labour and human rights standards. These policies were formally consolidated through the adoption of the KONČAR Group Supplier Code of Conduct at the end of 2025. The Code forms a mandatory part of contractual relationships with suppliers and sets out requirements in the areas of:

- Respect for human and labour rights
- Prohibition of child labour and forced labour
- Prohibition of discrimination and harassment
- Protection of occupational health and safety
- Ethical business conduct and prevention of corruption

The implementation of the KONČAR Group Supplier Code of Conduct includes supplier self assessment mechanisms, ESG evaluations of key suppliers and, where appropriate, additional reviews and requirements for corrective measures. Additional information on the relevant policies is available in Annex IV.

In 2025, in cooperation with UNICEF Croatia, the KONČAR Group conducted three workshops focused on mapping impacts on children's rights and developed guidelines and an action plan for managing related risks within the supply chain.

During the reporting period, no incidents related to forced or compulsory labour or child labour were recorded in the countries or areas in which the KONČAR Group operates or from which it sources materials and services. The KONČAR Group continues to monitor the situation systematically in order to act preventively and to identify and mitigate any potential risks related to these areas in a timely manner.

## ESRS S3 Affected communities

S3.SBM-3

Material topic	IRO		Value chain	Time horizon
Economic, social and cultural rights of communities	PI	<p><b>Positive impact in communities</b></p> <p>The KONČAR Group operates with great care in the communities in which it conducts its activities, with the aim of generating a positive impact. Through local employment, investments in infrastructure, and donations and sponsorships, the KONČAR Group contributes to the social and cultural development of numerous communities.</p>	Downstream	Short to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

The KONČAR Group actively and continuously invests in the development and quality of life of local communities, which represents one of its strategic sustainability goals. Within Strategic goal 7 – Continuously invest in the development and quality of life of local communities, the KONČAR Group continuously implements activities aimed at achieving a long term positive impact on the communities in which it operates:

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

The KONČAR Group identifies communities in the Republic of Croatia and abroad in which construction activities or operational work may have a significant impact on the local population. In all projects where the KONČAR Group acts as an investor, it implements all legally prescribed requirements at each location, and potential and actual impacts on the community are systematically assessed and addressed. In projects where the KONČAR Group acts as a contractor, the implementation of these requirements is the responsibility of the investor.

The majority of the KONČAR Group's operations take place in countries with well developed legal frameworks, where strict evaluation and construction permitting procedures are applied, including mandatory public participation through environmental impact assessment processes. To a lesser extent, the KONČAR Group operates in countries with less stringent legal requirements (e.g. in certain African countries), where it relies on its internal standards and policies to ensure a level of protection for people and the environment comparable to that of the European Union framework.

Communities located near production and project sites may be exposed to impacts such as increased traffic, noise or dust, which are managed through strict preventive measures. The risk of significant negative impacts on communities within the supply chain, such as violations of human rights or environmental standards, is minimised, as the majority of raw materials and components are sourced from large suppliers within the European Union.

## Policies, actions and targets related to affected communities

S3-1, S3-4, S3-5

KONČAR Group's policies related to affected communities serve as a key tool for risk management and for strengthening positive impacts. They include the overarching KONČAR Group Sustainability Policy, which defines the objectives and principles of responsible business conduct and investment in social well being, as well as Codes of Conduct that govern ethical and transparent communication with communities. In addition, the Risk Management Policy ensures the systematic identification and control of risks related to safety, human rights and the environment. The Donations and Sponsorships Rulebook and the Volunteering Guidelines provide an operational framework that ensures transparent allocation of financial resources and active employee participation in community initiatives. Through these policies, the KONČAR Group simultaneously protects communities from negative impacts and promotes the creation of long term positive impacts through education, inclusion and the development of local infrastructure. Additional information on these policies is available in Annex IV.

Corporate volunteering activities encompass humanitarian, environmental, social and educational projects. The coordination of these activities is carried out by the Marketing and Corporate Communications Department in cooperation with the KONČAR Volunteering Club. Employees participating in volunteering activities are granted paid leave, while the employer provides the necessary materials, equipment, a hot meal and transportation to volunteering locations.

Such a comprehensive integration of sustainability criteria enables the KONČAR Group to balance the achievement of its strategic business objectives with the creation of long term positive impacts on the communities in which it operates, demonstrating that economic growth can go hand in hand with social well being.

In addition to humanitarian and social initiatives, the KONČAR Group supports the promotion of excellence, culture and the arts, sports, environmental protection, professional conferences and media promotion through donations and sponsorships, as well as supporting the KONČAR's Veterans' Association and the KONČAR Retirees' Club. In 2025, donations were primarily directed toward humanitarian and social activities, while sponsorships were largely focused on professional events, sports and cultural activities.

Support for sport and inclusion is implemented through an established partnership with the Croatian Paralympic Committee (HPO), with the KONČAR Group assuming the role of an official sponsor from 2025 onwards. The objective is to continuously expand the scope of this support in the upcoming period (2025–2030), which will be measured by the amount of annual financial contributions and the number of athletes with disabilities supported. In 2025, significant cooperation was also initiated with the Croatian Deaflympic Committee, with further expansion planned for 2026.

In 2025, the KONČAR Group significantly increased investments in community related projects and initiatives, nearly doubling total funding compared to the previous year. The annual expenditure of KONČAR Inc. amounted to EUR 770,000, compared to EUR 399,586 in 2024, with approximately 60 % of funds allocated to sponsorships and around 40 % to donations.

Investments in projects that make a difference:

- Humanitarian and social activities – accounting for one quarter of total investments
- Environmental protection
- Promotion of excellence
- Culture and the arts
- Amateur sports
- Professional conferences and domestic media projects

Particularly notable partnerships:

- Support for the Croatian Paralympic Committee (HPO)
- Support for the Croatian Deaflympic Committee
- Cooperation with UNICEF
- Year round support for the humanitarian foundation For the Children of Croatia (Za djecu Hrvatske) and the Dora Association
- Special Christmas donation to Caritas Croatia
- Community support – individual donations to vulnerable groups, families and individuals for medical treatment or addressing other existential needs, as well as annual cooperation with the humanitarian organisation Red Noses (Crveni nosovi)

- Support for education – year round support for domestic universities and secondary schools, support for the activities of student associations
- Multi year support for clubs bearing the KONČAR name
- Support for amateur sports – year round support for domestic amateur sports clubs and associations
- Support for culture and heritage – long standing cooperation with the Lado Ensemble and year round support for domestic associations organising cultural and artistic events
- Environmental protection – numerous individual donations

## ESRS S4 Consumers and end-users S4.SBM-3

### Material impacts, risks and opportunities

Material topic	IRO		Value chain	Time horizon
Information related impacts for consumers and end users	PI	<b>Privacy of consumers and end users</b> The KONČAR Group applies policies as well as technical and organisational data protection measures to ensure the privacy of consumers and end users.	Downstream	Short to long-term
	PI	<b>Access to quality information</b> The KONČAR Group provides customers and end users with timely and transparent information on products and services through defined labelling procedures, communication regarding safety and use related aspects, information on post delivery activities, and information on the environmental impacts of products and services throughout their life cycle.	Downstream	Short to long-term
	PI	<b>Collaboration and product development</b> The systematic collection of feedback and the involvement of customers in product development enable the KONČAR Group to adapt its solutions to market needs, specific locations and end user requirements.	Downstream	Short to long-term
	PI	<b>Product quality and safety</b> The KONČAR Group manages quality and safety standards to protect customers and end users of its products and services.	Downstream	Short to long-term
	R	Risks related to product safety and customer satisfaction include the possibility that products or services may not meet safety standards or user expectations. Such circumstances may result in injuries, customer dissatisfaction and complaints, product recalls, and potential legal and reputational consequences.	Downstream	Short to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

The companies within the KONČAR Group operate exclusively in a B2B environment and therefore do not maintain a direct relationship with end consumers and end users. Nevertheless, the KONČAR Group is aware of its responsibility towards the end users of its products and services that are placed on the market through business partners—from households connected to power grids to passengers using public transport. As a result, issues related to safety, quality and reliability have broader societal implications.

The business model and strategy of the KONČAR Group integrate high standards of product safety, quality and reliability to ensure the protection and satisfaction of end users. In this context, the identified material impacts and opportunities relate primarily to product safety and quality, access to relevant information for users, protection of privacy, and cooperation with customers in the development and continuous improvement of solutions.

Given the B2B nature of its operations, the protection of consumers and end users is primarily achieved through responsible business relationships with customers and partners. Business partners are expected to act in accordance with principles of legality and ethical conduct, respect for human rights, and high standards of product quality and safety. Potential risks, including safety incidents or breaches of privacy, are mitigated through systematic management of quality, product safety and information security.

## Policies, actions and targets related to consumers and end-users S4-1, S4-4, S4-5

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

- Sustainability Policy – establishes objectives and principles for the systematic and responsible management of impacts affecting all stakeholders, including customers and end users.
- Integrated Management System Policy for Quality, Environmental Protection, Occupational Health and Safety, and Energy – ensures product quality and safety while promoting open communication on environmental and social aspects relevant to consumers and end users. Quality built by KONČAR’s approach to quality is fully aligned with ISO 9001:2015 standards. It is guaranteed through a documented Quality Manual and is based on meeting customer requirements across all business segments and throughout every stage of production and service delivery.
- Codes of Conduct of KONČAR Group companies - regulate ethical business conduct, protection of customer interests, and adherence to transparent business practices.
- KONČAR Group Risk Management Policy – integrates risks related to product safety, quality and information security into the KONČAR Group’s risk management system and ensures a proactive approach to identifying and addressing potential adverse impacts on users.

Together, these policies comprehensively address key risks and impacts related to product safety, quality, and customer satisfaction, while simultaneously creating opportunities to strengthen customer relationships, drive innovation, and develop sustainable solutions. Additional information on the related policies is available in Annex IV.

The KONČAR Group systematically engages customers throughout all phases of the business cycle, from the definition of procurement technical requirements and project planning to after sales support. User perspectives directly influence key decisions related to product and service improvements, while the effectiveness of engagement is monitored through customer satisfaction indicators, complaint tracking, and the results of internal and external audits of the quality management system.

All delivered equipment and solutions are subject to stringent safety checks and compliance with applicable regulations, thereby protecting end users in terms of product safety and reliability. Mechanisms such as service support and complaint handling systems are also in place, enabling customers and users to report any issues, which the KONČAR Group addresses promptly within its quality management system.

# Governance information



## ESRS G1 Business conduct

### Material impacts, risks and opportunities

Material topic	IRO		Value chain	Time horizon
Corporate culture	PI	<b>Clearly defined and ethically grounded corporate culture</b> An ethically grounded corporate culture focused on integrity, transparency and accountability enables employees to make decisions in line with the KONČAR Group's values and contributes to higher levels of engagement and a positive organisational climate.	Own operations	Short to long-term
	PI	<b>Sustainable strategic objectives and transparent stakeholder reporting</b> Strategic and consistent support for a sustainable economy, combined with transparent and regular stakeholder reporting, strengthens trust, enhances corporate reputation, and supports the integration of sustainability principles into the KONČAR Group's key business processes.	Own operations	Short to long-term
	PI	<b>Promoting sustainability objectives among employees</b> Through training and the involvement of employees in sustainability related decision making, the KONČAR Group strengthens employees' sense of connection to the company's sustainability objectives. (Linked to ESRS S1 – Own workforce)	Own operations	Short to long-term
Protection of whistle-blowers	PI	<b>Accessible mechanisms for reporting irregularities and protecting whistleblowers</b> Accessible and secure whistleblowing and whistleblower protection mechanisms enable the timely identification and addressing of unethical and unlawful conduct and strengthen a culture of integrity.	Own operations	Short to long-term
	R	<b>Trust in whistleblowing channels</b> Employees' trust in whistleblowing mechanisms is based on clear communication regarding reporting channels, effective protection of whistleblowers, and consistent and impartial handling of reported cases. If any of these elements is not perceived as sufficiently effective, this may result in lower use of reporting channels and hinder the timely identification of irregularities. (Linked to ESRS S1 – Own workforce)	Own operations	Short to long-term
Management of relationships with suppliers	PI	<b>Maintaining fair and transparent relationships with suppliers</b> Maintaining fair and transparent relationships with suppliers, including fair contracting practices, compliance with payment terms and responsible procurement, contributes to the stability and sustainability of the supply chain.	Upstream	Short to long-term
	PI	<b>Supplier Code of Conduct</b> Through the development of its Supplier Code of Conduct, the KONČAR Group has established sustainability standards and promotes responsible business practices across the entire supply chain by setting out clearly defined expectations and monitoring compliance with those expectations.	Upstream	Short to long-term
	(P)PI	<b>Sustainability risk assessments of strategic suppliers</b> Conducting sustainability risk assessments of strategic suppliers has the potential to enhance sustainability and reduce risks within the supply chain.	Upstream	Short to long-term
	R	<b>Non compliance with sustainability standards in the supply chain</b> Failure to comply with sustainability standards in the supply chain may result in legal and reputational losses.	Upstream	Short to long-term
Corruption and bribery	PI	<b>Zero tolerance for corruption</b> The KONČAR Group applies a zero-tolerance approach to corruption. Employees and suppliers are informed about anti-corruption policies and procedures, while transparency and clearly defined processes contribute to the prevention of corrupt practices.	Upstream Own operations	Short to long-term
	R	<b>Failure to timely identify corruption</b> Corrupt practices within the KONČAR Group's own operations or among suppliers, as well as inadequate handling of reported cases, may lead to a loss of stakeholder trust and result in potential adverse legal and reputational consequences for the KONČAR Group.	Upstream Own operations	Short to long-term

(P)PI/NI - (Potential) Positive Impact/Negative Impact, R/PR/TR - Risk/Physical Risk/Transitional Risk, O - Opportunity

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

KONČAR Inc. strives for the highest standards of corporate governance and business transparency as the only appropriate principles underpinning all business activities within the KONČAR Group.

The Management Board is responsible for the adoption and operational implementation of the business conduct framework (codes, policies and procedures), including the prevention of conflicts of interest, prevention of bribery and corruption, regulatory compliance, and the protection of confidential information and data. The Management Board ensures that appropriate mechanisms, controls and training are in place and that procedures are effectively implemented in practice.

The Supervisory Board oversees the conduct of business and ensures supervision over business integrity, while the Audit Committee monitors the effectiveness of the internal control and risk management systems and the application of whistleblowing procedures, including the protection of whistleblowers and the handling of reported cases.

The role of management and supervisory bodies in the area of business conduct is further structured through the ERM (Enterprise Risk Management) framework, which represents a formalised process for the identification, assessment and reporting of business conduct and compliance risks (e.g. corruption, conflicts of interest, breaches of ethical standards, irregularities in relations with business partners and suppliers). Assessment results, key findings and the status of corrective measures are reported to the Management Board of KONČAR Inc. and, where relevant, to the Audit Committee and Supervisory Board through regular reporting mechanisms.

Operational coordination in the area of business conduct is carried out by the relevant functions (legal and compliance, risk management, human resources, procurement, internal audit), ensuring cross functional accountability and the consistent application of rules across governance structures, operational processes and the value chain.

### Expertise of administrative, management and supervisory bodies in matters of business conduct

The Supervisory Board and the Management Board of KONČAR Inc. cooperate closely in the best long term sustainable interest of the Company and jointly agree on the strategic direction of the Company's business. The Management Board is composed of members who are considered to possess the appropriate knowledge, experience and expertise for their respective areas of responsibility, and their professional biographies are available on the KONČAR Group's website. The Supervisory Board conducts a self assessment of the profiles and competencies of its members and the members of its committees. The Chair of the Supervisory Board ensures continuous training and education of board members in order to further develop their skills and knowledge, particularly with regard to business sustainability, responsible business conduct and achieving balanced gender representation within the Supervisory Board, the Management Board and senior management. The Supervisory Board operates with an optimal number of nine members, ensuring that its composition meets appropriate standards of education and professional experience and reflects a mix of different profiles, ages, backgrounds and experience, thereby promoting diversity of perspectives in decision making.

## Business conduct policies and corporate culture G1-1

The corporate governance rules of KONČAR Inc. are based on the applicable regulations of the Republic of Croatia and the European Union, the Corporate Governance Code issued by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE), and their integration into business practice. These rules define corporate governance procedures grounded in the highest international standards, ensuring high quality and responsible management, the avoidance of conflicts of interest, effective internal control, and an efficient accountability framework. KONČAR Inc. is also a signatory to the Code of Ethics in Business, initiated by the Croatian Chamber of Economy.

The Code of Conduct encompasses all aspects of ethical, sustainable and socially responsible business, including responsibility, integrity and business transparency. These principles are embedded through the integration of ESG criteria into risk assessments and risk management plans, employee training programmes, a zero tolerance approach to bribery and corruption, and training related to information security. The Internal Whistleblowing Policy provides a framework for internal reporting of irregularities

and ensures the protection of whistleblowers. In addition, the KONČAR Group Anti Corruption Policy establishes a zero tolerance approach to corrupt practices and prohibits corruption in any form, whether direct or indirect.

All management and supervisory bodies are involved in the adoption and implementation of ethical principles and regulations, while employees are also regularly trained on compliance with the Code of Conduct and whistleblowing procedures.

In line with Strategic Objective No. 8, "Ensuring responsible and ethical governance and the integration of sustainability into business operations," the KONČAR Group systematically integrates sustainability criteria into risk assessment processes and risk management plans. Through the application of the Risk Management Policy and a risk management methodology based on ISO 31000:2018, sustainability related risks are clearly identified, analysed and prioritised within the 2025 Risk Catalogue. As a result, sustainability criteria have been formally embedded into the risk management framework, thereby strengthening business resilience and supporting the achievement of the KONČAR Group's strategic sustainability objectives.

### Corporate culture

KONČAR Inc. defines, implements and oversees the core values of its business operations. KONČAR's core values are set out in the Code of Conduct and the Corporate Governance Rules. As a company whose shares are listed on the regulated market of the Zagreb Stock Exchange, KONČAR Inc. has established a corporate governance system in line with the highest standards and best practices, which is consistently applied across other listed companies within the Group, namely KONČAR – D&ST Inc. and Dalekovod jsc. The Company's strategic direction and corporate culture are reviewed and updated on a two years basis and form an integral part of Strategy 2030 and the new operating model. The strengthening of corporate culture is driven by leadership and supported by key organisational units, such as the Business Strategy and Development Department—within which the Sustainability Department operates - as well as the Marketing and Corporate Communications Department and the Human Resources Department. The Sustainability Department maintains continuous operational engagement with companies across the KONČAR Group, ensuring progress across all three pillars of sustainability.

Corporate culture is further strengthened through a series of corporate decisions, training programmes and workshops aimed at encouraging employee engagement, interactive participation and active learning to build the skills required for responsible business conduct. For example, training on the Code of Conduct became mandatory for all employees in 2025. In addition, in line with Strategic Objective No. 8, "Ensuring responsible and ethical governance and the integration of sustainability into business operations," all key employees involved in the preparation of this report participate in specialised ESG training programmes covering relevant thematic areas. The objective of ESG training is to raise employee awareness of the importance of sustainability, promote responsible business conduct in line with sustainability criteria, and systematically strengthen corporate culture through the practical application of acquired knowledge in daily work.

The social dimension of corporate culture is also supported through donation and sponsorship programmes for domestic athletes, para athletes and recreational sports, as well as scholarship programmes for young pupils and students, the provision of internships, the complete furnishing and renovation of a hall at the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, and the co-organisation of courses at the Faculty of Electrical Engineering and Computing in Zagreb. KONČAR further strengthens corporate culture and collective engagement through an active volunteer club, which participates in environmental initiatives such as afforestation projects, clean up and planting activities, as well as in socially beneficial initiatives focused on supporting the local community, including participation in the renovation of social care institutions.

### Protection of whistleblowers

The whistleblowing system forms an integral part of the KONČAR Group's corporate culture and integrity mechanisms. In December 2025, KONČAR Inc. adopted a new Internal Whistleblowing Policy, aligning the existing reporting and whistleblower protection system with the latest amendments to the Act on the Protection of Whistleblowers. The amendments included changes to the procedure for appointing the confidential person and their deputy, as well as an expansion of the definition of reportable irregularities and reporting channels, while the core reporting and protection mechanisms remained substantively aligned with applicable legislation.

The whistleblowing system enables employees and other persons in the work environment to report unlawful actions, breaches of internal rules, including corruption, conflicts of interest, discrimination, harassment, violations of human rights, and other forms of unethical conduct. Reports may also be submitted anonymously, in written or oral form.

The procedure is handled by an appointed confidential person who operates independently. Whistleblowers are protected against retaliation, and in the process of examining reported irregularities and establishing facts, the confidential person is obliged to conduct all actions in accordance with data confidentiality and personal data protection requirements. Where a report is found to be substantiated, appropriate remedial actions are taken to address the irregularity, along with preventive measures to avoid its recurrence.

The confidential person informs the employer's Management Board and the immediate supervisory manager of the receipt of a whistleblowing report. The Management Board and relevant governance bodies are informed of received and processed reports as part of regular oversight of the internal control system and risk management framework.

Additional information on relevant policies is available in Annex IV.

## Management of relationships with suppliers G1-2

### Description of the company's approach to supplier relationships

In its supply chain governance, KONČAR Group aims to foster transparency, promote accountability, reduce supplier-related risks, and encourage sustainability across all stages of the value chain.

The most prominent risk relates to the instability of global supply chains, manifesting in prolonged lead times for critical components. Volatility in the prices of key raw materials—such as copper, aluminium, transformer steel, transformer oil, insulation materials, and structural steel—represents a persistent challenge, given the potential for significant fluctuations over relatively short periods. In response, KONČAR Group has implemented a series of measures aimed at mitigating exposure to such risks. Over the past two years, the Group has introduced sliding price clauses into customer contracts, allowing for the adjustment of prices in accordance with raw material market movements. Copper, as a commodity traded on global exchanges such as the London Metal Exchange, is subject to forward purchasing agreements, whereby future quantities and prices are contractually secured in alignment with projected needs and market expectations. In addition, strategic procurement arrangements—particularly for transformer steel and other critical components—are established through semi-annual agreements with key suppliers, ensuring both supply continuity and greater price stability. Any material price developments are consistently reflected in cost recalculations and incorporated into the pricing structure of future bids and proposals.

The KONČAR Group bears significant responsibility for the environmental and social footprint of its products and strives to manage the entire production chain to uphold quality and sustainability at every stage. Whenever feasible, the Group selects suppliers whose materials and components are non-hazardous to human health and the environment, recyclable at end-of-life, or otherwise safely disposable.

Furthermore, investors who make decisions on the construction of facilities for which the KONČAR Group supplies equipment are required to comply with environmental protection regulations and standards. Aware of environmental risks, the KONČAR Group applies the precautionary principle, particularly in case when products and

facilities (such as transformer substations, hydropower plants, transmission lines, as well as other energy facilities or rail vehicles) are delivered to environmentally sensitive areas such as rivers, lakes, and rural ecosystems lakes. The equipment and products supplied by the KONČAR Group meet the highest safety standards while having minimal environmental impact, as evidenced by the fact that no complaints or incidents related to environmental impacts have been recorded to date.

### Supplier selection criteria

An important part of the KONČAR Group's business policy is achieving customer satisfaction through the delivery of high quality and reliable products, environmental protection, safeguarding the health and safety of employees in the workplace, information security, and responsible energy management. These objectives are achieved within KONČAR Group companies through the application and certification of an integrated management system in accordance with international standards: ISO 9001 for quality management, ISO 14001 for environmental management, ISO 45001 for occupational health and safety management, ISO/IEC 27001 for information security management, and ISO 50001 for energy management. For certain products, a range of other standards and technical specifications is observed in line with customer and end user requirements.

Therefore, when selecting suppliers for specific groups of materials and services, a prerequisite is that they meet defined requirements related to product quality, delivery timelines and payment terms, while also ensuring due consideration of occupational health and safety and environmental protection. Suppliers are required to provide evidence demonstrating compliance with these requirements. KONČAR Group companies maintain a database of existing and potential suppliers which, in addition to basic supplier information (name, address, telephone number, email address and contact person), also includes other data relevant to supplier selection, such as supplier references, records of complaints, information on quality management systems, occupational health and safety practices, and environmental protection measures.

In order to systematically manage supplier relationships and ensure the consistent application of the previously described requirements, within Strategic goal 9 - "Ensure responsibility within the supply chain and conduct that is aligned with KONČAR's values", the KONČAR Group developed in 2025 the KONČAR Group Supplier Code of Conduct, which constitutes a mandatory part of supplier contracts and serves as a key tool for managing sustainability related risks within the supply chain.

All suppliers are expected to comply with the laws and regulations of the applicable legal systems and to accept and apply sustainability standards, adhere to all relevant environmental, health and safety regulations, and promote safe and environmentally responsible development, production, transport, use and disposal of products. Within the social dimension, suppliers are expected to support the protection of internationally recognised human rights, including occupational health and safety, minimum wages and regulated working hours, and to refrain from any form of forced labour or child labour. Respect for the rights of vulnerable groups, such as children, women and migrant workers, is also required, along with equal treatment of employees regardless of skin colour, race, nationality, ethnic origin or social background.

## Prevention and detection of corruption and bribery G1-3

The KONČAR Group applies a zero tolerance approach to corruption and continuously undertakes actions to prevent, detect and sanction corruption. All employees of the KONČAR Group are informed of the Group's position and its zero tolerance policy towards corruption. An employee who approaches the Management Board of KONČAR Inc., responsible persons within the organisation, or the competent public authorities due to a justified suspicion of corruption, or who reports such a suspicion to a supervisor, is guaranteed protection of anonymity and must not be subject to sanctions or discrimination in their future work as a result of such reporting.

The Management Board of KONČAR Inc. is responsible for overseeing the consistent implementation and compliance with the KONČAR Group Anti Corruption Policy. Managers are required to monitor whether their employees adhere to the provisions of this Policy and, where an additional need for training is identified, to inform the Management Board in a timely manner. Managers are also required to attend organised training sessions and to communicate the fundamental principles of the Policy to their employees. The role and exemplary behaviour of Management Board members and managers are key factors in education about values and their dissemination to ensure the implementation of these values and in practice.

The Anti-corruption Policy establishes a systematic and risk-based framework for assessing exposure to corruption across business transactions, projects, and contractual engagements. The criteria relevant for assessing corruption risk vary depending on the circumstances and the type of business relationship. However, the general criteria taken into account when assessing each business relationship include the following:

- Corruption risks associated with the geopolitical and regulatory landscape of the specific country
- The type of customer in respect of whether it belongs to the private or public sector
- Circumstances of a particular case such as the value of the contract, the complexity of the business, the type of procurement
- Where a business is contracted through an agent or intermediary, the reputation of the business partner, the relationship with the customer, the role and scope of work, the size of the company, and the level of remuneration for the services provided
- The existence of proportionality between effort, risk and reward.

A risk assessment is conducted whenever there is a justified need for it, or when it represents a material condition for the performance of a task or a mandatory requirement. The methods applied to mitigate and control corruption risks include employee training and informing suppliers about the KONČAR Group Anti Corruption Policy and other KONČAR Inc. acts governing standards of business conduct.

## Incidents of corruption or bribery G1-4

In the reporting period, as well as in the previous period, the KONČAR Group did not incur any convictions or financial penalties related to breaches of anti-corruption or anti-bribery regulations

## Payment practices

G1-2, G1-6

KONČAR Group complies with the provisions of national and EU regulations regarding payment deadlines. Entities within the KONČAR Group independently establish their payment policies, which are communicated to suppliers when negotiating business cooperation, ensuring that obligations to suppliers are settled within legal and contractual deadlines. The supervisory boards regularly monitor the status of payables to suppliers and receivables from customers through detailed reports, which are reviewed at each meeting. The entities submit monthly data on outstanding obligations, categorized by due dates and by domestic, foreign, and affiliated entities. In this way, members of the Management Board of KONČAR Inc., in their supervisory role and through their membership in the supervisory boards of subsidiary companies, continuously monitor and control the timeliness of fulfilling obligations to suppliers.

Financial obligations are governed by the Act on Financial Operations and Pre Bankruptcy Settlement. As a general rule, KONČAR Group companies settle 100 % of their liabilities within the legally prescribed payment term of 60 days, except in contracts where longer payment terms have been agreed in writing (retentions under contracts for complex projects). The average number of days payable to suppliers at the KONČAR Group level amounts to 72 days, (compared to 92 days in 2024), which includes retention periods under contracts where extended payment terms have been agreed.

KONČAR Group companies recorded three unresolved legal proceedings related to late payments, which is in line with the level recorded in the previous year.

## Annex I. IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement

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

Section	Topic	Disclosure requirement	Page
<b>General Disclosures</b>		BP-1 – General basis for preparation of the sustainability statement	23
		BP-2 – Disclosures in relation to specific circumstances	23
		GOV-1 Role of administrative, supervisory and management bodies	24
		GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	28
		GOV-3 – Integration of sustainability-related performance in incentive schemes	28
		GOV-4 Statement on due diligence	28
		GOV-5 Risk management and internal controls over sustainability reporting	29
		SBM-1 – Strategy, business model, and value chain	29
		SBM-2 Interests and views of stakeholders	33
		SBM-3 – Material Impacts, risks, and opportunities and their integration with strategy and the business model	37
		IRO-1 Description of the process for identifying and assessing material impacts, risks, and opportunities	38
		IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement	39
<b>Environment</b>	ESRS E1 Climate change	E1-1 – Transition plan for climate change mitigation	55
		E1.SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model	52
		E1.IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities	52
		E1-2 Policies related to climate change mitigation and adaptation	58
		E1-3 Measures and resources related to climate policies	58
		E1-4 Targets related to climate change mitigation and adaptation	58
	ESRS E2 Pollution	E1-5 Total energy consumption and energy mix	60
		E1-6 Gross GHG emissions (Scope 1, 2, 3) and total emissions	63
		E2.IRO-1 Description of the processes for identifying and assessing material impacts, risks and opportunities related to pollution	67
		E2-1 Policies related to pollution	67
		E2-2 Measures and resources related to pollution	67
		E2-3 Pollution-related targets	67
		E2-4 Pollution of air, water and soil	68

## Annex I. IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement

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

Section	Topic	Disclosure requirement	Page	
<b>Environment</b>	ESRS E5 Resource use and circular economy	E5.IRO-1 Description of procedures for identifying and assessing material impacts, risks, and opportunities related to resource use and circular economy	69	
		E5-1 Policies related to resource use and circular economy	70	
		E5-2 Measures and resources related to resource use and circular economy	70	
		E5-3 Targets related to resource use and circular economy	70	
		E5-4 Resource inflow	71	
		E5-5 Resource outflow	72	
<b>Social matters</b>	ESRS S1 Own workforce	S1.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business mode	74	
		S1-1 Policies related to own workforce	76	
		S1-2 Procedures for engaging with own workers and their representatives on workforce-related impacts	76	
		S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns	77	
		S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	77	
		S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	77	
		S1-6 Characteristics of the undertaking's employees	78	
		S1-8 Collective bargaining coverage and social dialogue	79	
		S1-9 Diversity indicators	79	
		S1-10 Adequate wages	80	
		S1-14 Health and safety metrics	80	
		S1-16 Remuneration metrics (pay gap and total remuneration)	80	
		S1-17 Incidents, complaints and severe human rights impacts	81	
		ESRS S2 Workers in the value chain	S2.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	82
			S2-1 Policies related to workers in the value chain	82
			S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	82
			S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	82

## Annex I. IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement

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

Section	Topic	Disclosure requirement	Page		
Social matters	ESRS S3 Affected communities	S3.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	83		
		S3-1 Policies related to affected communities	83		
		S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	83		
		S3-5 Targets related to managing material negative	83		
		S4.SMB-3 Material Impacts, risks, and opportunities and their integration with strategy and the business model	84		
	ESRS S4 Consumers and end-users	S4-1 Policies related to consumers and end-users	84		
		S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	84		
		S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	84		
		Governance	ESRS G1 Business conduct	G1.GOV-1 Role of administrative, supervisory and management bodies in relation to business conduct	87
				G1-1 Corporate culture and business conduct policies	87
G1-2 Supplier relationship management	88				
G1-3 Prevention and detection of corruption and bribery	88				
G1-4 Incidents of corruption or bribery	88				
G1-6 payment practices	89				

## Annex II. IRO-2 - Disclosure requirement data points in cross-cutting and topical standards derived from other EU regulations

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

Table 1.2 List of data required under other regulations

Disclosure requirement		Data point	SFDR (1)	CRR (2)	Benchmark regulation (3)	EU Climate Law (4)	Page / materiality
<b>General Information</b>							
GOV-1	21(d)	Board's gender diversity	0		0		25
GOV-1	21(e)	Percentage of board members who are independent			0		25
GOV-4	30	Statement on due diligence	0				28
SBM-1	40(d)(i)	Involvement in activities related to fossil fuel	0	0	0		Not relevant
SBM-1	40(d)(ii)-(iv)	Involvement in activities related to chemical production, controversial weapons, or tobacco	0	0	0		Not relevant
<b>Environment</b>							
E1-1	14	Transition plan to reach climate neutrality by 2050	14	14	14	0	55
E1-1	16(g)	Undertakings excluded from Paris-aligned Benchmarks		0	0		Not relevant
E1-4	34	GHG emission reduction targets	0	0	0		58
E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	0				61
E1-5	37	Energy consumption and mix	0				61
E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	0				62
E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	0	0	0		63
E1-6	53-55	Gross GHG emissions intensity	0	0	0		65
E1-7	56	GHG removals and carbon credit				0	Not relevant
E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			0		Phase-in
E1-9	66(a)	Disaggregation of monetary amounts by acute and chronic physical risk		0			Phase-in
E1-9	66(c)	Location of significant assets at material physical risk		0			Phase-in

Disclosure requirement		Data point	SFDR (1)	CRR (2)	Benchmark regulation (3)	EU Climate Law (4)	Page / materiality
E1-9	67(c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes		0			Phase-in
E1-9	69	Degree of exposure of the portfolio to climate- related opportunities			0		Phase-in
E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	0				68
E3-1	9	Water and marine resources	0				Not relevant
E3-1	13	Dedicated policy related to water resources	0				Not relevant
E3-1	14	Sustainable oceans and seas	0				Not relevant
E3-4	28(c)	Total water recycled and reused	0				Not relevant
E3-4	29	Total water consumption in m <sup>3</sup> per net revenue on own operations	0				Not relevant
SBM-3-E4	16(a)	Areas sensitive to biodiversity	0				Not relevant
SBM-3-E4	16(b)	Land and soil-related impacts	0				Not relevant
SBM-3-E4	16(c)	Endangered species	0				Not relevant
E4-2	24(b)	Sustainable land/agricultural practices or policies	0				Not relevant
E4-2	24(c)	Sustainable oceans / seas practices or policies	0				Not relevant
E4-2	24(d)	Policies to address deforestation	0				Not relevant
E5-5	37(d)	Non-recycled waste	0				72
E5-5	39	Hazardous and radioactive waste	0				72
<b>Social matters</b>							
SBM-3-S1	14(f)	Risk of incidents of forced labour	0				Not relevant
SBM-3-S1	14(g)	Risk of incidents of child labour	0				Not relevant
S1-1	20(a)	Human rights policy commitments	0				76
S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			0		76

Disclosure requirement		Data point	SFDR (1)	CRR (2)	Benchmark regulation (3)	EU Climate Law (4)	Page / materiality
S1-1	22	Processes and measures for preventing trafficking in human beings	0				Not relevant
S1-1	23	Workplace accident prevention policy or management system	0				76
S1-3	32(c)	Grievance/complaints handling mechanisms	0				77
S1-14	88(b)(c)	Number of fatalities and number and rate of work-related accidents	0				80
S1-14	88(e)	Number of days lost to injuries, accidents, fatalities or illness	0		0		80
S1-16	97(a)	Unadjusted gender pay gap	0				80
S1-16	97(b)	Excessive CEO pay ratio (executives vs employees)	0		0		81
S1-17	103(a)	Incidents of discrimination	0				81
S1-17	104(a)	Non-respect of UNGPs on Business and Human Rights and OECD	0		0		81
<b>Workers in the value chain</b>							
SBM-3-S2	11(b)	Significant risk of forced and/or child labour in the value chain	0				82
S2-1	17	Human rights policy commitments	0				82
S2-1	18	Policies related to value chain workers	0				82
S2-1	19	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	0		0		82
S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			0		82
S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	0				82
<b>Affected communities</b>							
S3-1	16	Human rights policy commitments	0				83

Disclosure requirement		Data point	SFDR (1)	CRR (2)	Benchmark regulation (3)	EU Climate Law (4)	Page / materiality
S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	0		0		83
S3-4	36	Human rights issues and incidents	0				83
<b>Consumers and end users</b>							
S4-1	16	Policies related to consumers and end-users	0				84
S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	0		0		84
S4-4	35	Human rights issues and incidents	0				84
<b>Governance</b>							
G1-1	10(b)	United Nations Convention Against Corruption	0				87
G1-1	10(d)	Protection of whistleblowers	0				87
G1-4	24(a)	Fines for violation of anti-corruption and anti-bribery laws	0		0		88
G1-4	24(b)	Standards of anti- corruption and anti- bribery	0				88

(1) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – SFDR)

(2) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Capital Requirements Regulation – CRR)

(3) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (Benchmark Regulation)

(4) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality, and amending Regulations (EC) No. 401/2009 and (EU) 2018/1999 (European Climate Law)

## Annex III. Non-material topics and rationale

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

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

- Environmental topics:
  - Soil pollution, impacts on living organisms, and food resources: Due to the nature of KONČAR Group's business activities and the materials used, operations are not associated with significant emissions into the soil or any form of contamination affecting living organisms or food resources.
  - Substances of concern and substances of very high concern (SVHCs): The Group does not utilize chemicals classified as SVHCs in its manufacturing processes.
  - Microplastics: The Group's operations do not involve the production or significant use of microplastics. Furthermore, no risk has been identified regarding the release of microplastics from plastic materials in use.
  - Water and marine resources: KONČAR Group's operations do not depend on high volumes of water, nor do they exploit marine resources in any part of its production processes.
  - Biodiversity and ecosystems: KONČAR Group does not operate in a way that directly endangers biodiversity or ecosystems. All activities involving environmental interventions are carried out in accordance with investor-approved documentation, environmental impact assessments, and national regulatory requirements. Projects are implemented with the necessary environmental safeguards, ensuring no additional impact on biodiversity or ecosystem services.
- Social topics:
  - Equal treatment and opportunities for workers in the value chain: No material risks have been identified within KONČAR's immediate supplier network, which predominantly operates within the European Union and surrounding regions.
  - Civil and political rights of communities: KONČAR does not operate in geographies characterized by elevated risks to civil and political rights.
  - Rights of Indigenous Peoples: To the best of the Group's current knowledge, its operations do not impact Indigenous Peoples.
  - Social inclusion of consumers and end-users: KONČAR's primary customers are institutional investors and industrial entities. Social inclusion dynamics among end-users have not been deemed materially relevant in shaping the Group's products or services.
- Governance topics
  - Political engagement and lobbying: KONČAR Group maintains a clearly defined position of neutrality regarding political engagement. No material impacts, risks, or opportunities have been identified in relation to this topic.

## Annex IV. Overview of KONČAR Group policies

### Sustainable Development Policy of KONČAR Group

The KONČAR Group implements the Sustainability Policy, which operationalises the commitments, priorities and goals defined in the KONČAR Group Sustainability Strategy 2024–2026 and sets out overarching guidelines for the integration of environmental, social and governance aspects into business operations. The objective of the Policy is to ensure climate neutrality, sustainable resource management, responsible business conduct and social inclusion. The Policy is binding for all companies within the KONČAR Group, as well as all employees, management and business partners. It serves as the foundation for integrating sustainability into all business processes, strategic decisions and corporate culture, with the aim of creating long term value for all stakeholders and contributing to the development of a more sustainable society. Sub targets for the implementation of the objectives defined by the Policy are elaborated in detail in the relevant sections of this Report, together with the corresponding metrics and status updates where applicable.

### Overview of KONČAR Group policies

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

Policy	Purpose	Scope of application	Responsible entity	External standards referenced	Availability
<b>Sustainability Policy</b>	Overarching policy for the integration of environmental, social and governance aspects into the KONČAR Group's business operations.	KONČAR Group, suppliers, customers, and local communities	KONČAR Inc. Management Board - adoption, oversight, implementation. Subsidiary management teams, employees, and collaborators - policy adherence.	UN Global Compact, ISO 9001, ISO 14001, ISO 45001, ISO 50001	Public web site, internal intranet
<b>Diversity and Inclusion Policy</b>	Policy for promoting diversity, inclusion and equal opportunities, and for preventing discrimination and unequal treatment.	KONČAR Group, suppliers, and local communities	KONČAR Inc. Management Board - adoption, oversight, implementation. Implementation coordinated by management and the appointed Diversity Officer. All employees are required to comply with and uphold the policy.		Public web site, internal intranet
<b>Integrated Management System Policy (Quality, Environmental Protection, Occupational Health &amp; Safety and Energy)</b>	Policy for managing quality, environmental aspects, occupational health and safety, and energy in relevant KONČAR Group companies.	KONČAR Group, collaborators, and service providers	Management Board of KONČAR Inc. (adoption, implementation, and continuous improvement. All employees, collaborators, and service providers are obligated to adhere to the policy.	ISO 9001, ISO 14001, ISO 45001, ISO 50001	Public web site, internal intranet
<b>Anti-Corruption Policy</b>	A zero-tolerance policy on corruption that governs the principles of integrity, the prevention of corruption risks, and actions to be taken in cases of suspected irregularities.	KONČAR Group, business partners and suppliers	Management Board of KONČAR Inc. – responsible for adoption, implementation and continuous improvement. All employees, business partners and service providers are required to comply with the policy.	National and international legislative framework related to anti-corruption, anti-money laundering and fair market competition.	Public web site, internal intranet
<b>Code of Conduct</b>	Rules governing the powers, responsibilities and operating procedures of the management and supervisory bodies, as well as the key principles of corporate governance at KONČAR Inc. and at the Group level.	KONČAR Inc. as the leading company of the Group. In terms of Group governance, this also includes companies in which KONČAR Inc. holds predominant ownership rights.	<ul style="list-style-type: none"> <li>The Management Board of KONČAR Inc. is responsible for the adoption, implementation and strategic management of the Group.</li> <li>The Supervisory Board of KONČAR Inc. grants prior approval of the Rules and oversees their implementation.</li> <li>Committees of the Supervisory Board, the Company Secretary and relevant control functions perform tasks within their respective areas of responsibility.</li> <li>All members of the Company's governing bodies and employees are required to comply with the Rules.</li> </ul>	Companies Act; Corporate Governance Code (HANFA and Zagreb Stock Exchange)	Public web site, internal intranet
<b>KONČAR Group Supplier Code of Conduct</b>	Code defining the KONČAR Group's expectations of suppliers and partners in the areas of ethics, human rights, labour, environment, compliance and supply chain due diligence.	All suppliers, contractors and business partners of KONČAR Group companies, including their affiliated entities and subcontractors within the supply chain. Compliance with the Code constitutes a contractual obligation for suppliers.	<ul style="list-style-type: none"> <li>The Management Board of KONČAR Inc. and the management boards of KONČAR Group companies are responsible for overseeing implementation and ensuring integration into supplier selection and monitoring procedures.</li> <li>The responsible procurement and supply chain management functions are responsible for conducting evaluations, self assessments and audits.</li> <li>Suppliers are responsible for establishing internal controls and ensuring compliance within their own organisations and across their supply chains.</li> </ul>	UN Global Compact, UN Guiding Principles on Business and Human Rights, ILO Conventions; REACH; RoHS; Regulation (EU) 2017/821 (conflict minerals); relevant national and EU regulations on environmental protection, labour, competition law and anti corruption.	An integral part of the contractual documentation with suppliers Intranet

Policy	Purpose	Scope of application	Responsible entity	External standards referenced	Availability
<b>KONČAR Inc. Code of Conduct</b>	Code governing the principles of business ethics, standards of conduct, and the responsibilities of employees and managers at KONČAR Inc.	KONČAR Inc.	<ul style="list-style-type: none"> <li>The Management Board is responsible for the adoption of the Code and for overseeing its implementation.</li> <li>The Supervisory Board grants approval and monitors compliance with the Code.</li> <li>Managers are required to be familiar with the Code and to supervise its implementation within their teams.</li> <li>All employees are required to act in accordance with the provisions of the Code.</li> </ul>	ISO 14001, Corporate Governance Code (HANFA and Zagreb Stock Exchange)	Public web site, internal intranet
<b>Risk Management Policy</b>	Policy for the systematic identification, assessment, monitoring and management of business and sustainability related risks at the KONČAR Group level.	KONČAR Group	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (policy definition, oversight, and strategic risk supervision)</li> <li>Supervisory Board (policy approval and compliance monitoring)</li> <li>Subsidiary management (implementation within business units)</li> <li>All employees are expected to contribute to timely risk identification and reporting.</li> </ul>	ISO 31000, Corporate Governance Code (HANFA & Zagreb Stock Exchange)	Public web site, internal intranet
<b>Rulebook on Internal Reporting of Irregularities and the Appointment of a Confidential Person</b>	Regulation governing internal reporting of irregularities, the protection of whistleblowers, and the handling of received reports.	KONČAR Inc., all employees, and other persons within the work environment who may report or be involved in the reporting of irregularities.	<ul style="list-style-type: none"> <li>The Management Board of KONČAR Inc. adopts and implements the Regulation.</li> <li>A Confidential Person and a Deputy are appointed for the purpose of receiving reports and ensuring the protection of whistleblowers.</li> <li>All employees are required to comply with the prescribed procedures and whistleblower protection principles.</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower Protection Act and related EU legal acts.</li> <li>Other applicable national regulations relating to personal data protection and labour relations are also taken into account.</li> </ul>	Public web site, internal intranet
<b>Privacy Policy</b>	Policy governing the principles and rules for the protection of personal data and the rights of data subjects, in accordance with the GDPR and related regulations.	Applies to all individuals whose personal data is processed by KONČAR Group, including employees, customers, suppliers, and other stakeholders.	<ul style="list-style-type: none"> <li>Management Board of KONČAR Inc. (adoption and oversight)</li> <li>Data Protection Officer (DPO) (coordination and compliance monitoring)</li> <li>All employees involved in personal data processing are required to comply with the policy.</li> </ul>	<ul style="list-style-type: none"> <li>General Data Protection Regulation (GDPR), Croatian Implementation Act on GDPR, and other applicable data protection regulations</li> </ul>	Public web site, internal intranet
<b>Code of Business Ethics (Croatian Chamber of Economy – HGK)</b>	Code defining the general principles of ethical, transparent and socially responsible business conduct for signatories within the KONČAR Group.	Applies to all KONČAR entities that have adopted the Code, including: KONČAR Inc., KONČAR - Switch gear, KONČAR – D&ST, KONČAR – Electrical Engineering Institute, KONČAR – Motors and Electrical Systems, KONČAR – Instrument Transformers, KONČAR – Digital, KONČAR – Generators and Motors, Dalekovod jsc., Dalekovod proizvodnja (MK and OSO), Dalekovod Projekt.	<ul style="list-style-type: none"> <li>The Croatian Chamber of Economy (HGK) adopts the Code.</li> <li>Signatory companies are independently responsible for its application, adherence, and internal dissemination.</li> </ul>	<ul style="list-style-type: none"> <li>Aligned with applicable national legislation and reflective of international standards on ethical business conduct and corporate governance.</li> </ul>	Public web site, internal intranet
<b>Code of Business Conduct</b>	Code governing ethical principles, the protection of human rights, the prohibition of discrimination and corruption, and responsible business conduct at KONČAR – Distribution and Special Transformers.	KONČAR – Distribution and Special Transformers, and extends to collaborators, suppliers, agents, and other business partners.	<ul style="list-style-type: none"> <li>Company Management (oversight and enforcement)</li> </ul>	UN Global Compact, Code of Business Ethics (HGK), REACH Regulation	Included as part of supplier contractual documentation
<b>Supplier Code of Conduct</b>	Code defining expectations for suppliers of KONČAR – Distribution and Special Transformers in the areas of legal compliance, labour practices, human rights, occupational health and safety, environmental protection, data protection and anti corruption.	KONČAR – Distribution and Special Transformers	<ul style="list-style-type: none"> <li>Company Management (oversight and enforcement); Suppliers (responsible for implementation and internal controls).</li> </ul>	UN Global Compact, Code of Business Ethics (HGK), REACH Regulation	Included as part of supplier contractual documentation
<b>Worker Well Being Policy (Dalekovod jsc.)</b>	Policy governing the principles of a safe, dignified and ethical working environment and the protection of workers' rights at Dalekovod jsc.	Dalekovod jsc. including all subsidiaries and operational units; applicable to subcontractors and temporary workers within the company's work environment.	<ul style="list-style-type: none"> <li>Management Board of Dalekovod jsc. (policy adoption, oversight, and enforcement)</li> <li>Managers and team leads (responsible for monitoring and ensuring compliance in day-to-day operations).</li> </ul>	UN Global Compact, Code of Business Ethics (HGK), REACH Regulation	Public web site, internal intranet

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



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

To the Shareholders of KONČAR Inc.

### Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated Sustainability Report of KONČAR Inc. and its subsidiaries (collectively, "the Group"), included in the *Sustainability Report* section of the Group's Management Report as of and for the year ended 31 December 2025 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law ("the Accounting Law").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Sustainability Report as of and for the year ended 31 December 2025 is not prepared, in all material respects, in accordance with the Accounting Law, including:

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section thereof; and
- Compliance of the disclosures in the *The EU Taxonomy regulation* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

Our conclusion on the Sustainability Report does not extend to any other information that accompanies or contains the Sustainability Report and our limited assurance report thereon. We have not performed any assurance procedures as part of this limited assurance engagement with respect to such other information. However, we audited the Group's consolidated financial statements as of and for the year ended 31 December 2025 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's report thereon is also included with the other information.

### Basis for conclusion

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

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

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

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

This version of our limited assurance report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.



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

### Responsibilities for the Sustainability Report

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section of the Sustainability Report. This responsibility includes:

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

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

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

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

### Inherent limitations in preparing the Sustainability Report

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

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

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



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

### Our responsibilities

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

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

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *Material Impacts, risks, and opportunities and their integration with strategy and the business model* section.

Our other responsibilities in respect of the Sustainability Report include:

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

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

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

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

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

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

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

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

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

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

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

**KPMG Croatia d.o.o. za reviziju**

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

**16 April 2026**

This version of our limited assurance report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.

# Statement on the Application of the Corporate Governance Code

The image shows a low-angle shot of a modern, multi-story office building with a glass and steel facade. The sky is a clear, bright blue. In the foreground, the word "KONGGAR" is displayed in large, blue, three-dimensional block letters on a white horizontal panel. The letters are slightly shadowed, giving them a sense of depth. The building's windows are arranged in a grid pattern, and the overall scene is brightly lit, suggesting a sunny day.

**KONGGAR**

## Statement on the Application of the Corporate Governance Code

The shares of KONČAR Inc. are listed on the Official Market of the Zagreb Stock Exchange and, accordingly, the Company applies the Corporate Governance Code issued by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (hereinafter: the Corporate Governance Code). The Company has also adopted its own Corporate Governance Rules, based on the applicable regulations of the Republic of Croatia and the European Union, as well as on the Corporate Governance Code, and integrated into its business practice. These Rules define the procedures governing the work of the Supervisory Board, the Management Board and other decision-making bodies and structures, while providing for the avoidance of conflicts of interest, effective internal oversight, transparency of operations and a robust accountability framework.

Alongside the shares of KONČAR Inc., the shares of KONČAR – Distribution and Special Transformers Inc. and Dalekovod jsc. are also listed on the regulated market of the Zagreb Stock Exchange. The companies apply the Corporate Governance Code of the Zagreb Stock Exchange and HANFA.

As a regional leader in its industry and one of the largest employers in the Republic of Croatia, KONČAR Group (hereinafter: KONČAR) is committed to the continuous enhancement and further development of its corporate governance framework. Through the consistent application of best corporate governance practices founded on the highest international standards, and by conducting its operations responsibly and in accordance with the highest ethical principles, KONČAR strengthens its sustainability and resilience while further increasing its value and competitiveness.

KONČAR Inc. (the “Company”), together with the Group, continues to evolve and, through its business strategy, policies, key internal acts and business practices, contributes to transparent and efficient operations while cultivating strong and partnership-based relationships with all stakeholders. The Management Board rigorously adheres to all established corporate governance regulations.

At HANFA's 8<sup>th</sup> conference, IPO as an Opportunity for Long-Term Owners and Growth through the Capital Market, held on 24 September 2025, awards were granted to issuers listed on the regulated capital market for the highest degree of compliance with the Corporate Governance Code, based on 2024 indicators. KONČAR Inc. received this recognition for the third consecutive year in the category of companies listed on the Official Market of the Zagreb Stock Exchange.

Furthermore, on 15 December 2025, KONČAR Inc. was awarded the Zagreb Stock Exchange's Golden Share of the Year award for the second consecutive year. This recognition reflects the confidence of investors and other capital market participants in the exceptional results delivered by KONČAR Group over the past several years.

The Code of Conduct is the cornerstone document through which the core organisational values of the Company and the Group as a whole are defined and promoted. It also establishes clear rules and a framework for the professional conduct of all employees, while raising awareness of the importance of preventing and avoiding unethical and socially unacceptable behaviour. The Code of

Conduct encompasses all aspects of ethical, sustainable and socially responsible business conduct, including responsibility, integrity and transparency in operations, which the Company reinforces through the integration of ESG criteria into risk assessments and risk management plans, employee training, and a zero-tolerance approach to bribery and corruption.

The Company is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy. By adopting the Code of Business Ethics, the Company has undertaken to act in compliance with the principles of responsibility, truthfulness, efficiency, transparency, quality, good faith and observance of fair business practices towards business partners, business and social environment and its employees.

Through the adoption and endorsement of these guidelines, the Company commits to fostering an environment of equality for every employee, transcending distinctions of gender, age, nationality, ethnicity, race, religion, language, social and economic standing, sexual orientation, or political and other organizational affiliations, especially within the realms of employment, workplace conditions, selection criteria, career progression, and professional growth. The description of the main elements of the internal control and risk management system is an important part of business operations, and its components are outlined below. Details regarding the composition and functioning of the Management Board, the Supervisory Board and its committees, the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board, their respective powers, the manner in which the General Assembly operates, and information on the holders of the Company's shares form part of the Statement on the Application of the Corporate Governance Code and are presented below. All of the documents are available on KONČAR's website ([www.koncar.hr](http://www.koncar.hr)).

The Group's companies adhere to the recommendations of the Corporate Governance Code, except for those provisions whose application is currently impracticable or not provided for under the applicable legal framework, or in respect of which the process of developing and harmonising internal procedures is still underway.

The Compliance Questionnaires contain responses indicating which provisions of the Company's Corporate Governance Code are applied and which are not, and are publicly available on the official websites of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)) and on the companies' websites ([www.koncar.hr](http://www.koncar.hr), [www.koncar.hr/dst](http://www.koncar.hr/dst), [www.dalekovod.hr](http://www.dalekovod.hr)).

Within their annual reports, the companies have reported on the application of the Corporate Governance Code, and such reports are available on the companies' websites ([www.koncar.hr](http://www.koncar.hr), [www.koncar.hr/dst](http://www.koncar.hr/dst), [www.dalekovod.hr](http://www.dalekovod.hr)).

With respect to KONČAR Inc. and taking into account the current mandates of the existing members of the Supervisory Board and the Management Board, matters relating to the composition of these bodies, including the targeted representation of the underrepresented gender, will be considered in future appointments. Given that two women were elected to the Supervisory Board during 2025 and that women currently represent 33.3% of its membership, the Company's clear orientation towards achieving a balanced gender composition of the Supervisory Board is already evident.

The Company (through the Supervisory Board) is in the course of establishing and formalising procedures for the appointment of members of the Management

Board and the Supervisory Board, as well as for the selection of senior management, including succession planning subject to prior consideration from the perspective of gender equality. Once adopted, these procedures will be published on the Company's website. An assessment of the impact of the remuneration policy on pay equality across genders has not yet been published on the Company's website. Although the target percentage for the representation of the underrepresented gender in senior management has not yet been formally set, the Company plans to adopt such a target during the current year, together with the relevant measures, implementation deadlines and regular annual monitoring of progress, in accordance with Article 45 of the Code.

The Company has established mechanisms to enable minority Shareholders to raise questions via e-mail address available to investors ([ir@koncar.hr](mailto:ir@koncar.hr)), in addition to raising any questions directly with the Supervisory and Management Board Members at the General Assembly session. The Company has failed to establish effective formal mechanisms to enable minority Shareholders to raise questions directly with the Presidents of the Supervisory and Management Boards.

Having regard to the current composition of the Supervisory Board and the terms of the existing mandates, the Audit Committee does not currently comprise a majority of independent members, and neither the Chair of the Audit Committee nor the Chair of the Remuneration Committee has been appointed from among the independent members. In proposing candidates for election to the Supervisory Board to the General Meeting, the Company made partially available the information envisaged under Article 19 of the Corporate Governance Code, including the candidate's biography, the manner in which the candidate contributes to the profile of the Supervisory Board and to balanced gender representation, as well as the candidate's key qualifications, experience and relationship with the Company.

The Corporate Governance Code provides that materials for meetings of the Supervisory Board should be submitted no later than seven days before the meeting, whereas the Rules of Procedure of the Supervisory Board of KONČAR Inc. prescribe a five-day period, which has been considered appropriate and sufficient for a thorough review of the materials and the timely preparation of members for discussion and decision-making.

Dividends are distributed on the basis of a resolution adopted by the General Meeting upon the joint proposal of the Management Board and the Supervisory Board. The Company has not adopted or published a formal Dividend Policy, as its adoption is not a legal obligation. The Company's strategic and development plans envisage growth in net profit and revenue, and one of its stated objectives is the implementation of a balanced dividend policy. Dividend distributions will therefore be determined in line with business plans and results, capital market conditions, growth in net profit and revenue, and all other relevant circumstances.

The Company does not provide for the holding of or voting at the General Meeting via electronic communication, as this is not a legal requirement. In practice, the method of participation and voting applied to date at the General Meeting has proven to be the most appropriate solution.

### Anti-corruption and anti-bribery

The Anti-Corruption Policy affirms KONČAR's zero-tolerance approach to all forms of corruption.

Members of the Management Board and the Supervisory Board, employees and business partners are familiar with the anti-corruption policies and procedures and, in the course of their business operations and day-to-day activities, adhere to the principles set out in the Code of Conduct and the Code of Ethics in Business. KONČAR has established itself as a trustworthy and ethical business partner on the international stage, with no incidents of corruption reported across the Group.

KONČAR Inc. has abstained from providing any financial or non-financial support for political purposes, whether directly or indirectly, to any government or entity. KONČAR Inc. is committed to fostering and maintaining honest and transparent relationships in market competition across all operations, with every participant, and in every arena. No anti-competitive, antitrust or monopoly practices were recorded in KONČAR Group.

### Corporate governance framework

In line with the best practices, KONČAR Inc. strives for high standards of corporate governance and transparency of operations as the cornerstone of all business activities within the Group. Corporate governance structure is a two - tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, and pursuant to the Articles of Associations and the Companies Act, they constitute the three governance bodies of the Company.

### General Assembly

The General Assembly acts as the conduit for shareholders to assert their rights in matters of the company, voicing the collective ambitions of the shareholders which align with the company's objectives. It is composed of all shareholders of the company. The work of the General Assembly, its authority and competence, Shareholders' rights and the manner in which they are exercised are set out in the Company's Articles of Association, publicly available on the Company website ([www.koncar.hr](http://www.koncar.hr)). The General Assembly is competent for the election and revocation of the Supervisory Board Members, decides on the distribution of profit, grants discharges to Management and Supervisory Board Members, appoints auditors and decides on amendments to the Articles of Association, increase and reduction of share capital and other matters falling under its competence by law.

In 2025, one meeting of the General Assembly was held. At the session convened on 12 June 2025, all resolutions proposed on the agenda were duly adopted. The General Assembly adopted the resolution on the allocation of distributable profit for 2024, the resolution granting discharge to the members of the Company's Management Board and Supervisory Board, the resolution appointing the auditor for 2025 and 2026, and the resolution electing a member of the Supervisory Board. In addition, it approved the 2024 Remuneration Report for the members of the Management Board and the Supervisory Board, together with the Remuneration Policy adopted by the Supervisory Board on 23 April 2025.

All resolutions adopted at the General Assembly meeting have been published in accordance with legal requirements and are available on the websites of the Company ([www.koncar.hr](http://www.koncar.hr)), the Zagreb Stock Exchange, and HANFA, together with the results of the voting.

### Supervisory Board

In accordance with the Corporate Governance Code adopted by the Zagreb Stock Exchange and HANFA, applicable as of 1 January 2025, the Supervisory Board consists mostly of independent members.

Five members of the Supervisory Board are elected and removed by the General Assembly, one employee representative is elected in accordance with the provisions of the Labour Act, while three representatives are appointed by Capital fund Inc. (hereinafter: the "Capital fund") pursuant to the Companies Act (Article 256), for as long as it holds shares in the Company representing 25% plus one share of the Company's share capital. Should the number of shares held by the Capital Fund decrease, the number of its representatives on the Company's Supervisory Board is reduced accordingly.

The Supervisory Board is entrusted with oversight of the management of the Company's affairs, representation of the Company in relation to the Management Board, and decision-making on matters falling outside the competence of the General Assembly. It does not engage in the direct management of the Company's operations, rather, it provides strategic guidance to the Management Board and sets the framework for governance. The Supervisory Board has also been granted additional authorisations by virtue of the Company's Articles of Association, stipulating that particular types of tasks can be performed only with the previous consent of the Supervisory Board.

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

Pursuant to the Resolution of the General Assembly of KONČAR Inc. of 12 July 2016, monthly remuneration for Supervisory Board Members was determined in the gross amount of 1.5 average (gross) salary paid at KONČAR Group in the month preceding the month of remuneration calculation. Each and every Member of the Supervisory Board is entitled to a fixed monthly remuneration paid starting from the date of appointment to that duty until the date of expiry thereof. In order to maintain their independence and objectivity, remuneration of Supervisory Board Members does not depend on the Company's performance and does not include variable remuneration. In 2025, a resolution was adopted stipulating that members of the Supervisory Board committees are entitled to receive a monthly remuneration for their service.

The Remuneration Report for the Management Board and the Supervisory Board contains information on the remuneration of members of the Supervisory Board and has been prepared in accordance with Article 272r of the Companies Act and the Company's adopted Remuneration Policy, and will be submitted to the General Assembly for approval.

Members of the Supervisory Board during 2025 were as follows:

- Joško Miliša, Chair of the Supervisory Board, since 15 July 2024
- Darko Horvatin, Vice-Chair of the Supervisory Board, since 19 November 2024
- Maja Martinović, Member of the Supervisory Board, since 17 November 2024

- Lovro Jurišić, Member of the Supervisory Board, since 30 October 2024
- Zvonimir Savić, Member of the Supervisory Board, since 17 November 2024
- Danko Škare, Member of the Supervisory Board mandate ended on 31 May 2025
- Zdravko Kačić, Member of the Supervisory Board, since 13 July 2024
- Igor Filipović, Member of the Supervisory Board, since 13 July 2024
- Rosa Marić, Member of the Supervisory Board, since 12 June 2025
- Dubravka Sinčić, Member of the Supervisory Board, since 12 June 2025

Of the total of nine members of the Supervisory Board, the independent members are: Joško Miliša, Zdravko Kačić, Dubravka Sinčić, Maja Martinović and Zvonimir Savić.

The Supervisory Board currently comprises nine members, of whom six are men (66.7%) and three are women (33.3%). In view of the current mandates of its members, balanced gender representation on the Supervisory Board has not yet been achieved. The Company is taking the necessary actions to ensure alignment with the requirement for balanced representation of women and men within its governing bodies. Nevertheless, the election of two women to the Supervisory Board during 2025, with women now accounting for 33.3% of its membership, demonstrates the Company's clear commitment to achieving a more balanced gender composition.

### Supervisory Board report on corporate governance

In 2025, the Supervisory Board held nine meetings. A quorum at the meetings requires the presence of five Supervisory Board Members.

In 2025, all Members participated in the work and in decision-making process at every meeting, except in one matter in which two members of the Supervisory Board recused themselves from participating in the discussion, decision-making, and voting. In cases where Members were unable to attend in person, they took part via videoconference or submitted their votes in writing, in accordance with the Rules of Procedure of the Supervisory Board.

The Supervisory Board and the Management Board work in close cooperation in the best and long-term sustainable interests of KONČAR, jointly shaping the strategic direction of the Group's operations. The Management Board regularly informed the Supervisory Board of all significant business events, the progress of operations, income and expenditures, and the overall status of the Company and the Group.

The Management Board submitted quarterly, semi-annual and annual reports to the Supervisory Board within legally prescribed deadlines. These reports were unanimously adopted by the Supervisory Board without objections. In addition, the Management Board regularly updated the Supervisory Board on corporate strategy, planning, business developments, risk management, compliance, all deviations from initial plans and forecasts, as well as on significant business transactions involving the Company and its affiliated companies. For all decisions of the Management Board which, under the Company's Articles of Association, could not be adopted without the prior consent of the Supervisory Board, such consent was duly obtained.

The Supervisory Board conducted a self-assessment of the profiles and competencies of its members and the members of its committees. The assessment was carried out by the Chairman of the Supervisory Board with the assistance of the relevant committees, without engaging an external auditor. The assessment of the

Supervisory Board Members and its committees confirmed that each member contributes effectively, demonstrates commitment to their role, and devotes sufficient time to performing their duties.

With its optimal composition of nine members, the Supervisory Board brings together individuals whose qualifications and professional experience meet the requisite standards and whose diversity of gender, age, profile and experience contributes to a broad range of perspectives in decision-making and to the maintenance of the highest ethical standards.

Administrative support for Supervisory Board meetings is ensured by the Company Secretary, delivered with efficiency and timeliness.

The report on the supervision performed during the 2025 financial year contains:

- Manner and the extent to which the Supervisory Board supervised the management of the Company in 2025
- Results of review of Annual Financial Statements prepared as at 31 December 2025
- Auditor's reports
- Results of review of the Management Board's report on the Company's performance in 2025
- Results of the review of the report on relations with the Parent company and its associate companies.

#### Supervisory Board committees:

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Nomination Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board.

#### Audit Committee

The Audit Committee operates independently and is composed predominantly of members with proven expertise in the fields of accounting and auditing.

The Committee performs a detailed review of the financial statements, oversees the accuracy and completeness of the sustainability reporting, and plays a key role in strengthening robust and reliable internal control systems. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used at the Company and KONČAR Group level, including the criteria for consolidated financial reporting of Group subsidiaries. Moreover, the Committee is tasked with monitoring the quality of internal control and risk management systems with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed. It ensures that the external audit function is adequate, independent and effective, and that the internal audit function is independent and adequately resourced.

As of 30 July 2025, the Committee was chaired by Darko Horvatin, with Maja Martinović and Joško Miliša serving as members. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 September 2025, the Committee was reconstituted with the following

members: Darko Horvatin as Chair of the Committee, and Igor Filipović and Joško Miliša as members.

In 2025, the Audit Committee held three meetings. All Committee Members participated in the decision-making process at every meeting. At its meetings, the Committee discussed and decided on matters on the basis of which it submitted recommendations to the Supervisory Board concerning the Internal Audit Work Plan, reports on the implementation of the annual internal audit plan, the Risk Management Report, the implementation of the policy on the provision of non-audit services for 2025, oversight of the statutory audit, and the consolidated and unconsolidated annual financial statements for 2025, including recommendations for their adoption.

In 2025, the Audit Committee reviewed the Group Risk Management Report and evaluated the effectiveness of the overall risk management framework and internal control system. The report contains information on the key risks within the Group, risk assessments, and the measures applied to mitigate those risks, and represents the result of the consolidation of risk registers and risk management reports of the Group's companies. Of the total 1,240 risks identified across the companies, the majority were assessed as medium (57%) or low (37%), while a smaller portion (6%) were assessed as high. In their respective risk management reports, the companies assessed their own risk management systems as effective, while in one company the system was assessed as effective with room for improvement. The Audit Committee concurred with that assessment.

#### Strategic and Business Development Committee

The Committee is tasked with providing support to the Supervisory Board in strategic planning by: tracking and evaluating shifts and developments in the business landscape, assessing the Group's objectives for both the short and long term, aiding in strategic decisions related to acquisitions, joint ventures, restructuring, and the development of strategic human resources. It consists of five members. It was chaired by Joško Miliša, and its members were Zvonimir Savić, Igor Filipović and Maja Martinović. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 July 2025, the Committee was reconstituted with the following members: Joško Miliša serving as Chair, and Lovro Jurišić, Zvonimir Savić, Igor Filipović and Maja Martinović serving as members, of whom Joško Miliša, Zvonimir Savić and Maja Martinović are independent members. No meetings of the Strategic and Business Development Committee were held in 2025.

#### Nomination Committee

The Nomination Committee functions as a working body of the Supervisory Board, established to assist in the preparation of decisions within the Board's remit. It is tasked with reviewing and submitting proposals to the Supervisory Board concerning the appointment and selection of Management Board Members. The Committee was chaired by Danko Škare, and its members were Darko Horvatin and Zvonimir Savić. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 July 2025, the Committee was reconstituted with the following members: Zdravko Kačić serving as Chair, and Darko Horvatin and Zvonimir Savić serving as members, of whom Zdravko Kačić and Zvonimir Savić are independent members. All members of the Committee are also Members of the Supervisory Board. No meetings of the Nomination Committee were held in 2025.

#### Remuneration Committee

The Remuneration Committee is tasked with proposing the content of contracts for Management Board Members and defining the overall structure of their remuneration packages. It is also responsible for preparing and drafting the Company's Remuneration Policy applicable to both the Management Board and the Supervisory Board. The Committee was chaired by Zdravko Kačić, and its members were Maja Martinović and Igor Filipović. Pursuant to a resolution dated 30 July 2025, the Supervisory Board appointed Rosa Marić as Chair of the Remuneration Committee, and Maja Martinović and Dubravka Sinčić as members. All members of the Committee are members of the Supervisory Board, of whom Maja Martinović and Dubravka Sinčić are independent members. In 2025, the Committee convened on five occasions, with all Members in attendance at each session.

At its meetings, the Committee considered and approved the proposal for a new Long-Term Incentive Plan, gave its consent to the 2024 Remuneration Report for the members of the Management Board and the Supervisory Board, approved amendments to the Remuneration Policy, as well as to the proposal for calculating the variable component of the remuneration of the members of the Management Board of KONČAR Inc. for 2024, and approved the proposal for and conclusion of the 2024 share allocation and transfer agreement.

#### Management Board

The role of the Management Board in conducting the affairs of the Company is governed by the Companies Act, the Articles of Association, the general acts of the Company and the Corporate Governance Rules. In performing its duties, the Management Board is required to act with the diligence of a prudent and conscientious businessperson, having due regard to the interests of the Company and its shareholders. It must at all times act exclusively in the interests of the Company, while taking into account the interests of employees and the wider community, with the objective of enhancing the value of the Company.

The Management Board manages the affairs of the Company independently and at its own responsibility, and adopts all decisions solely on the basis of its own judgment. It is appointed and dismissed by the Supervisory Board. Its responsibilities are delineated across business areas, processes, and markets. The Management Board is accountable for effective risk management and regularly monitors the Company's economic, environmental, and social performance during its meetings. The Management Board may, by resolution, regulate the entitlement to, and the manner of allocation of, the Company's treasury shares to members of the management boards of certain subsidiaries and to senior managers of the Company who do not concurrently serve as members of the Company's governing bodies.

At its regular meetings, the Supervisory Board assesses and evaluates the performance of the Management Board of KONČAR Inc., while the operations of subsidiaries are monitored through Management Board reports and consolidated Group performance indicators, without direct evaluation of their management boards, which falls under the responsibility of their own management and supervisory bodies. Through their membership on supervisory boards, through general assemblies, and by means of other adopted rules, members of the Management Board coordinate, direct, supervise and monitor the work of the Group's subsidiary companies. Members of the Management Board of KONČAR Inc. do not receive remuneration for their work on the supervisory boards of subsidiary companies.

The Supervisory Board concluded that, in 2025, the Management and Supervisory Boards maintained effective cooperation in the Company's best interest through regular and constructive communication. The Management Board duly informed the Supervisory Board of all significant business events, the course of operations, revenues and expenses, and the overall position of the Company. Quarterly, semi-annual, and annual written reports were submitted to the Supervisory Board in line with statutory requirements, all of which were reviewed without objection and unanimously adopted. The Management Board also kept the Supervisory Board informed of the Company's corporate strategy, planning processes, operational developments, risk management practices, compliance matters, deviations from original plans, as well as material business transactions involving the Company and its related companies. The Management Board regularly submits to the Supervisory Board the reports prescribed by law, and between formal sessions, the Management Board ensures the Supervisory Board is continuously updated on key developments relevant to the Company's operations. Once a year, the Management Board evaluates its own effectiveness, as well as the effectiveness of its individual members, and reports its conclusions to the Supervisory Board. The individual self-assessment of Management Board members forms an integral part of the annual performance management and evaluation process of the members of the Management Board. Additionally, in accordance with the Companies Act, the General Assembly grants discharge to the Management Board, thereby confirming the appropriateness of how the Company's business was managed during the preceding financial year.

Pursuant to the Company's Articles of Association, the Management Board may consist of three to seven members. As at year-end 2025, the Management Board comprised five members. Members are appointed for a term of up to five years, with the possibility of reappointment without limitation on the number of terms. Through their personal qualities, members of the Management Board contribute to the achievement of the Company's overall objectives, are well versed in good corporate governance practice, and possess strategic vision, thereby ensuring the effective discharge of the Management Board's role. Each member independently manages the operations within their designated remit, acting with the care and diligence of a prudent businessperson, and makes decisions solely in the best interest of the Company. When matters pertain to key business policy or affect the remit of other Members, such issues are submitted for collective decision-making by the entire Management Board.

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

In the course of 2025, the Management Board consisted of five male members:

- Gordan Kolak, President of the Management Board
- Petar Bobek, Member of the Management Board
- Miki Huljić, Member of the Management Board
- Mario Radaković, Member of the Management Board
- Ivan Paić, Member of the Management Board

Of the total of 14 members of the Management Board and the Supervisory Board, three are women, representing 21%, compared with 79% men.

The Supervisory Board will set targets for the representation of the underrepresented gender on the Management Board within the time limits and in the manner prescribed by the Companies Act.

In 2025, the Company's Management Board held 47 meetings. All meetings were attended by all members. Where physical attendance was not possible, members participated via video conferencing and remained actively involved in the decision-making process.

Each member brought to the role the requisite knowledge, capabilities, and professional expertise needed to effectively perform their duties. Individually, each member made a meaningful contribution, demonstrated strong commitment to their role, and dedicated the necessary time and focus to the performance of their responsibilities.

### Internal Audit

The internal audit function of KONČAR Group is established as an independent and autonomous function within the parent company, with its mandate, scope of work, organisational position, and lines of responsibility and reporting defined by the Internal Audit Charter.

The mission of Internal Audit is to provide independent and objective assurance regarding the effectiveness of internal controls, risk management systems and corporate governance, to foster a culture of accountability and transparency, to improve business processes, and to support the Management Board and the Supervisory Board in the achievement of the Group's strategic objectives.

Internal audit activities are carried out in accordance with long-term and annual work plans approved by the Audit Committee, which are prepared on the basis of risk assessments and with due regard to the Group's business strategy. During 2025, in line with the annual work plan, audits were carried out in relation to the planning and monitoring of commercial project costs, the review of processes established for strategy monitoring and sustainability reporting, and matters relating to corporate governance. Internal Audit reports regularly to the Audit Committee and the Management Board on the audits performed, the status of recommendations arising therefrom, and its other activities.

## Statement of Management's responsibilities

For each financial year, the Management Board is responsible for preparing consolidated financial statements that present a true and fair view of the financial position of the Company and its subsidiaries (together, the "Group"), as well as of their results of operations and cash flows, in accordance with the applicable accounting standards. It is also responsible for maintaining proper accounting records sufficient for the preparation of such financial statements at any time. The Management Board further has a general responsibility to take all reasonably available steps to safeguard the Group's assets and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting and consistently applying appropriate accounting policies in accordance with the applicable accounting standards, making judgements and estimates that are reasonable and prudent, and preparing the consolidated financial statements on a going concern basis, unless such assumption is inappropriate. Following appropriate consideration, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. On that basis, the Management Board continues to apply the going concern assumption in the preparation of the consolidated financial statements.

The Management Board is also responsible for the preparation and publication of the following documents, in accordance with the Accounting Act and other laws and regulations applicable in Croatia governing the preparation and publication of the Annual Report:

- Management Report, including the Sustainability Report;
- the Statement on the Application of the Corporate Governance Code; and
- the annual consolidated financial statements in the single electronic reporting format.

The unconsolidated financial statements of the Company were issued separately and concurrently with the consolidated financial statements.

The Management Report, including the Sustainability Report, the Statement on the Application of the Corporate Governance Code, and the annual consolidated financial statements in the single electronic reporting format were approved and signed by the Management Board on 16 April 2026 for submission to the Supervisory Board.

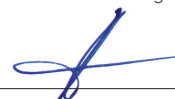
On behalf of the Management Board, signed by:



Gordan Kolak, President of the Management Board



Mario Radaković, Member of the Management Board



Miki Huljić, Member of the Management Board



Petar Bobek, Member of the Management Board



Ivan Paić, Member of the Management Board

KONČAR Inc., Zagreb  
Fallerovo šetalište 22,  
10 000 Zagreb

**KONČAR d.d. Zagreb**  
Fallerovo šetalište 22  
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# Consolidated Financial Statements



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 EUR'000	2024 EUR'000
Sales revenue	3	1,320,019	1,054,377
Bargain purchase gain	37	1,246	-
Other operating income	4	16,615	11,776
		<b>1,337,880</b>	<b>1,066,153</b>
Change in inventory of work in progress and finished goods		19,862	8,051
Raw materials, products, consumables and services used	5	(780,146)	(625,239)
Staff costs	6	(261,856)	(208,373)
Depreciation and amortisation	13, 14, 15	(29,035)	(25,072)
Reversal of impairment / (impairment losses)	7	(4,444)	(2,981)
Other operating expenses	8	(69,265)	(52,932)
		<b>(1,124,884)</b>	<b>(906,546)</b>
<b>Operating profit</b>		<b>212,996</b>	<b>159,607</b>
Finance income		6,199	5,336
Finance expenses		(5,267)	(5,256)
<b>Net finance income</b>	9	<b>932</b>	<b>80</b>
<b>Share in profit of equity accounted investees</b>	16	<b>44,972</b>	<b>34,174</b>
<b>Profit before tax</b>		<b>258,900</b>	<b>193,861</b>
Income tax	10	(36,473)	(29,508)
<b>PROFIT FOR THE PERIOD</b>		<b>222,427</b>	<b>164,353</b>
<b>Profit is attributable to</b>			
Owners of the Company		146,860	102,600
Non-controlling interests		75,567	61,753
<b>Earnings per share</b>			
Basic and diluted earnings per share	11	57.65	40.29

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

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 EUR'000	2024 EUR'000
<b>PROFIT FOR THE PERIOD</b>	<b>222,427</b>	<b>164,353</b>
<b>Other comprehensive income:</b>		
<i>Items that may not be reclassified to profit or loss:</i>		
Gain or loss from revaluation of financial assets available for sale	<b>819</b>	-
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(260)	438
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>222,986</b>	<b>164,791</b>
<b>Comprehensive income for the period attributable to:</b>		
Owners of the Company	147,129	102,852
Non-controlling interest	75,857	61,939

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	31 Dec 2025 EUR'000	31 Dec 2024 EUR'000
<b>ASSETS</b>			
Goodwill	12	11,684	9,551
Intangible assets	13	21,181	19,107
Property, plant and equipment	14	316,571	243,141
Right of use assets		5,819	1,685
Investment property	15	21,156	19,017
Investments in equity accounted investees	16	51,235	49,698
Other investments	17	3,061	1,126
Financial assets at amortised cost	18	6,297	12,973
Deferred tax assets	10	13,316	9,817
<b>Non-current assets</b>		<b>450,320</b>	<b>366,115</b>
Inventories	19	257,772	229,706
Financial assets at amortised cost	21	412,854	300,484
Other assets	20	25,563	19,391
Contract assets	22	78,996	101,024
Income tax receivable		2,884	2,028
Financial assets	23	149,823	80,163
Cash and cash equivalents	24	242,715	147,964
Assets held for sale	25	1,402	757
<b>Current assets</b>		<b>1,172,009</b>	<b>881,517</b>
<b>TOTAL ASSETS</b>		<b>1,622,329</b>	<b>1,247,632</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		159,471	159,471
Capital reserves		1,827	1,073
Other reserves		114,293	111,252
Retained earnings		354,579	225,579
<i>Attributable to owners of the Company</i>	26	630,170	497,375
Non-controlling interests	27	217,807	152,678
<b>EQUITY AND RESERVES</b>		<b>847,977</b>	<b>650,053</b>
Borrowings	29	46,827	29,505
Warranty provisions	28	21,687	19,726
Other provisions	28	8,660	8,215
Other financial liabilities		1,231	2,892
Other liabilities	30	5,558	2,522
Deferred tax liabilities	10	4,036	3,520
<b>Non-current liabilities</b>		<b>87,999</b>	<b>66,380</b>
Borrowings	29	23,415	29,512
Other financial liabilities	31	16,327	12,125
Trade and other payables	32	261,540	232,011
Contract liabilities	22	350,620	234,155
Warranty provisions	28	4,297	8,868
Income tax liabilities		14,261	6,905
Other provisions	28	15,893	7,623
<b>Current liabilities</b>		<b>686,353</b>	<b>531,199</b>
<b>Total liabilities</b>		<b>774,352</b>	<b>597,579</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,622,329</b>	<b>1,247,632</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 EUR'000	2024 EUR'000
<b>Cash flows from operating activities</b>			
Proceeds from trade receivables		1,430,965	1,127,583
Proceeds from insurance reimbursements		983	1,016
Proceeds from tax returns		40,440	41,304
Proceeds from EU funds and grants		1,356	2,326
Payments to suppliers		(875,338)	(677,329)
Payments for employees		(244,966)	(202,266)
Cash payments to insurance companies		(4,545)	(4,153)
Taxes paid		(51,458)	(29,711)
Other cash payments		(3,261)	(6,570)
<b>Cash from operations</b>		<b>294,176</b>	<b>252,200</b>
Interest paid		(1,858)	(2,059)
Income tax paid		(35,010)	(39,321)
<b>Net cash flows from operating activities</b>		<b>257,308</b>	<b>210,820</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of non-current tangible and intangible assets		12,972	381
Interest received		4,489	4,607
Dividends received		21,393	8,812
Proceeds from repayment of term deposits		185,053	10,700
Proceeds from sale of financial instruments		49,219	-
Proceeds from other investing activities		851	381
Purchase of non-current tangible and intangible assets	13, 14	(74,396)	(43,897)
Acquisition of controlling interest in subsidiaries	37	(8,783)	(5,571)
Cash used for the acquisition of financial instruments (treasury bills)	23	(63,300)	(14,903)
Cash used for term deposits and other investing activities		(246,121)	(81,086)
Cash used for the acquisition of non-controlling interest in subsidiaries	27	(5,590)	(32,746)
<b>Net cash flows from investing activities</b>		<b>(124,213)</b>	<b>(153,322)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	29	62,017	48,413
Proceeds from increase in capital reserves		8,065	-
Other cash inflow from financing activities		713	706
Repayments of borrowings	29	(57,531)	(58,367)
Dividends paid		(27,409)	(14,480)
Lease liability principal payments		(2,930)	(1,705)
Cash used for supplier's factoring repayment	31	(19,840)	(35,171)
Other outflow cash from financing activities		(1,429)	(2,753)
<b>Net cash flow from financing activities</b>		<b>(38,344)</b>	<b>(63,357)</b>
<b>Net increase / (decrease) in cash flows</b>		<b>94,751</b>	<b>(5,859)</b>
Cash and cash equivalents at beginning of the period		147,964	153,823
<b>Cash and cash equivalents at end of year</b>	24	<b>242,715</b>	<b>147,964</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

<i>(in EUR thousand)</i>	Share capital	Capital reserves	Reserves from profit	Treasury shares reserve	Treasury shares	Retained earnings	Non-controlling interest	Total
<b>As at 1 January 2024</b>	<b>159,471</b>	<b>1,073</b>	<b>104,786</b>	<b>4,507</b>	<b>(2,032)</b>	<b>138,413</b>	<b>124,755</b>	<b>530,973</b>
<i>Profit for the year</i>	-	-	-	-	-	102,600	61,753	<b>164,353</b>
<i>Other comprehensive income</i>								
Exchange differences from the translation of foreign operations	-	-	252	-	-	-	186	<b>438</b>
<i>Total comprehensive income</i>	-	-	252	-	-	102,600	61,939	<b>164,791</b>
<i>Transactions with owners</i>								
Transfers	-	-	2,214	1,493	32	(3,739)	-	-
Dividends paid	-	-	-	-	-	(6,366)	(8,457)	<b>(14,823)</b>
Acquisition of non-controlling interest	-	-	-	-	-	(3,392)	(29,191)	<b>(32,583)</b>
Other movements within equity	-	-	-	-	-	1,695	-	<b>1,695</b>
Adjustments of non-controlling interest	-	-	-	-	-	(3,632)	3,632	-
	-	-	2,214	1,493	32	(15,434)	(34,016)	<b>(45,711)</b>
<b>As at 31 December 2024</b>	<b>159,471</b>	<b>1,073</b>	<b>107,252</b>	<b>6,000</b>	<b>(2,000)</b>	<b>225,579</b>	<b>152,678</b>	<b>650,053</b>
<i>Profit for the year</i>	-	-	-	-	-	146,860	75,567	<b>222,427</b>
<i>Other comprehensive income</i>								
Exchange differences from the translation of foreign operations	-	-	(163)	-	-	-	(97)	<b>(260)</b>
Measurement at fair value at acquisition (note 37)	-	-	432	-	-	-	387	<b>819</b>
<i>Total comprehensive income</i>	-	-	269	-	-	146,860	75,857	<b>222,986</b>
<i>Transactions with owners</i>								
Transfers	-	-	2,817	(128)	128	(2,817)	-	-
Dividends paid	-	-	-	-	-	(7,642)	(20,015)	<b>(27,657)</b>
Deconsolidation of non-controlling interest	-	-	-	-	-	-	8,059	<b>8,059</b>
Effect of acquisition of subsidiaries	-	-	-	-	-	-	2,623	<b>2,623</b>
Effect of merger of a subsidiary and acquisition of non-controlling interest	-	-	-	-	-	(7,333)	(1,233)	<b>(8,566)</b>
Other movements within equity	-	754	(45)	-	-	(68)	(162)	<b>479</b>
	-	754	2,772	(128)	128	(17,860)	(10,728)	<b>(25,062)</b>
<b>As at 31 December 2025</b>	<b>159,471</b>	<b>1,827</b>	<b>110,293</b>	<b>5,872</b>	<b>(1,872)</b>	<b>354,579</b>	<b>217,807</b>	<b>847,977</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 1 General information on the Group

#### 1.1. Activities

The principal activities of the KONČAR Group, Zagreb (hereinafter: "the Group") are divided into main business areas:

- I. Power generation;
- II. Power transmission and distribution;
- III. Urban mobility and infrastructure;
- IV. Digital solutions and platforms.

#### Group structure

Within the Group, along with the parent company KONČAR Inc., there are 16 subsidiaries involved in core business activities and 1 subsidiary with special activities, specifically research and development of products, and companies controlled by subsidiaries including companies of the Dalekovod Group. Associates and joint ventures are shown in note 16.

The Group's Parent company is KONČAR Inc., (OIB: 45050126417), Zagreb, Fallerovo šetalište 22 (hereinafter: the "Company"). The Company is a holding company of all companies in its ownership and the regular operations of companies merged during 2024.

#### Number of employees

As at 31 December 2025, the Group had 6,345 employees, while as at 31 December 2024 the Group had 5,503 employees.

#### Members of the Supervisory Board:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Maja Martinović	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board
Igor Filipović	Member of the Supervisory Board
Lovro Jurišić	Member of the Supervisory Board
Danko Škare	Member of the Supervisory Board until 31 July 2025
Rosa Marić	Member of the Supervisory Board since 12 June 2025
Dubravka Sinčić	Member of the Supervisory Board since 12 June 2025

#### Members of the Management Board:

Gordan Kolak	President of the Management Board
Miki Huljić	Member of the Management Board
Petar Bobek	Member of the Management Board
Ivan Paić	Member of the Management Board
Mario Radaković	Member of the Management Board since 1 January 2025

Fees payable to the statutory auditors of the Group for the year ended 31 December 2025 amounted to EUR 842 thousand (2024: EUR 672 thousand). The audit services provided in 2025 mainly relate to fees for the audit and review of the consolidated annual report of KONČAR Inc. (including consolidated financial statements and the consolidated management report containing the sustainability report), the consolidated and unconsolidated annual reports of the Group companies, and the audit of reports prepared for regulatory purposes. During 2025, as well as in 2024, no non-audit services were provided by the auditors.

Management Board and Supervisory Board remuneration is presented in note 35 to the financial statements.

### 2 Material accounting policy information

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

#### 2.1 Basis of preparation

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

The Group's consolidated financial statements have been prepared under the accrual basis of accounting, whereby the transaction effects are recognised when incurred and recorded in the financial statements for the period to which they relate, as well as under the going concern assumption.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 2.27.

The Group's financial statements are presented in euros (EUR) as the functional and presentation currency of the Group.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.1 Basis of preparation (continued)

##### Adoption of new and revised International Financial Reporting Standards

From 1 January 2025, the following standards, amendments or interpretations became effective:

- 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 for 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 earlier application permitted.

The adoption of these standards and amendments did not have a significant effect on the amounts recognised in the statement of financial position or the income statement, nor did it affect the disclosure of accounting policies.

*Standards, amendments to issued standards and interpretations that have not yet become effective*

Standards, amendments to issued standards and interpretations that have not yet become effective as at the date of issuance of the financial statements are presented below. The Company intends to adopt these standards, where applicable, when they become effective.

*Changes in ownership interests in subsidiaries without change in control*

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

#### 2.2 Investments in associates and joint ventures

##### Associates

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

##### Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Dividends received or receivable from joint ventures are deducted from the carrying value of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 2.3 Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

##### Goodwill

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.3 Business combinations (continued)

##### Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell.

Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 2.4 Revenue recognition

KONČAR Group recognises revenue from:

- manufacturing and sales of products, equipment and machines (e.g. transformers, rotary machines and other equipment and machinery) in the energy sector
- design and construction of rail vehicles and related equipment
- projects for construction of plant and equipment for generation, transmission and distribution of electricity as well as related design and engineering services.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or at a point in time (recognition on completion). Before revenue is recognised, the Group identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Revenue recognition policies under IFRS 15 applicable to revenue streams are as follows:

*- Revenue from the manufacturing and sale of transformers, small motors and small generators*

Revenue from the manufacturing and sale of products, equipment and machinery is recognized by the Group in part over time as the performance obligation is performed, and in part upon completion, upon fulfilment of the performance obligation.

With respect to the manufacturing and sale of products such as transformers, small motors and small generators, revenue is generally recognized at a point in time when control of goods passes to the buyer, usually after the delivery of the goods. Typically, the contracts with customers that the Group enters into in relation to the sale of transformers, small motors and small generators contain multiple performance obligations that include the sale of the product itself and, depending on the contract, related services of transportation or installation. The Group recognizes each of the aforementioned performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of products is recognized at a point in time, while revenue from related services is recognized over time. It is worth noting that the performance of the aforementioned services is brief in duration and generally coincides with and does not deviate significantly from delivery of the product itself and the recognition of related revenue. The point in time at which revenue from the sale of these products is recognized is

mainly upon delivery and installation, given the comprehensive technical conditions that must be met and confirmed by the customers for the products to be considered accepted. In addition, the Group also has a smaller number of contracts with customers related to the sale of materials where revenue is recognized at the time of delivery.

The transaction price that the Group contracts for the sale of transformers, small motors and small generators is generally a base price that, due to price volatility (in relation to the prices of key materials and the instability associated with the inflation of labour costs, energy cost and consequently cost of equipment), is defined by an index formula and is ultimately determined at the time of revenue recognition (subsequent possible corrections are generally not significant). Also, manufactured and designed transformers, small motors and small generators have an alternative use because they can be sold on the market in the area of the same or similar energy power network.

When one of the parties to the contract with the customer fulfils its obligation, the contracts with the customers are presented in the statement of financial position as a contractual obligation, contractual assets or as a receivable, depending on the relationship between the Group's performance and the customer's payment. Contractual assets and liabilities are stated as current, as they arose within the normal operating period.

*- Revenue from the manufacturing and sale of rail vehicles and related services*

Part of the Group's operations include the manufacture and sale of rail vehicles and related maintenance services. Revenues from sale of rail vehicles are recognized over time in accordance with the fulfilment of the performance obligation by measuring the costs incurred up to a certain date in relation to the total expected costs required to perform the obligations under the contract. Typically, customer arrangements for sale of rail vehicles will either include maintenance services as a component of the main customer contract or such services would be contracted for separately. In either case, maintenance services are treated by the Group as a separate performance obligation and recognised over time as they are rendered.

*- Revenue from construction projects for plant and equipment in the energy sector*

Revenue from construction projects for plant and equipment in the energy sector is generally recognized over time as the performance obligation is satisfied, given that the nature of such projects involves a series of integrated activities (design, engineering, manufacturing, installation, etc.) and results in a specialized type of asset that can generally only be used by a specific customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the duration of the contract. Contract costs are recognized as incurred.

The Group estimates the 'progress to satisfaction' of the performance obligation to determine the appropriate amount of revenue and costs to recognize in a given period. The 'progress to satisfaction' is calculated using the 'cost-to-cost' input method which measures the proportion of contracts costs incurred up to the reporting date compared to total estimated contract costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the 'progress to satisfaction' and are presented as inventories, prepayments or other assets, depending on their nature. The Group recognises as a contract asset the gross amount due from customers for contract work on all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade receivables. The Group presents a contract liability when the gross amount due to customers for contract work for all contracts in progress for which progress billings exceeds costs incurred plus recognised profits (less recognised losses).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.4 Revenue recognition (continued)

When contractual terms of a contracts with customers do not give the Group an enforceable right to payment for performance completed to date, revenue from such project is recognised on completion and full satisfaction of the performance obligation until which time costs related to such projects are recognised within inventory.

- *Sales of services*

The Group generates revenue from services such as engineering, design and maintenance which may be contracted for separately or within a wider customer arrangement as described in more details in revenue from construction projects for power plant and equipment policy. Revenue from these services is generally recognised over time on a straight-line basis or as services are rendered, i.e. according to the measurement of expenses incurred up to a certain date in relation to the total expected costs required for the performance of the contract obligations.

#### 2.5 Finance income and costs

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

Foreign exchange gains and losses are included in the Statement of comprehensive income and are presented in notes in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences from financing activities).

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

#### 2.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time for its intended use or sale, is added to the cost of that asset until the asset is substantially ready for its intended use or sale.

Other borrowing costs are charged to the income statement in the period in which they are incurred.

#### 2.7 Foreign currency transactions

Foreign currency transactions are initially converted into euros by applying the exchange rates prevailing on the transaction date. Cash, receivables and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the current year.

On consolidation, assets and liabilities of the Group's foreign operations are translated into the Group's presentation currency at the exchange rates prevailing at the reporting date. Income and expenses are translated at the foreign exchange rates ruling at the dates of the transactions and the exchange differences are recognized in other comprehensive income. All foreign exchange gains and losses are recognised in the period in which the transaction occurred.

#### 2.8 Income tax

The parent company as well as domestic Group companies account for their tax liabilities in accordance with Croatian law. Income tax for the year comprises of current and deferred tax.

*Global minimum tax*

The Group adopted the International Tax Reform - Pillar 2 model rules (amendments to IAS 12). The aim of the Pillar 2 rule is to ensure that large corporations are subject to a minimum tax rate of 15% in each jurisdiction in which they operate.

Amendments to the standard IAS 12 - Income tax introduce a mandatory temporary exemption in IAS 12, prohibiting the recognition and disclosure of deferred tax assets and deferred tax liabilities resulting from the application of the OECD Pillar 2 rules. A mandatory temporary exemption from the requirements of IAS 12 was applied, according to which the Company is not required to recognize or disclose information on deferred tax assets and liabilities related to the proposed Pillar 2 rules. The estimated tax cost (or revenue) associated with the Pillar 2 rules is published separately.

*Tax benefits for investments*

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

#### 2.9 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period decreased by treasury shares. Diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period decreased by treasury shares and potential shares arising from realised options.

#### 2.10 Segment information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The Management/Supervisory Board that makes strategic decisions has been identified as the chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments.

In identifying operating segments, Management mostly considers the sale of goods and provision of services within a certain economic area. Each of these operating segments are separately managed since they are determined on the basis of specific market needs. During the year the Group re-presented segment under a new structure to enhance transparency.

Policies of valuation/measurement used by the Group for segment reporting are the same as those used during the preparation of the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.10 Segment information (continued)

Furthermore, assets which cannot be directly attributable to certain business segments remain unallocated. There were no changes in the valuation methods used when determining the profit/loss of an operating segment compared to previous periods.

#### 2.11 Non-current intangible and tangible assets (property, plant and equipment)

Non-current intangible assets and property, plant and equipment are initially carried at cost. It includes the following types of assets: development costs, concessions, licenses, software and other rights, brand, customer relationships, and other.

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

Brand acquired in the business combination is recognized at fair value on the date of acquisition. It has an unlimited lifespan because analyses performed by all relevant factors on the reporting date show that there is no predictable limit for the period during which it is expected to generate net cash inflows. Intangible assets with an unlimited lifetime are analysed annually for impairment.

Customer relationships acquired in a business combination are recognized at fair value on the acquisition date. After initial recognition, they are reduced by amortization and impairment losses. Amortisation and depreciation are charged so as to write off the cost of each asset, other than land, advances and non-current intangible and tangible assets under construction, over their estimated useful lives, using the straight-line method, as follows:

	<u>Amortisation and depreciation rates (from – to %)</u>
Customer relationships	20% - 33.33%
Development expenditure	20%
Concessions, patents, licences, software etc.	20% - 25%
Other intangible assets	20%
Buildings	1.2% - 7.7%
Plant and equipment	2.9% - 25%
Tools and equipment, transport vehicles	3.4% - 25%
Other tangible assets	20%

#### 2.12 Investment property

Investment property is property (land, buildings or a part of a building, or both) held to earn rentals or for capital appreciation (or both). Investment property is treated as long-term investments. Investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Land is not depreciated. Depreciation of other investment property (buildings) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and when necessary. The estimated useful life of the majority of investment properties, as assessed by management, is 5 years.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred. If the Group starts using the investment property, it is reclassified to property, plant and equipment. The Group discloses the fair value of investment property on the basis of periodical independent valuations by expert valuers. Based on these estimates, the Group has estimated that the residual value of these properties is higher than its carrying amount and, accordingly, depreciation is not calculated until this residual value is reduced to a value lower than its carrying amount.

#### 2.13 Financial assets and liabilities

##### Classification and measurement of financial assets

Assets are classified and measured as shown in note 33.

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

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

##### Impairment of financial assets

Provisions for impairment of receivables on customers and contract assets are measured in the amount equal to expected credit losses over the lifetime, i.e. using a simplified approach to expected credit losses.

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.13 Financial assets and liabilities (continued)

##### Impairment of financial assets (continued)

A financial guarantee contract is a financial liability measured initially at fair value and subsequently measured at the higher of:

- the amount determined under the expected credit loss model in accordance with IFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative effect recognised in accordance with the revenue recognition policies.

#### 2.14 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale when their carrying value will be recovered principally through a sale transaction rather than through continuing use.

This condition is satisfied only if the sale is highly probable and the asset is ready for sale in its current condition. Assets which are once classified as held for sale are no longer depreciated.

#### 2.15 Inventories

Group inventories include the following categories: raw materials, including small inventory and spare parts, work in progress and semi-finished products, as well as finished goods.

The cost is determined using the weighted average cost method.

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

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

Slow-moving and obsolete inventories are written off to its net realisable value by using value adjustment for these inventories.

#### 2.16 Receivables

Receivables are initially measured at fair value. At each balance sheet date, receivables, whose collection is expected within a period of more than one year, are stated at amortised cost using the effective interest method, less any impairment loss. Current receivables are stated at the initially recognised nominal amount less the corresponding allowance for the estimated uncollectible amounts and impairment losses.

#### 2.17 Cash and cash equivalents

Cash consists of bank demand deposits, cash on hand and deposits and securities payable on demand or collectible within three months.

#### 2.18 Trade payables

Trade payables are liabilities to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less, or in the regular operating cycle of the business if longer. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.19 Borrowings

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

#### 2.20 Leases

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

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

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

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

- |                                     |             |
|-------------------------------------|-------------|
| • right of use for the vehicles     | 2 - 5 years |
| • right of use commercial buildings | 5 years     |
| • right of use for land             | 1 - 3 years |

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

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

Low-value assets comprise printers, small items of office furniture, business premises, tents and gas bottles.

The weighted average marginal lending rate used to measure lease liabilities is 2% to 5.2%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.20 Leases (continued)

##### *Lease activities*

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

- Cars are leased for a fixed period of 4 – 5 years
- A building facility is rented for a specified period of 5 years with the possibility of renewing the contract. The lease payments are fixed.
- The land is rented for a certain period of 3 years with the possibility of renewing the contract. The lease payments are fixed.

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

The future cash outflows to which the Group as a lessee is potentially exposed that are not reflected in the measurement of the lease liability are not significant.

The Group does not provide any residual value guarantees.

#### 2.21 Supplier factoring

Under supplier factoring arrangements, the Group enters into agreements with a factoring service provider whereby the provider settles the Group's outstanding payables to suppliers and subsequently collects payment from the Group after a certain time delay. The factoring provider charges contractual interest and certain additional fees and may also require collateral arrangements (e.g. guarantee deposits or similar).

The Group classifies factoring transactions based on the nature of the new liability, on an individual basis according to contractually defined terms, and presents them as either current or non-current liabilities based on their maturity to the factoring provider. Furthermore, based on the preceding analysis, the Group classifies such transactions as either financing or operating activities in the Statement of Cash Flows.

#### 2.22 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets, are recognised as deferred income in the balance sheet and released in the income statement on a systematic and appropriate basis in accordance with the useful life of that asset. Government grants are recognised as income over the periods necessary to match them with the costs (for which they are intended to compensate), on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

#### 2.23 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Increases in provisions are recognized within other operating expenses, as well as the reversal of provisions, which is recognized net of the cost of new provisions, as it represents a change in estimate by nature, rather than income from sales or other income.

#### 2.24 Employee benefits

##### *i. Pension obligations and post-employment benefits*

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

##### *ii. Termination benefits*

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

##### *iii. Regular retirement benefits*

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

##### *iv. Long-term employee benefits*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.24 Employee benefits (continued)

##### v. Short-term employee benefits

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

##### vi. Share-based payments

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 awards, bonus shares and loyalty shares.

The grant date is the date on which the Company and the service provider have a shared understanding of the terms and conditions of the award. For share-based payment arrangements, the grant date is the date of entering into the relevant agreement, while the vesting period is determined based on the period of service and/or conditions requiring continued service until the settlement date, as well as other non-market conditions, depending on the type of remuneration.

For variable remuneration with a settlement alternative, the beneficiary may elect to receive part of the remuneration in shares, whereby the shares are delivered in tranches and are subject to a mandatory holding period of two years.

In determining the classification of such arrangements, the Company assesses whether the arrangement, in substance, contains a share settlement alternative. If, until the beneficiary makes an irrevocable election, the Company has a present obligation to settle in cash and the share settlement alternative is not substantive, the arrangement is classified as cash-settled up to that point. Otherwise, the arrangement is classified from the grant date as a compound instrument comprising a liability and an equity component, in accordance with IFRS 2.

Upon an irrevocable election for share settlement, the previously recognised liability measured at fair value is derecognised, with a corresponding amount recognised in equity. The reclassification has no impact on the expense previously recognised.

Transactions settled by issuing equity instruments are classified as equity-settled transactions. The Company measures the services received at the fair value of the equity instruments granted at the grant date and recognises the expense over the vesting period, with a corresponding increase in equity.

Transactions settled in cash are classified as cash-settled transactions. For such transactions, the Company recognises a liability and an expense over the vesting period. The liability is remeasured at fair value at each reporting date until final settlement.

Market conditions are included in the fair value of equity instruments at the grant date using a Monte Carlo simulation method. Non-market and service conditions are not included in fair value but are reflected through the estimate of the number of instruments expected to vest.

The parent company uses treasury shares to settle a portion of share-based payments. The difference between the fair value of the services recognised and the carrying amount of treasury shares is recognised within equity. In the separate financial statements of

the parent company, awards relating to employees of subsidiaries are recognised as an increase in investments in subsidiaries, in accordance with agreements entered into between the subsidiaries and the parent company.

Component	Settlement method (IFRS 2)	Fair value measurement	Recognition
Variable remuneration – base award (settlement alternative)	Cash-settled until election; subsequently reclassified as equity-settled	Fair value of the liability (discounted amount of the award): remeasured at each reporting date	Expense over the vesting period (generally during the financial year)
Variable remuneration – additional shares	Equity-settled	Fair value of equity instruments at grant date (date of vesting of rights); includes market conditions and number of shares	Expense recognised up to the date of delivery of additional shares
LTIP – base award	Equity-settled	Fair value at grant date (equity instruments), including FV of market conditions (Monte Carlo simulation); non-market conditions reflected through expected number of shares	Expense over the vesting period, recognised in tranches
LTIP – bonus shares; loyalty shares	Equity-settled	Fair value at grant date; includes service conditions (tenure requirements) and market conditions (included in FV)	Expense recognised up to the settlement date

#### 2.25 Events after the balance sheet date (subsequent events)

Events after the balance sheet date, which provide additional information on the Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements, if material.

#### 2.26 Reclassifications and comparative information

The Group has made reclassifications of certain items within the consolidated statement of financial position for a more adequate presentation. As a result, advances for inventories and capitalised costs to obtain a contract (agent commissions) have been reclassified into a separate line item category Other assets. Furthermore, for a more detailed segmentation of business activities, the Group has reclassified part of its operations from the "other" category to specific segments which are separately disclosed. Comparative information has been reclassified to ensure comparability.

#### 2.27 Key accounting estimates and judgments

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Group makes estimates related to the future. The resulting accounting estimates could, by definition, rarely equal the actual results. Below are the most significant estimates and assumptions that could pose a significant risk of adjusting the carrying amounts of assets and liabilities in the next financial year, as determined by the Management:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.27 Key accounting estimates and judgments (continued)

##### a) Revenue recognition

International Financial Reporting Standard 15 – Revenue from Contracts with Customers (IFRS 15) requires Management to estimate and determine the methodology for revenue recognition for the Group's main activities, which relate to the assessment of the timing of revenue recognition, the number of performance obligations, and the existence of a significant financing component of extended warranties, as described below:

The Group recognises revenue both over time and at a point in time, depending on the specifics of a customer arrangement as described in accounting policy 2.4.

The Group recognises significant part of its revenue at a point in time for the delivery of goods (transformers) since the relevant asset has an alternative use because it can be sold on the market in the area of the same or similar energy power network. Revenue is recognised when the customer obtains control of a particular item, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unsatisfied obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The contracts with customers that the Group enters into related to the sale of transformers may contain multiple performance obligations that include the sale of the transformer itself and, depending on the contract, related services for the transport or installation of the transformer. The Group recognises each of the performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of transformers is recognised at a point in time while revenue from services is recognised over time. Worth noting is that the performance of the services is short-term and generally coincides with and does not deviate significantly from delivery of the transformer itself and the recognition of related sales revenue.

When recognising revenue over time (revenue from services and revenue from construction projects of plant and equipment in the energy sector), the method for measuring progress in fulfilment of the performance obligation highlights the importance of accurate estimation regarding the scope of delivery and the services required to fulfil the obligations defined in the contract. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political, and regulatory risks, and other management judgements. The Group has determined that the input method is the most appropriate for measuring progress in service delivery, as it reflects a direct relationship between the Group's efforts (i.e. total costs incurred on a project) and the transfer of services to the customer. Where revenue is recognised over time, it is measured based on the costs incurred to date relative to the total expected costs required to fulfil the performance obligations under the contract.

Furthermore, the execution of certain contracts may take longer than one year. Considering that the Group generally receives advances from customers, the period from customer payment to the transfer of promised goods or services to the customer may be longer than one year. In such cases, the amount of the advance received is considered as a discounted transaction price. The Company has conducted an analysis of contracts with customers and has not identified contracts with a significant financing component.

The Company also provides warranties for its products with a warranty period that typically ranges from 2 to 5 years. The Company analyses whether these extended warranties have the characteristics of a non-standard warranty and significantly deviate from industry practice. Based on the conducted analysis, the Company has concluded that the portfolio of existing contracts with customers does not include significant non-standard warranties that could be considered a separate performance obligation.

The Group recognises revenue from sale of other goods and products when the customer gains control over the specific goods, which is usually after the delivery of the goods when the customer has full discretionary rights over the goods and when there are no unfulfilled obligations that could affect the acceptance of the goods by the customer. Delivery typically occurs when the goods are delivered to the agreed location, the risk of loss is transferred to the customer, and the customer has accepted the goods in accordance with the contractual terms, or the acceptance terms have expired, or if the Group has objective evidence that all acceptance criteria have been met.

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

##### b) Warranty provisions

The Group provides warranties for its products and completed projects for an average period of up to 5 years. In certain cases where warranties extend past this range, the Group analysed and concluded that such contracts did not include significant non-standard guarantees which could be considered a separate performance obligation and recognition under IFRS 15. Given the small number of contracts where the warranty period deviates from the average duration and given that the aforementioned deviations are generally not significant compared to industry practice, which shows a general trend of extending warranties on such products, the Group concluded that the portfolio of existing customer contracts does not include significant non-standard warranties that could be considered a separate performance obligation. Management estimates a provision for warranty repairs based on historical information on warranty utilisation costs of warranty repairs as well as industry statistics (such as those related to incidence of major failure of certain equipment, primarily transformers and generators). Additionally, where circumstances are identified which carry increased risk of defects and failures, warranty provisions for such contracts are individually assessed based on those specific circumstances. Provisions are then based on current and future estimated costs of rectification of defects and/or replacement of products as a result of technical analyses and correspondence with customers. Factors which affect the amount of such provisions include information as to the success of product quality initiatives and rectifications thus far, likelihood of product replacement, as well as cost of spare parts and labour costs.

##### c) Recoverability of non-financial assets

At the end of each reporting period, the Group assesses whether there are any indications that the value of non-financial assets should be impaired and estimates the recoverable amount of non-financial assets. The impairment is based on many factors such as change in expected industry growth, increase in capital expense, changes in market conditions, changes in future funding possibilities, technological obsolescence, termination of provision of services or sale of goods, exchange costs, amounts paid in comparable transactions and other changes in circumstances that indicate the existence of impairment. The calculation of fair value less costs to sell is based on the data available from related arm's length transactions for similar assets or observable market prices less any additional costs of asset disposal. The calculation of value in use is based on the discounted cash model, which is derived from the medium-term financial plan, and after that planning period they are extrapolated by using appropriate growth rates. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflow and the rate used to extrapolate the data.

##### d) Recoverability of goodwill and intangible assets with indefinite useful life

The Group conducts annual impairment testing of intangible assets with indefinite useful life, in accordance with the policy stated in note 2.11 and note 2.3 regarding goodwill impairment testing. Intangible assets with indefinite useful lives and goodwill are tested for impairment on an individual basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.27 Key accounting estimates and judgments (continued)

##### *Goodwill*

The Group allocates goodwill to business segments in accordance with the allocation of relevant cash-generating units (to which goodwill is allocated to) into segments reported by the Group. The allocation of goodwill to segments is shown in note 12.

The calculation of the recoverable amount of goodwill is carried out using the discounted cash flow method (DCF method), during which the Group calculates the present value of the future cash flows of the cash-generating units to which the goodwill in question is allocated to. The DCF method also implies a terminal growth rate of cash flows after a five-year period of 2%. Cash flows created from such business plans are discounted using a discount rate that reflects the risk of the asset in question, which is approximated by the weighted average cost of capital for the relevant market and industry and ranged from 10.3% to 11.3%. As a result of the conducted impairment tests, the Group had no goodwill impairment charges during 2025 and 2024. The sensitivity analysis of the key assumptions in the impairment test (discount rate and terminal growth rate) to reasonable changes (defined as 50 basis points) does not indicate any material changes in the outcome of the impairment tests.

##### *Brand*

Brand refers to the acquired rights to use trademarks, trademarks and brand names that the Group allocates to business segments in accordance with the allocation of products/services to which a specific brand refers. The brand is entirely allocated to the electricity transmission and distribution segment.

The Group annually conducts a brand impairment test to assess whether its recoverable amount indicates a potential impairment. The calculation of the recoverable amount is based on five-year sales plans of the products/services that make up the brand, which the Group developed taking into account the corporate sales and marketing strategy, trends in the markets where relevant revenues are generated etc.

Cash flows generated from such plans are discounted using a discount rate that reflects the risk of the subject asset and which, for purposes of calculating the impairment test, is approximated by the weighted average cost of capital (WACC) related to the brand's primary sales market and industry.

To calculate the recoverable value of the brand, the Group applies the income approach - the method of non-payment of royalties. The basis of the non-payment of royalties method states that the value of an intangible asset is equal to the amount that the owner would pay for a license over that asset if he did not own it, that is, the value is equal to the discounted after-tax savings in a situation of non-payment of royalties, i.e. fees for the use of trademarks.

When calculating the recoverable value of the brand, rate equal to the weighted average cost of capital after tax (WACC) for each market and industry to which the brand relates to amounted to 10.8% (2024: 10.7%) while the applied terminal growth rate for brand is 2% (2% in 2024).

As a result of the brand impairment test, the Group had no brand impairment costs during 2025. The sensitivity analysis of the key assumptions in the impairment test (discount rate and terminal growth rate) to reasonable changes (defined as 50 basis points) does not indicate any material changes in the outcome of the impairment tests.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.28 Subsidiaries

	Country	31 Dec 2025		31 Dec 2024	
		Ownership share (%)	Effective % of Group	Ownership share (%)	Effective % of Group
KONČAR - Motors and electrical systems Ltd, Zagreb	Croatia	100.00	100.00	100.00	100.00
Telenerg – Engineering Co Ltd, Zagreb	Croatia	100.00	100.00	100.00	100.00
INK PROJECT Ltd. For construction and services, Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Electrical Engineering Institute Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Generators and Motors Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Metal Structures Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
Dalekovod MK Ltd., Velika Gorica	Croatia	100.00	100.00	-	-
KONČAR – Switchgear Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Renewable Energy Sources Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
Wind farm Rust Ltd.	Croatia	100.00	100.00	100.00	100.00
Solar power plant Deponija fosfogipsa Ltd., Zagreb	Croatia	51.00	51.00	51.00	51.00
Liburnia Solar Ltd. for electricity production, Zagreb	Croatia	76.00	76.00	76.00	76.00
South East Energy Ltd. for services, Zagreb	Croatia	91.20	91.20	75.20	75.20
Energy park Pometeno brdo Ltd. for production, Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Electric Vehicles Inc., Zagreb	Croatia	85.73	85.73	84.73	84.73
Konell Ltd., Sofia*	Bulgaria	85.00	72.00	85.00	72.00
KONČAR – Electronics and Informatics Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
ENAKON MOBILITY Ltd. for services, Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Instrument Transformers, Inc., Zagreb	Croatia	99.77	99.77	99.77	99.77
KONČAR – Distribution and Special Transformers, Inc., Zagreb	Croatia	67.90	67.90	67.90	67.90
FEROKOTAO Ltd., Donji Kraljevec	Croatia	51.00	34.63	51.00	34.63
Power Engineering Transformatory Sp. z o.o. (PET), Poznan	Poland	100.00	67.90	100.00	67.90
Novi Feromont Ltd., Donji Kraljevec	Croatia	81.19	55.13	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.28 Subsidiaries (continued)

	Country	31 Dec 2025		31 Dec 2024	
		Ownership share (%)	Effective % of Group	Ownership share (%)	Effective % of Group
KONČAR – Digital Ltd., Zagreb	Croatia	100.00	100.00	100.00	100.00
KONČAR – Systems Integration Ltd, Zagreb (Kodeks sistemske integracije Ltd. in 2023)	Croatia	-	-	75.00	75.00
ADNET Ltd. for engineering, manufacturing and trade, Zagreb	Croatia	38.00	38.00	26.00	26.00
KREANCA SYSTEMS Ltd. for business and management consulting, Zagreb	Croatia	76.00	76.00	52.00	52.00
ADNET Ltd. for engineering, manufacturing and trade, Zagreb	Croatia	50.00	38.00	50.00	26.00
KONČAR – Transformer Tanks Ltd for production, Sesvete (Zagreb)	Croatia	60.00	60.00	100.00	100.00
KONČAR - Hydro Turbine Ltd. for manufacturing and services, Zagreb	Croatia	100.00	100.00	100.00	100.00
HELB Ltd. for the production, installation and servicing of electrical equipment, Božjakovina	Croatia	75.00	75.00	-	-
Dalekovod Inc., Zagreb	Croatia	75.16	75.16	75.16	75.16
DALEKOVOD MK Ltd., Velika Gorica	Croatia	-	-	100.00	75.16
DALEKOVOD OSO Ltd., Velika Gorica	Croatia	100.00	75.16	100.00	75.16
Dalekovod Projekt Ltd., Zagreb	Croatia	100.00	75.16	100.00	75.16
Dalekovod EMU Ltd., Vela Luka	Croatia	100.00	75.16	100.00	75.16
EL-RA Ltd., Vela Luka	Croatia	100.00	75.16	100.00	75.16
Dalekovod Mostar Ltd., Mostar	Bosnia and Herzegovina	100.00	75.16	100.00	75.16
Dalekovod Ljubljana Ltd., Ljubljana	Slovenia	100.00	75.16	100.00	75.16
Dalekovod Norge AS, Oslo	Norway	100.00	75.16	100.00	75.16
Dalekovod Ukrajina Ltd., Kiev	Ukraine	100.00	75.16	100.00	75.16

\*the company is not consolidated due to immateriality

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 2 Material accounting policy information (continued)

#### 2.28 Subsidiaries (continued)

In several subsidiaries, the Group has control through the majority of voting rights. However, the ownership share in these companies does not correspond to the share in voting rights since these companies also have preference shares that have all the rights as the ordinary shares have, except for voting rights. The share in the ownership of these companies is as follows:

	31 December 2025	31 December 2024
	Ownership share (%)	Ownership share (%)
KONČAR - Instrument Transformers Inc., Zagreb	61.97	61.97
KONČAR - Distribution and Special Transformers Inc., Zagreb	52.73	52.73

#### Changes in the Group during 2025

During 2025, the Group obtained control over the following companies:

- HELB Ltd. for the production, installation and servicing of electrical equipment, Božjakovina
- NOVI FEROMONT Ltd. for the production of large transformer tanks and metal structures (indirect ownership through KONČAR – Distribution and Special Transformers Inc., Zagreb)

In July 2025, a share purchase and transfer agreement was signed between KONČAR Inc. and KONČAR – Renewable Energy Sources Ltd. Under this agreement, KONČAR Inc. sold its ownership interest in Energy park Pometeno brdo Ltd. to KONČAR – Renewable Energy Sources Ltd.

As of 1 October 2025, the transaction between Dalekovod jsc. and KONČAR – Metal Structures Ltd. was completed, and KONČAR – Metal Structures Ltd. acquired a 100% ownership interest in DALEKOVOD MK Ltd.

As of 1 October 2025, KONČAR – Systems Integration Ltd. was merged into KONČAR – Digital Ltd.

In December 2025, the parent company paid the prescribed amount of share capital for the establishment of a subsidiary in Switzerland.

#### Changes in the Group during 2024

In accordance with previously made decisions, on 1 July 2024, a status change took place involving the merger of the subsidiary KONČAR - Engineering Ltd. for production and services and KONČAR – Infrastructure and Service Ltd. for services, into the company KONČAR Inc., as the acquiring company. The merged companies continued their regular operations within KONČAR Inc.

Additionally, during 2024, the company acquired KONČAR – Investments Ltd. for business services (on 11 November 2024) and Advanced energy solutions Ltd. for investments (on 31 December 2024) were merged into acquiring company KONČAR Inc.

Furthermore, on 1 July 2024, a status change took place involving the spin-off and establishment of KONČAR – Renewable Energy Sources Ltd. for production, Zagreb, resulting in the establishment of the company Energy Park Pometeno brdo Ltd., for production, Zagreb.

In 2024, the liquidation of the company Cinčaonica Ltd. in liquidation was completed.

During 2024, the Group acquired control over the following companies:

- Liburnia Solar Ltd. for electricity production, Zagreb (indirect ownership through KONČAR – Renewable Energy Sources Ltd. for production, Zagreb)
- South East Energy Ltd. for services, Zagreb (indirect ownership through KONČAR – Renewable Energy Sources Ltd. for production, Zagreb)
- KREANCA SYSTEMS Ltd. for business and management consulting, Zagreb (indirect ownership through KONČAR – Digital Ltd. for digital services, Zagreb)
- ADNET Ltd. for engineering, manufacturing, and trade, Zagreb (indirect ownership through KONČAR – Digital Ltd. for digital services, Zagreb)

In 2024, the parent company established KONČAR - Hydro Turbine Ltd. for production and services, while the affiliated company KONČAR – Electronics and Informatics Ltd. for production and services, Zagreb, established ENAKON MOBILITY Ltd. for services, Zagreb.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 3 Sales revenue

	2025 EUR' 000	2024 EUR' 000
<i>Major products/service lines</i>		
<b>Power generation</b>	<b>121,646</b>	<b>89,858</b>
- hydro	101,549	65,886
- renewable energy sources	20,097	23,972
<b>Power transmission and distribution</b>	<b>985,606</b>	<b>803,383</b>
- transmission	379,844	288,958
- distribution	605,762	514,425
<b>Urban mobility and infrastructure</b>	<b>143,724</b>	<b>105,538</b>
- mobility	92,722	67,644
- infrastructure	51,002	37,894
<b>Digital solutions and platforms</b>	<b>34,300</b>	<b>25,543</b>
<b>Total reportable segments</b>	<b>1,285,276</b>	<b>1,024,322</b>
Other	34,743	30,055
<b>Revenue from contracts with customers</b>	<b>1,320,019</b>	<b>1,054,377</b>
Related parties	20,063	12,663
Unrelated parties	1,299,956	1,041,714
<b>Revenue from contracts with customers</b>	<b>1,320,019</b>	<b>1,054,377</b>
<i>Timing of revenue recognition</i>		
Point in time	808,173	679,469
Over time recognition	511,846	374,908
<b>Revenue from contracts with customers</b>	<b>1,320,019</b>	<b>1,054,377</b>

#### Revenue by regions:

	2025		2024	
	EUR' 000	%	EUR' 000	%
<b>Croatia</b>	<b>427,072</b>	<b>32.35%</b>	<b>312,163</b>	<b>29.61%</b>
Other countries in the European Union	638,112	48.34%	551,721	52.33%
	<b>1,065,184</b>	<b>80.69%</b>	<b>863,884</b>	<b>81.93%</b>
Asia and Africa	61,670	4.67%	53,838	5.11%
Neighboring countries*	53,284	4.04%	38,475	3.65%
America and Australia	40,368	3.06%	20,107	1.91%
Europe countries not part of European Union	99,513	7.54%	78,073	7.40%
	<b>254,835</b>	<b>19.31%</b>	<b>190,493</b>	<b>18.07%</b>
	<b>1,320,019</b>	<b>100.00%</b>	<b>1,054,377</b>	<b>100.00%</b>

\*Neighbouring countries refer to Serbia, Montenegro, Albania, Bosnia and Herzegovina and Northern Macedonia

### 4 Other operating income

	2025 EUR' 000	2024 EUR' 000
Revenues from project co-financing	1,391	809
Profit from the sale of property	3,095	721
Compensation for damages	1,118	1,142
Revenue from subsequent use of inventories	416	792
Collected written-off receivables	140	2,239
Sales of materials	976	592
Government grants	199	188
Rental income	856	780
Subsequent discounts, rebates	502	609
Inventory surplus	1,990	589
Unrealized gains	75	109
Revenues from court judgments and settlements	900	-
Other	4,957	3,206
	<b>16,615</b>	<b>11,776</b>

### 5 Raw materials, products, consumables and services used

	2025 EUR' 000	2024 EUR' 000
Cost of raw materials and supplies	564,292	441,706
External product design and selling services	88,321	69,433
Cost of goods sold	50,619	47,063
Energy cost	10,790	9,879
Maintenance services (servicing)	12,556	9,775
Transport, freight forwarding	22,673	18,398
Agent commission costs	7,431	6,665
Postal, telephone, and internet costs	524	546
Exhibition, advertising, and promotion costs	1,798	1,723
Lease costs	8,996	7,369
Research and development costs	1,928	1,866
Utility costs	5,715	1,573
Other external costs	4,503	9,243
	<b>780,146</b>	<b>625,239</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 6 Staff costs

	2025 EUR' 000	2024 EUR' 000
Net salaries and wages	143,021	116,718
Taxes and contributions from salaries	60,828	47,163
Contributions on salaries	29,125	22,621
Reimbursements of costs to employees, gifts and support	28,398	21,077
Compensations to members of the Supervisory Board (gross)	484	472
Other	-	322
	<b>261,856</b>	<b>208,373</b>

In 2025, pension fund contributions amounted to EUR 38,639 thousand (2024: EUR 33,018 thousand). During 2025 termination benefits and severances amounted to EUR 596 thousand (2024: EUR 933 thousand).

Average number of employees during 2025 was 6,079 (2023: 5,382 employees).

During the year, the Group capitalized salaries in the total amount of EUR 2,297 thousand (2024: EUR 2,205 thousand).

The total share-based payment expense recognized in 2025, amounting to EUR 992 thousand, relates entirely to equity-based remuneration of the Management Board and key management personnel. Additionally, an amount of EUR 3,246 thousand related to variable compensation of the Management Board is included within staff costs.

### 7 (Reversal) / cost of impairment losses

	2025 EUR' 000	2024 EUR' 000
<i>Non-financial assets</i>		
<i>Non-current assets:</i>		
Impairment loss on property, plant and equipment	36	1,732
Impairment loss on intangible assets	404	-
<i>Current assets:</i>		
(Reversal) / cost of impairment losses of inventories	2,739	(2,618)
	<b>3,179</b>	<b>(886)</b>
<i>Impairment loss on financial assets</i>	1,265	3,867
<b>Total (reversal) / cost of impairment losses</b>	<b>4,444</b>	<b>2,981</b>

Impairment cost of financial assets in both 2025 and 2024 mainly relates to expected credit losses recognized for financial assets at amortized cost. The Group recognised positive effects in 2024 from the reversal of previously recognised impairment adjustments in earlier periods.

### 8 Other operating expenses

	2025 EUR' 000	2024 EUR' 000
Daily allowances for business trips and travel expenses	12,649	10,591
Net cost of provisions (note 28)	4,574	7,182
Intellectual and similar services	13,600	5,625
Insurance premiums	6,042	5,072
Bank charges and payment transactions	5,156	5,271
Entertainment	4,612	3,487
Professional training costs	1,813	1,369
Compensations for temporary service contracts and fees	1,169	1,396
Contributions, membership fees and similar charges	1,803	696
Non-production related services	2,646	2,506
Sponsorships and donations	1,021	515
Taxes irrespective of result and fees	338	332
Accrued expenses	1,745	562
Shortages	3,579	1,373
Penalties, fines	2,264	352
Other costs	6,254	6,603
	<b>69,265</b>	<b>52,932</b>

### 9 Net financial result

	2025 EUR' 000	2024 EUR' 000
<b>Finance income</b>		
Interest income	5,357	4,716
Income from dividends and shares in profit	44	42
Other finance income	118	175
Unrealised gains (income)	680	403
	<b>6,199</b>	<b>5,336</b>
<b>Finance cost</b>		
Interest expense	2,534	3,583
Loss from exchange rate differences	913	1,228
Impairment losses on non-current financial assets	367	
Change in the value of contingent consideration	1,432	
Other finance costs	21	445
	<b>5,267</b>	<b>5,256</b>
<b>Net financial result</b>	<b>932</b>	<b>80</b>

The change in the value of contingent consideration refers to the difference between the initially recognized consideration upon acquisition of the companies and the subsequently determined final consideration, which is based on the company's achieved results.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 10 Income tax

	2025 EUR' 000	2024 EUR' 000
Current tax	40,182	30,202
Deferred tax	(3,709)	(694)
<b>Income tax expense</b>	<b>36,473</b>	<b>29,508</b>

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

	2025 EUR' 000	2024 EUR' 000
Consolidated profit before tax	258,900	193,861
<b>Tax at applicable tax rate of 18%</b>	<b>46,602</b>	<b>34,895</b>
<i>Tax effect:</i>		
Non-deductible expenses	4,078	3,311
Income not subject to tax	(8,556)	(7,953)
Utilisation of previously unrecognised tax losses	(841)	(60)
Tax losses for which no deferred tax asset is recognised	68	382
Change in recognised temporary differences	(5,632)	613
Recognition of deferred tax asset on investment tax credit	352	(749)
Income tax paid abroad	17	4
Investment tax credit utilisation	385	(935)
<b>Income tax</b>	<b>36,473</b>	<b>29,508</b>

#### Investment incentives

Investment incentives relate mainly to tax reliefs for investments of the Group companies.

Pursuant to the Investment Promotion Act, the Group received the status of beneficiary of investment support related to the "LAVESP" project. The Group was thus granted the use of incentive measures as support for eligible costs of job creation related to the investment project and tax benefits for capital costs of the investment project in the allowed amount of tax relief for investments of EUR 1,849 thousand. For this amount, the Group has the option of reducing future income tax liabilities on the basis of income tax for the years ended 31 December 2030 to a maximum amount of reduction of the tax rate of 100% per annum. The Group recognized the entire amount of EUR 1,729 thousand of the approved relief as deferred tax assets and tax income, of which 87 thousand euros has already been used to reduce the tax liability for the current year.

The application for obtaining the status of incentive holder for the new project was submitted on 23 December 2021, under the abbreviated name "Sustainable SETup." On 2 March 2023, MINGO issued a decision granting the Group the status of incentive holder for this project in the amount of 5,464 thousand euros, for which the Group has the opportunity to reduce future tax liabilities based on income tax for the future years ending on 24 December 2031.

Additionally, through business combinations during 2023, the Group acquired the right to use an additional tax incentive for investment benefits by reducing the tax liability in the full 100% amount, and the available framework for this incentive was EUR 1.3 million. The Group recognized deferred tax assets for this amount, as it is expected that the full framework will be utilized. The utilised amount of this incentive amounted to EUR 541 thousand in 2025 (2024: EUR 536 thousand).

In February 2020, the Group was granted a tax relief under which it applied a reduced income tax rate of 50% in 2024 and 2023, in accordance with the provisions of the Investment Promotion Act, based on confirmation from the Ministry of Economy. As of 31 December 2024, the Group has no unused tax relief. The Group disposed of a portion of properties that were subject to the above-mentioned tax incentives and, as a result, the conditions prescribed by the Investment Promotion Act were no longer met. Based on the decision of the Ministry of Economy dated 22 January 2026, the Group refunded the relevant amount to the Tax Administration.

#### Tax losses carried forward

The Group can carry forward tax losses for companies which incurred losses and are not subject to taxation and for subsidiaries that realised a profit but are not subject to taxation due to tax losses carried forward from previous periods. The Group can carry forward tax losses into future periods in order to reduce taxable income within the following 5-year period. As at 31 December 2025, unrecognised deferred tax assets on tax losses carried forward amount to EUR 6,220 thousand (31 December 2024: EUR 6,838 thousand). Tax losses relate to Group entities for which it was assessed that there will not be sufficient future taxable profits to utilise these losses.

Gross tax losses expire as follows:

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Within 1 year	1,108	9,028
Within 2 years	3,843	6,497
Within 3 years	14,739	9,305
Within 4 years	18,804	15,652
Within 5 years	18,457	22,071
	<b>56,951</b>	<b>62,553</b>

In accordance with the regulations of the Republic of Croatia, the Tax Administration may at any time inspect the individual Group companies' books and records within 3 years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 10 Income tax (continued)

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

	31 December 2025 EUR' 000	Recognized in P&L EUR' 000	Recognized in OCI EUR' 000	Acquired through business combinations EUR' 000	31 December 2024 EUR' 000	Recognized in P&L EUR' 000	Acquired through business combinations EUR' 000	31 December 2023 EUR' 000
<b>Deferred tax asset:</b>								
Impairment of receivables	322	168	-	-	154	33	-	121
Impairment of fixed assets	58	-	-	-	58	(1)	-	59
Impairment of inventory	1,996	594	-	-	1,402	(371)	-	1,773
Tax losses carried forward	5,596	3,857	-	-	1,739	(136)	425	1,450
Non-deductible provisions	654	24	-	-	630	167	-	463
Unused amount of relief under the Investment Incentive Act	(814)	(1,396)	-	-	582	(638)	-	1,220
Leases	575	103	-	46	426	24	-	402
Unrealised profits (sale of PPE within the Group)	2,012	220	-	-	1,792	-	-	1,792
Other	2,917	(140)	-	23	3,034	1,397	-	1,637
<b>Deferred tax asset</b>	<b>13,316</b>	<b>3,430</b>	<b>-</b>	<b>69</b>	<b>9,817</b>	<b>475</b>	<b>425</b>	<b>8,917</b>
<b>Deferred tax liability:</b>								
Acquisition of subsidiaries	3,301	-	-	305	2,996	-	259	2,737
Leases	58	93	-	-	(35)	-	24	(59)
Other	677	(372)	179	311	559	-	(550)	1,109
<b>Deferred tax liability</b>	<b>4,036</b>	<b>(279)</b>	<b>179</b>	<b>616</b>	<b>3,520</b>	<b>-</b>	<b>(267)</b>	<b>3,787</b>

The Group is subject to the Pillar 2 rules. The legislation has been adopted in Croatia, the jurisdiction in which the parent company is registered, and it came into effect on 31 December 2023. The Group applies the exemption from recognizing and disclosing information on deferred tax assets and liabilities related to income tax under the Pillar 2 rules, as provided by the amendments to IAS 12 standards adopted in May 2023.

The Group estimates that the current tax expense related to the Pillar 2 rules for the second pillar in 2025 amounts to EUR 100 thousand (2024: EUR 447 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 11 Earnings per share

	2025	2024
Net profit attributed to the owners (EUR'000)	146,861	102,600
Weighted average number of shares	2,547,560	2,546,603
<b>Basic and diluted earnings per share (EUR)</b>	<b>57.65</b>	<b>40.29</b>

Diluted earnings per share for 2025 and 2024 are the same as basic since the Group had no convertible instruments or options outstanding during either period.

Weighted average number of shares is as follows:

	2025	2024
Issued ordinary shares at 1 January	2,572,119	2,572,119
Effect of treasury shares held	(24,559)	(25,516)
<b>Average number of shares</b>	<b>2,547,560</b>	<b>2,546,603</b>

### 12 Goodwill

Goodwill was recognised in the course of gaining control over the companies as shown below.

Goodwill recognized per each company amounts to:

	<b>Allocated to segment:</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
		<b>EUR' 000</b>	<b>EUR' 000</b>
KONČAR - Instrument Transformers Inc.	Power generation, Power transmission, Urban mobility and infrastructure	157	157
KONČAR - Distribution and Special Transformers Inc.	Power transmission and distribution, Urban mobility and infrastructure	808	808
Dalekovod Group	Power generation, Power transmission, Urban mobility and infrastructure	161	161
KONČAR - Systems Integration Ltd.	Digital solutions and platforms	6,697	6,697
Telenerg – Engineering Ltd.	Power generation, Power transmission and distribution, Other	421	421
INK Project Ltd.	Other	99	99
ADNET Ltd.	Digital solutions and platforms	1,065	1,065
Liburnia Solar Ltd.	Power generation	68	68
South East Energy Ltd.	Power generation	75	74
Solar power plant Deponija fosfogipsa Ltd.	Power generation	1	1
HELB Ltd.	Power transmission and distribution	2,132	-
		<b>11,684</b>	<b>9,551</b>

The Group tests goodwill for impairment on an annual basis. No impairment losses were recognised in this respect as the amount is assessed as recoverable as discussed in note 2.27.

### 13 Intangible assets

	Development expenditures	Software and other rights	Brand	Other	Assets under construction and advances	Total
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000
<b>Cost</b>						
<b>At 1 January 2024</b>	<b>23,018</b>	<b>14,209</b>	<b>1,861</b>	<b>215</b>	<b>3,538</b>	<b>42,841</b>
The effect of acquisition of subsidiaries	100	1,408	-	-	-	1,508
Additions	-	-	-	8	4,912	4,920
Transfer from assets under construction	1,658	1,407	-	-	(3,065)	-
Disposals	-	(14)	-	-	(9)	(23)
Transfer from tangible assets	-	-	-	-	605	605
<b>At 31 December 2024</b>	<b>24,776</b>	<b>17,010</b>	<b>1,861</b>	<b>223</b>	<b>5,981</b>	<b>49,851</b>
The effect of acquisition of subsidiaries	-	209	-	-	-	209
Additions	62	622	-	-	6,733	7,417
Transfer from assets under construction	3,357	1,561	-	-	(4,918)	-
Disposals	-	(1,909)	-	-	(240)	(2,149)
Reclassification	1	(4,064)	-	4,103	(299)	(259)
Transfer from tangible assets	-	281	-	-	-	281
<b>At 31 December 2025</b>	<b>28,196</b>	<b>13,710</b>	<b>1,861</b>	<b>4,326</b>	<b>7,257</b>	<b>55,350</b>
<b>Accumulated amortisation</b>						
<b>At 1 January 2024</b>	<b>17,551</b>	<b>7,411</b>	<b>-</b>	<b>200</b>	<b>290</b>	<b>25,452</b>
Amortisation for the year	1,764	3,541	-	-	-	5,305
Disposals	-	(13)	-	-	-	(13)
<b>At 31 December 2024</b>	<b>19,315</b>	<b>10,939</b>	<b>-</b>	<b>200</b>	<b>290</b>	<b>30,744</b>
Amortisation for the year	2,015	1,343	-	337	-	3,695
Disposals	404	(90)	-	-	(290)	24
Reclassification	(5)	(3,934)	-	3,645	-	(294)
<b>At 31 December 2025</b>	<b>21,729</b>	<b>8,258</b>	<b>-</b>	<b>4,182</b>	<b>-</b>	<b>34,169</b>
<b>Net book amount</b>						
31 December 2024	5,461	6,071	1,861	23	5,691	19,107
<b>31 December 2025</b>	<b>6,467</b>	<b>5,452</b>	<b>1,861</b>	<b>144</b>	<b>7,257</b>	<b>21,181</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 14 Property, plant and equipment

<i>Cost</i>	<b>Land</b> EUR' 000	<b>Buildings</b> EUR' 000	<b>Plant and equipment</b> EUR' 000	<b>Tools and office inventory</b> EUR' 000	<b>Other</b> EUR' 000	<b>Assets under construction and advances</b> EUR' 000	<b>Total</b> EUR' 000
<b>As at 1 January 2024</b>	<b>41,415</b>	<b>169,336</b>	<b>185,573</b>	<b>49,534</b>	<b>125</b>	<b>13,650</b>	<b>459,633</b>
The effect of acquisition of subsidiaries	-	-	-	16	-	4	20
Additions	790	172	1,160	1,155	357	46,761	50,395
Transfer from assets under construction	731	7,714	15,617	3,310	39	(27,411)	-
Disposals	(15)	(830)	(2,342)	(1,676)	(8)	(2,910)	(7,781)
Reclassifications	-	-	2,915	1,446	239	(2,892)	1,708
Transfer to intangibles	-	-	-	-	-	1,402	1,402
<b>As at 31 December 2024</b>	<b>42,921</b>	<b>176,392</b>	<b>202,923</b>	<b>53,785</b>	<b>752</b>	<b>28,604</b>	<b>505,377</b>
The effect of acquisition of subsidiaries	1,219	3,546	2,293	203	-	218	7,479
Additions	2,957	5,678	650	361	6	83,790	93,442
Transfer from assets under construction	10,820	18,352	22,915	10,546	46	(62,679)	-
Disposals	(920)	(1,086)	(3,323)	(2,454)	(47)	-	(7,830)
Reclassifications	-	(97)	(2,108)	3,593	-	(101)	1,287
Transfer to investment property	-	(1,357)	-	-	-	-	(1,357)
Transfer to assets held for sale	(442)	(2,035)	(31)	(24)	(153)	-	(2,685)
<b>As at 31 December 2025</b>	<b>56,555</b>	<b>199,393</b>	<b>223,319</b>	<b>66,010</b>	<b>604</b>	<b>49,832</b>	<b>595,713</b>
<b>Accumulated amortisation</b>							
<b>As at 1 January 2024</b>	<b>18</b>	<b>93,171</b>	<b>117,163</b>	<b>34,487</b>	<b>27</b>	<b>1,428</b>	<b>246,294</b>
Depreciation for the year	2	4,330	10,481	3,726	77	-	18,616
Disposals and write offs	-	(187)	(2,097)	(1,264)	(8)	-	(3,556)
Impairment	-	-	882	-	-	-	882
Reclassifications	-	-	(1,588)	1,369	219	-	-
<b>As at 31 December 2024</b>	<b>20</b>	<b>97,314</b>	<b>124,841</b>	<b>38,318</b>	<b>315</b>	<b>1,428</b>	<b>262,236</b>
Depreciation for the year	28	4,590	12,275	4,502	128	-	21,523
Disposals and write offs	-	(190)	(1,658)	(1,859)	(22)	-	(3,729)
Impairment	-	-	(107)	(43)	(18)	-	(168)
Reclassifications	-	3	119	(122)	-	-	-
Transfer to assets held for sale	-	(661)	(23)	(2)	(34)	-	(720)
<b>As at 31 December 2025</b>	<b>48</b>	<b>101,056</b>	<b>135,447</b>	<b>40,794</b>	<b>369</b>	<b>1,428</b>	<b>279,142</b>
<b>Net book amount</b>							
31 December 2024	42,901	79,078	78,082	15,467	437	27,176	243,141
<b>31 December 2025</b>	<b>56,507</b>	<b>98,337</b>	<b>87,872</b>	<b>25,216</b>	<b>235</b>	<b>48,404</b>	<b>316,571</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 15 Investment property

	Land EUR'000	Buildings EUR'000	Assets under construction and advances EUR'000	Total EUR'000
<b>Cost</b>				
<b>At 1 January 2024</b>	<b>7,836</b>	<b>25,768</b>	<b>1,549</b>	<b>35,153</b>
Reclassification / merger effect	-	259	139	398
Additions	355	610	2,781	3,746
Transfer from assets under construction	153	5,697	(5,850)	-
Transfer to/from non-current tangible assets	-	(4,637)	3,642	(995)
Disposals	(3)	(76)	(376)	(455)
<b>At 31 December 2024</b>	<b>8,341</b>	<b>27,621</b>	<b>1,885</b>	<b>37,847</b>
Reclassification / merger effect	-	-	(351)	(351)
Additions	140	-	2,913	3,053
Transfer from assets under construction	-	2,461	(2,461)	-
Disposals	(101)	(626)	-	(727)
Transfer from property, plant and equipment	-	508	-	508
<b>At 31 December 2025</b>	<b>8,380</b>	<b>29,964</b>	<b>1,986</b>	<b>40,330</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2024</b>	<b>1,891</b>	<b>15,010</b>	<b>249</b>	<b>17,150</b>
Reclassification	-	206	-	206
Depreciation for the year	-	954	-	954
Impairment	577	-	-	577
Disposals	-	(57)	-	(57)
<b>At 31 December 2024</b>	<b>2,468</b>	<b>16,113</b>	<b>249</b>	<b>18,830</b>
Reclassification / merger effect	-	(120)	-	(120)
Depreciation for the year	-	1,088	-	1,088
Transfer to/from assets held for sale	-	(624)	-	(624)
<b>At 31 December 2025</b>	<b>2,468</b>	<b>16,457</b>	<b>249</b>	<b>19,174</b>
<b>Net book amount</b>				
31 December 2024	5,873	11,508	1,636	19,017
<b>31 December 2025</b>	<b>5,912</b>	<b>13,507</b>	<b>1,737</b>	<b>21,156</b>

The fair value of investment property amounts to a total of EUR 33.3 million and relates to land amounting to EUR 12.6 million (2024: EUR 10 million) and buildings amounting to EUR 20.7 million (2024: EUR 13.3 million). Fair value estimates are designated as fair value level 3 since the input variables are not based on observable market data.

### 16 Investments accounted for using the equity method

#### Associates accounted for by using the equity method:

	31 December 2025 Ownership share (in %)	31 December 2024 Ownership share (in %)
Končar - Power Transformers Ltd., Zagreb	49.00	49.00
Elkakon Ltd., Zagreb*	50.00	50.00

#### Joint ventures accounted for using the equity method:

	31 December 2025 Ownership share (in %)	31 December 2024 Ownership share (in %)
Members of TLM Group*	22.00-25.00	22.00-25.00
TBEA Končar Instrument Transformers Ltd., China *	27.00	27.00
Male hidre Ltd*	51.00	51.00

\* company in indirect ownership by the Company

The company Končar - Power Transformers Ltd. is primarily engaged in the production of all types of high efficiency power transformers intended for the production, transmission and distribution of electricity. This company is in majority ownership of Siemens and represents a strategic partnership for the Group. Associate Končar - Power Transformers Ltd., Zagreb has a financial year end as at 30 September each year. The Group presented the financial position of the associate as at 31 December while the share in profit is recognised based on the financial performance of the associate for period 1 January 2025 – 31 December 2025, as presented further.

The company Elkakon Ltd. produces industrial conductors and is primarily a strategic partner to the subsidiary KONČAR – Distribution and Special Transformers Ltd.

The company TBEA Končar Instrument Transformers, China produces electric transformers, power transformers, combined instrument transformers and their components and represents strategic partnership for the Group that enables access to new customers and eastern markets.

The company Male hidre Ltd. is primarily engaged in electricity generation from hydro potentials.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 16 Investments accounted for using the equity method (continued)

Movements in investments in associates and joint ventures are as follows:

#### Associates accounted for using the equity method

	Končar - Power Transformers Ltd. EUR'000	Elkakon Ltd. EUR'000	Total EUR'000
<b>1 January 2024</b>	<b>32,215</b>	<b>1,118</b>	<b>33,333</b>
Profit/(Loss)	32,740	135	32,875
Dividend payment	(21,294)	(65)	(21,359)
<b>31 December 2024</b>	<b>43,661</b>	<b>1,188</b>	<b>44,849</b>
Profit/(Loss)	43,551	258	43,809
Dividend payment	(42,980)	(55)	(43,035)
<b>31 December 2025</b>	<b>44,232</b>	<b>1,391</b>	<b>45,623</b>

Dividends declared by the associate reduce the equity accounted investment and are presented as dividends receivable within note 21 "Financial assets at amortised cost". The total dividend paid in 2025 amounts to EUR 21,349 thousand while in 2024 the total cash inflow from dividends amounted to EUR 8,381 thousand.

#### Joint ventures accounted for using the equity method

	TBEA Končar Instrument transformers Ltd EUR'000	Members of TLM Group EUR'000	Male hidre Ltd. EUR'000	Total EUR'000
<b>1 January 2024</b>	<b>3,464</b>	<b>1</b>	<b>384</b>	<b>3,849</b>
Profit/(Loss)	1,305	-	(6)	1,299
Dividend payment	(299)	-	-	(299)
<b>31 December 2024</b>	<b>4,470</b>	<b>1</b>	<b>378</b>	<b>4,849</b>
Profit/(Loss)	1,204	-	(41)	1,163
Dividend payment	(400)	-	-	(400)
<b>31 December 2025</b>	<b>5,274</b>	<b>1</b>	<b>337</b>	<b>5,612</b>

Information on the financial position of associates and joint ventures as at 31 December 2025 is shown in the following table:

#### Associates accounted for using the equity method

	Končar - Power Transformers Ltd. 2025 EUR'000	Elkakon Ltd. 2025 EUR'000	Total 2025 EUR'000
Non-current assets	89,087	1,206	90,293
Current assets	404,276	3,456	407,732
<b>Total assets</b>	<b>493,363</b>	<b>4,662</b>	<b>498,025</b>
<b>Total liabilities</b>	<b>403,108</b>	<b>1,873</b>	<b>404,981</b>
Revenues	356,267	17,351	373,618
Expenses	(248,307)	(16,721)	(265,028)
Profit/(loss) before tax	107,960	630	108,590
Income tax	(19,081)	(114)	(19,195)
<b>Profit/(loss) after tax</b>	<b>88,879</b>	<b>516</b>	<b>89,395</b>
Ownership share (in %)	49%	50%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>43,551</b>	<b>258</b>	<b>43,809</b>

#### Joint ventures accounted for using the equity method

	TBEA Končar Instrument trans- formers Ltd. 2025 EUR'000	Male hidre Ltd. 2025 EUR'000	Total 2025 EUR'000
Non-current assets	1,463	14,027	15,490
Current assets	38,680	16,414	55,094
<b>Total assets</b>	<b>40,143</b>	<b>30,441</b>	<b>70,584</b>
<b>Total liabilities</b>	<b>21,113</b>	<b>29,782</b>	<b>50,895</b>
Revenues	29,438	460	29,898
Expenses	(24,161)	(540)	(24,701)
Profit/(loss) before tax	5,277	(80)	5,197
Income tax	(817)	-	(817)
<b>Profit/(loss) after tax</b>	<b>4,460</b>	<b>(80)</b>	<b>4,380</b>
Ownership share (in %)	27%	51%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>1,204</b>	<b>(41)</b>	<b>1,163</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 16 Investments accounted for using the equity method (continued)

Summary information on the financial position of associates and joint ventures as at 31 December 2024 is shown in the following table:

#### Associates accounted for using the equity method

	Končar - Power Transformers Ltd. 2024. EUR'000	Elkakon Ltd. 2024. EUR'000	Total 2024 EUR'000
Non-current assets	61,929	1,250	63,179
Current assets	246,294	3,006	249,300
<b>Total assets</b>	<b>308,223</b>	<b>4,256</b>	<b>312,479</b>
<b>Total liabilities</b>	<b>219,119</b>	<b>1,872</b>	<b>220,991</b>
Revenues	294,529	16,433	310,962
Expenses	(224,260)	(16,101)	(240,361)
Profit/(loss) before tax	70,269	332	70,601
Income tax	(3,453)	(62)	(3,515)
<b>Profit/(loss) after tax</b>	<b>66,816</b>	<b>270</b>	<b>67,086</b>
Ownership share (in %)	49%	50%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>32,740</b>	<b>135</b>	<b>32,875</b>

#### Joint ventures accounted for using the equity method:

	TBEA Končar Instrument transformers Ltd. 2024 EUR'000	Male hidre Ltd. 2024 EUR'000	Total 2024 EUR'000
Non-current assets	1,711	22,003	23,714
Current assets	33,144	1,716	34,860
<b>Total assets</b>	<b>34,855</b>	<b>23,719</b>	<b>58,574</b>
<b>Total liabilities</b>	<b>18,283</b>	<b>22,980</b>	<b>41,263</b>
Revenues	28,871	347	29,218
Expenses	(23,958)	(360)	(24,318)
Profit/(loss) before tax	4,913	(13)	4,900
Income tax	(78)	-	(78)
<b>Profit/(loss) after tax</b>	<b>4,835</b>	<b>(13)</b>	<b>4,822</b>
Ownership share (in %)	27%	51%	
<b>Share in profit/(loss) for equity accounted investments</b>	<b>1,305</b>	<b>(6)</b>	<b>1,299</b>

### 17 Other investments

	31 December 2025 EUR'000	31 December 2024 EUR'000
<i>Financial assets at FVOCI</i>	12	240
<i>Financial assets at FVTPL</i>		
Debentures	131	131
Investments in shares	675	755
Other financial assets	2,243	-
<b><i>Financial assets at FVOCI</i></b>	<b>3,049</b>	<b>886</b>
	<b>3,061</b>	<b>1,126</b>

/i/ Other financial assets relate to an option to acquire non-controlling interests, measured at fair value as at the reporting date.

### 18 Financial assets at amortised cost

	31 December 2025 EUR'000	31 December 2024 EUR'000
Receivables for shares sold	583	913
Loans, deposits and similar assets	1,240	6,921
Long-term guarantee deposits – retentions /i/	3,802	4,901
Receivables for flats sold	6	12
Other	666	226
	<b>6,297</b>	<b>12,973</b>

/i/ Long-term guarantee deposits relate to retentions, i.e. amounts withheld on each issued invoice/interim certificate, with amounts defined in accordance with the provisions of the contract. Retention amounts for individual projects vary between 5% and 10% and are accumulated up to a certain contract value.

For the Norwegian market, it is specific that a 10% retention is accumulated on each issued invoice, while at the same time the total amount is limited to a maximum of 5% of the total contract value. For the Swedish market, it is specific that a 5% retention is accumulated on each issued invoice, while at the same time the amount is limited to a maximum of 5% of the total contract value.

For other retentions, it is characteristic that the accumulation in percentage is defined by the contract for the entire duration of the contract execution. In all cases, the retention is released upon the takeover of the facility by the Investor after the construction period, and, if allowed by the contracts, after partial takeover of parts of the facility with the Investor's consent.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 19 Inventories

	31 December 2025 EUR'000	31 December 2024 EUR'000
Raw materials and supplies	128,953	119,165
Work in progress	76,043	70,717
Finished goods	47,753	32,585
Trade goods and goods in transit	3,757	4,514
Small inventory and packaging	1,266	2,725
	<b>257,772</b>	<b>229,706</b>

### 20 Other assets

	31 December 2025 EUR'000	31 December 2024 EUR'000
Advances for inventories	10,639	6,220
Assets recognized based on costs to obtain a contract	14,924	13,171
	<b>25,563</b>	<b>19,391</b>

### 21 Financial assets at amortized cost

	31 December 2025 EUR'000	31 December 2024 EUR'000
Trade receivables	296,786	228,931
Receivables from related parties /i/	46,588	24,159
Short-term guarantee deposits – retentions	8,957	3,364
Receivables for value added tax	16,677	12,946
Receivables on recognized claims	-	121
Receivables for advances given for services	18,915	15,171
Prepaid expenses and accrued income	6,894	9,570
Other /ii/	18,037	6,222
	<b>412,854</b>	<b>300,484</b>

/i/ Receivables from related parties include receivables for the dividend declared by the associate in the total amount of EUR 42,980 thousand (31 December 2024: EUR 21,294 thousand).

/ii/ Other receivables mostly relate to receivables from the state and receivables from employees.

Trade receivables are as follows:

	31 December 2025 EUR'000	31 December 2024 EUR'000
Trade receivables – domestic, gross	124,968	85,017
Trade receivables – foreign, gross	178,974	150,748
Impairment	(7,156)	(6,834)
	<b>296,786</b>	<b>228,931</b>

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

	31 December 2025 EUR'000	31 December 2024 EUR'000
Not yet due	227,155	171,527
< 60 days	51,543	42,027
60-90 days	2,567	3,545
90-180 days	7,537	4,674
180-365 days	5,403	3,111
> 365 days	2,581	4,047
	<b>296,786</b>	<b>228,931</b>

Maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above.

The following table explains the changes in the expected credit loss for trade receivables between the beginning and the end of the period:

	EUR'000
<b>As at 1 January 2024</b>	<b>3,999</b>
The effect of acquisition of subsidiaries	(3)
Increase in expected credit loss	1,874
Collected during the year	(409)
Impaired during the year	1,675
<i>Total changes in expected credit loss through profit or loss</i>	<i>3,140</i>
Written off during the year	(303)
Foreign exchange differences	1
<b>As at 31 December 2024</b>	<b>6,834</b>
Increase in expected credit loss	958
Collected during the year	(1,370)
Impaired during the year	882
<i>Total changes in expected credit loss through profit or loss</i>	<i>470</i>
Written off during the year	(147)
Foreign exchange differences	(1)
<b>As at 31 December 2025</b>	<b>7,156</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 22 Contract assets and contract liabilities

The Group has recognized the following assets and liabilities from contracts with customers:

	31 December 2025 EUR'000	31 December 2024 EUR'000
Contract assets from contract with customers	79,176	100,824
Expected credit loss	(180)	200
<b>Total current assets from contract with customers</b>	<b>78,996</b>	<b>101,024</b>
Contractual obligation from contracts with customers	66,490	8,152
Contractual obligation - advances received from the customers	284,130	226,003
<b>Total contract liabilities</b>	<b>350,620</b>	<b>234,155</b>

Revenue recognized in the reporting period that was a part of the contract liabilities at the beginning of the period amounted to EUR 8,152 thousand (2024: EUR 13,146 thousand).

Contractual obligations at the reporting date relate to contracts with customers with a total value of EUR 1,411,382 thousand (31 December 2024: EUR 1,109,814 thousand), and for which performance obligations are to be met in the next reporting period.

### 23 Current financial assets

	31 December 2025 EUR'000	31 December 2024 EUR'000
Deposits over 3 months	120,323	65,236
Republic of Croatia treasury notes	29,467	14,916
Other financial assets	33	11
	<b>149,823</b>	<b>80,163</b>

The Group earns interest on deposits over 3 months at rates ranging from 0.001% to 2.68% per annum (2024: 0.001% to 2.68%), while the Republic of Croatia treasury notes bear interest at a rate of 2% p.a. (2024: 2.60%).

### 24 Cash and cash equivalents

	31 December 2025 EUR'000	31 December 2024 EUR'000
Cash in bank, domestic and foreign currency	151,758	77,523
Cash on hand	6	3
Deposits up to 3 months	90,951	70,438
	<b>242,715</b>	<b>147,964</b>

Interest rate on the Group's cash in bank and deposits up to 3 months is 0.001% - 4.22% p.a. (2024: 0.001% - 3.8% p.a.).

Disclosures related to credit risk are presented in note 31 Financial risk management and financial instruments.

The Group deposits money with banks that, according to the S&P agency's assessment, have the following credit rating:

	31 December 2025 EUR'000	31 December 2024 EUR'000
A+	50,935	3,990
A	15	-
A-	115,799	16,248
AA	2,263	-
AA-	6,577	-
AAA	400	305
B+	702	1,056
B	4	-
B-	-	2
BB+	2	-
BB	34	16,055
BB-	158	699
BBB+	58,378	29,033
BBB	3,379	40,872
BBB-	1,570	18,876
Not rated	2,499	20,828
	<b>242,715</b>	<b>147,964</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 25 Non-current assets held for sale

During 2025 a Group company entered into a sale agreement for real estate where production is currently taking place, with handover to be carried out in phases in accordance with the agreed terms. The portion of the real estate for which revenue will be recognised in 2026 has been classified as assets held for sale.

	31 December 2025 EUR'000	31 December 2024 EUR'000
Land	290	180
Buildings	1,112	577
	<b>1,402</b>	<b>757</b>

The fair value of non-current assets held for sale at the balance sheet date refers to level 3 of fair value as the input variables for its determination are not based on observable market data. The fair value of non-current assets held for sale at the balance sheet date is EUR 2.9 million (31 December 2024: EUR 1.2 million).

### 26 Capital and reserves

Share capital is determined in the nominal amount of EUR 159,471 thousand (31 December 2024: EUR 159,471 thousand) and comprises 2,572,119 shares (31 December 2024: 2,572,119 shares) with a nominal value of EUR 62 per share (31 December 2024: EUR 62).

The ownership structure of the Parent company is as follows:

Shareholder	31 December 2025		31 December 2024	
	Number of shares	Ownership share %	Number of shares	Ownership share %
HPB d.d. (Capital fund Inc.)	724,515	28.17	724,515	28.17
Erste & Steiermärkische bank d.d. / PBZ CO OMF - Category B	313,890	12.20	463,067	18.00
OTP Bank d.d. / Erste Plavi obligatory pension fund	276,385	10.75	381,660	14.84
OTP Bank d.d. / AZ OMF	398,065	15.48	373,065	14.50
Restructuring and Sale Center / Croatia	60,000	2.33	60,000	2.33
Privredna banka Zagreb d.d. / Raiffeisen OMF Category B	47,636	1.85	47,636	1.85
Zagrebačka banka d.d. / AZ Profit DMF	26,900	1.05	35,817	1.39
Privredna banka Zagreb d.d.	34,158	1.33	-	-
Erste & Steiermärkische bank d.d./ PBZ CO OMF - Category A	29,084	1.13	20,284	0.79
Other shareholders	637,786	24.80	440,769	17.14
KONČAR Inc. (treasury shares)	23,700	0.92	25,306	1.00
	<b>2,572,119</b>	<b>100</b>	<b>2,572,119</b>	<b>100</b>

Ordinary shares of the Company are listed on the Official market at the Zagreb Stock Exchange under the name KOEI-R-A from 21 December 2010, in accordance with the resolution of the Zagreb Stock Exchange Management from 20 December 2010.

In 2024, the Management Board is authorized to acquire treasury shares for a period of 5 years, based on a decision of the General Assembly. Part of other reserves in the amount of EUR 4 million, in accordance with the decision of the General Assembly, will be used for the purpose of acquiring treasury shares, thus forming reserves for the purchase of treasury shares. During 2025 and 2024, there was no redemption of shares, and at 31 December 2025 the Company owns 23,700 of its own shares (31 December 2024: 25,306 shares).

In 2025, the General Assembly adopted a decision to pay dividends to shareholders of EUR 7,642 thousand (in 2024: EUR 6,366 thousand).

The Company has established legal, statutory and other reserves in accordance with the Companies Act that are formed on the basis of profit distribution according to the General Assembly's decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 27 Non-controlling interests

Non-controlling interest refers to as follows:

	31 December 2025 EUR'000	31 December 2024 EUR'000
D&ST Group	170,671	120,225
KONČAR - Instrument transformers Inc. Group	14,400	10,401
KONČAR - Electric vehicles Inc.	3,734	3,490
Dalekovod Group	20,351	17,272
Solar power plant Deponija fosfogipsa Ltd.	63	63
KONČAR - Systems Integration Ltd.	-	1,234
Liburnia Solar Ltd.	(25)	(6)
South East Energy Ltd.	(3)	(1)
KONČAR - Transformer Tanks Ltd.	7,358	-
HELB Ltd.	1,258	-
	<b>217,807</b>	<b>152,678</b>

Companies and Groups with significant non-controlling interest are identified below:

Non-controlling interest	31 December 2025 (%)	31 December 2024 (%)
D&ST Group	32.10	32.10
KONČAR - Instrument Transformers Inc. Group	0.23	0.23
KONČAR - Electric Vehicles Inc.	14.27	15.27
Dalekovod Group	24.84	24.84

These four companies/Groups represent 96% of the total amount of the Group's positive non-controlling interest at the balance sheet date.

During 2025, the Group acquired a 25% non-controlling interest in KONČAR – Systems Integration Ltd. The acquisition of the non-controlling interest resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 7.3 million. During 2025, the related purchase liability was partially settled in the amount of EUR 4.4 million.

In addition, during 2025, the Group acquired a 1% non-controlling interest in KONČAR – Electric Vehicles Inc. and a 16% non-controlling interest in South East Energy Ltd. The acquisition of these non-controlling interests resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 230 thousand. The Group also sold a 40% interest in KONČAR – Transformer Tanks Ltd. to Siemens Energy.

In 2024, the Group repurchased 36.83% of the non-controlling interest in the company Dalekovod jsc. for EUR 32 million, and as of 31 December 2024, holds 75.16% of the shares of Dalekovod. The acquisition of the non-controlling interest resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 4,347 thousand.

Additionally, during 2024, the Group acquired additional 7.27% of the non-controlling interest in the company KONČAR – Electric Vehicles Inc. The acquisition of the non-controlling interest resulted in a decrease in equity and reserves attributable to owners in the amount of EUR 583 thousand. Payments in the amount of EUR 746 thousand relate to the acquisition in 2024 and also the acquisitions carried out at the end of 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 27 Non-controlling interests (continued)

The following are summary financial information of the companies with a significant non-controlling interest:

	KONČAR - D&ST Inc. consolidated		KONČAR - MT Inc. consolidated		KONČAR - EV Inc.		DALEKOVOD jsc. consolidated	
	2025 EUR'000	2024 EUR'000	2025 EUR'000	2024 EUR'000	2025 EUR'000	2024 EUR'000	2025 EUR'000	2024 EUR'000
<b>Statement of comprehensive income</b>								
Income	524,988	472,888	77,634	54,254	90,187	66,448	280,795	196,007
Expenses	(351,581)	(328,951)	(62,089)	(44,365)	(86,136)	(63,288)	(268,856)	(188,580)
Profit before tax	173,407	143,937	15,545	9,889	4,051	3,160	11,939	7,427
Income tax	(31,171)	(26,225)	(3,608)	(1,585)	(731)	252	(275)	(1,360)
<b>Profit after tax</b>	<b>142,236</b>	<b>117,712</b>	<b>11,937</b>	<b>8,304</b>	<b>3,320</b>	<b>3,412</b>	<b>11,664</b>	<b>6,067</b>
<b>Statement of financial position</b>								
Non-current assets	106,377	69,848	22,126	15,591	15,136	14,500	53,152	42,568
Current assets	563,668	420,462	63,842	41,691	89,599	77,166	150,145	113,872
<b>Total assets</b>	<b>670,045</b>	<b>490,310</b>	<b>85,968</b>	<b>57,282</b>	<b>104,735</b>	<b>91,666</b>	<b>203,297</b>	<b>156,440</b>
<b>Total liabilities</b>	<b>(319,582)</b>	<b>(243,585)</b>	<b>(48,109)</b>	<b>(29,933)</b>	<b>(78,565)</b>	<b>(68,811)</b>	<b>(120,340)</b>	<b>(88,130)</b>
<b>Adjustments of net assets upon acquisition</b>	<b>10,627</b>	<b>7,636</b>	-	-	-	-	<b>(1,026)</b>	<b>1,223</b>
<b>Cash flow</b>								
Cash flow from operating activities	171,193	161,997	22,645	9,772	37,129	(3,404)	22,448	8,562
Cash flow from investing activities	(107,345)	(115,255)	(7,777)	(1,406)	(1,754)	(2,407)	(7,554)	(3,654)
Cash flow from financing activities	(31,992)	(19,068)	(2,466)	(8,405)	(17,000)	10,000	2,800	(4,926)
<b>Net increase/(decrease) in cash</b>	<b>31,856</b>	<b>27,674</b>	<b>12,402</b>	<b>(39)</b>	<b>18,375</b>	<b>4,189</b>	<b>17,694</b>	<b>(18)</b>
Cash at beginning of period	88,092	60,418	1,772	1,811	12,473	8,284	12,327	12,345
<b>Cash at end of period</b>	<b>119,948</b>	<b>88,092</b>	<b>14,174</b>	<b>1,772</b>	<b>30,848</b>	<b>12,473</b>	<b>30,021</b>	<b>12,327</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 28 Provisions

	Warranty provisions EUR'000	Provisions for legal disputes EUR'000	Jubilee awards and retirement benefits EUR'000	Other provisions EUR'000	Total EUR'000
<b>1 January 2024</b>	<b>29,011</b>	<b>5,067</b>	<b>6,896</b>	<b>1,073</b>	<b>42,047</b>
Effect of business combinations	(723)	(184)	17	890	-
Additional provisions	9,312	2,578	3,062	1,051	16,003
Usage of provisions	(3,937)	-	(862)	(21)	(4,820)
Release of provision	(5,086)	(1,508)	(921)	(1,306)	(8,821)
Foreign exchange differences and similar	17	-	4	2	23
<b>31 December 2024</b>	<b>28,594</b>	<b>5,953</b>	<b>8,196</b>	<b>1,689</b>	<b>44,432</b>
<i>Current provisions</i>	8,868	5,282	1,600	741	16,491
<i>Non-current provisions</i>	19,726	671	6,596	948	27,941
	<b>28,594</b>	<b>5,953</b>	<b>8,196</b>	<b>1,689</b>	<b>44,432</b>
Effect of business combinations	50	100	-	-	150
Reclassifications	-	-	(2,380)	-	(2,380)
Additional provisions	8,651	11,819	2,319	1,228	24,016
Usage of provisions	(5,170)	(2,480)	(81)	(410)	(8,141)
Release of provision	(6,158)	(22)	(1,040)	(449)	(7,668)
Foreign exchange differences and similar	17	-	5	106	128
<b>31 December 2025</b>	<b>25,984</b>	<b>15,370</b>	<b>7,019</b>	<b>2,164</b>	<b>50,537</b>
<i>Current provisions</i>	4,297	13,775	1,011	1,107	20,190
<i>Non-current provisions</i>	21,687	1,595	6,008	1,057	30,347
	<b>25,984</b>	<b>15,370</b>	<b>7,019</b>	<b>2,164</b>	<b>50,537</b>

#### Warranty provisions

Warranty provisions are made based on the Management's best estimate. The provision is created based on the Group's estimate and historical experience as well as by comparison with other similar equipment manufacturers' (most of the provision relates to transformers and rail vehicles). The Group provides long-term warranties for delivered products, typically lasting up to 5 years, and in exceptional cases up to 10 years. Based on historical data on costs of repairs during the warranty period and the number of products sold, as well as the prevailing warranty period, the Management estimates and creates a provision for repairs under warranty. The amount of provisions has increased due to the rise in the number of products sold and delivered to customers and specifically identified customers' complaints during 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 28 Provisions (continued)

#### Provisions for legal disputes

Non-current provisions for legal disputes in the amount of EUR 3,597 thousand (2024: EUR 5,953 thousand) relate to legal disputes in progress initiated against the companies within the Group and estimated costs of these disputes.

Provisions for legal disputes in the amount of EUR 2 million relate to a dispute with Brodosplit Inc. concerning contractual obligations, in which the Group is the defendant.

During 2024, provisions were recognised in connection with a misdemeanour proceeding initiated by the Croatian Financial Services Supervisory Agency (HANFA) against Dalekovod jsc. By the first-instance judgment, Dalekovod jsc. was imposed a monetary fine, which was fully settled in the amount of EUR 2.4 million during 2025.

The subsidiary, Dalekovod jsc., received on 23 December 2025 a Supreme Court of the Republic of Croatia judgment in the case registered under reference number Rev 913/2023 dated 16 November 2023, deciding on the revision filed by the subsidiary as claimant against the judgment of the High Commercial Court in Zagreb, reference number Pž-4194/2021 dated 14 February 2022. By its judgment, the Supreme Court upheld the revision of the subsidiary and amended the judgment of the High Commercial Court in such a way that the appeal of PODRAVSKA BANKA d.d., as defendant, was dismissed as unfounded, and the payment of damages in the amount of EUR 7,166 thousand, together with statutory default interest and litigation costs, was ordered. During 2025, the subsidiary received a total amount of EUR 11,774 thousand (EUR 11,605 thousand relating to principal and statutory default interest and EUR 169 thousand relating to litigation costs). In light of the information regarding a constitutional complaint filed by PODRAVSKA BANKA d.d., the subsidiary continues to consider the final outcome uncertain and has therefore recognised the aforementioned amount as a provision for legal disputes. There was no impact on the consolidated statement of profit or loss in the reporting period.

#### Provisions for jubilee awards and retirement benefits

Provisions for jubilee awards and termination benefits in the amount of EUR 6,981 thousand (2024: EUR 8,196 thousand) relate to regular employee benefits (regular termination benefits and jubilee awards), and termination benefits to the Management Board in accordance with the Collective Agreement, to which the Group's employees are entitled. The net present value of the provision is calculated on the basis of the number of employees, amount of benefit, years of service at the balance sheet date and the discount rate of 2.87% (2024: 2.94%) p.a.

### 29 Borrowings

	31 December 2025 EUR'000	31 December 2024 EUR'000
Liabilities to banks and other financial institutions /i/	55,566	50,227
Lease liabilities	14,676	8,512
Liabilities for loans	-	278
	<b>70,242</b>	<b>59,017</b>
	<b>31 December 2025 EUR'000</b>	<b>31 December 2024 EUR'000</b>
<b>/i/ Liabilities to banks and other financial institutions</b>		
Liabilities to banks	48,824	30,027
Less: Current portion	(13,178)	(6,392)
<b>Long term liabilities to banks</b>	<b>35,646</b>	<b>23,635</b>
Liabilities to banks and other financial institutions	6,742	20,200
Plus: Current portion	13,178	6,392
<b>Short term liabilities to banks and other financial institutions</b>	<b>19,920</b>	<b>26,592</b>
	<b>55,566</b>	<b>50,227</b>

#### /ii/ Lease liabilities

Long term  
Short term

	31 December 2025 EUR'000	31 December 2024 EUR'000
	11,181	5,870
	3,495	2,642
	<b>14,676</b>	<b>8,512</b>

Changes in bank borrowings were as follows:

	EUR'000
<b>1 January 2024</b>	<b>59,856</b>
New borrowings	48,413
Foreign exchange differences	(49)
Repayment of borrowings	(58,367)
Non-cash transactions	374
<b>31 December 2024</b>	<b>50,227</b>
Added through business combinations	1,160
New borrowings	62,017
Repayment of borrowings	(57,531)
Non-cash transactions	(307)
<b>31 December 2025</b>	<b>55,566</b>

Long-term bank borrowings mature as follows:

	31 December 2025 EUR'000	31 December 2024 EUR'000
Within one year	19,920	26,592
From 1 to 2 years	9,960	10,593
Between 2 and 5 years	14,110	10,601
More than 5 years	11,576	2,441
	<b>55,566</b>	<b>50,227</b>

The Group's property and plant in the carrying amount of EUR 58,394 thousand (2024: EUR 31,159 thousand) and equipment and movables in the amount of EUR 4.1 million (2024: EUR 5.1 million) has been pledged as collateral for long-term and short-term bank borrowings. Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The fixed interest rate on the Group's long-term borrowings ranges from 0.95% to 4% p.a. (2025: 0.95% to 3.5% p.a.), while the fixed interest rate on the Group's short-term borrowings is 2.77%-5.2% p.a. (2024: 1.6% p.a.). The Group considers that the fair value of borrowings with fixed interest rates does not differ significantly from their carrying amount, as the Group's average weighted interest rate on variable-rate borrowings amounts to 3.2% p.a. (2024: 3.2% p.a.), which falls within the range of the stated fixed rates on borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 29 Borrowings (continued)

#### Additional contractual obligations (debt covenants)

Debt covenants have been agreed with certain loan providers, which the Group must adhere to. The Group has an agreement with several creditors that it must maintain the ratio of net debt/EBITDA to a certain maximum level, and the calculation is carried out at the level of the consolidated financial statements of Group parent for each year. In case of non-compliance with contractual obligations, it is possible to declare the loan fully due by the creditor. Regarding this financial covenant at the level of the consolidated financial statements, the Group estimated, based on the available information up to the time of signing these statements, that this condition was met.

### 30 Other long-term liabilities

	31 December 2025 EUR'000	31 December 2024 EUR'000
Deferred revenue recognition on the ENU project	2,330	2,522
Contingent consideration liabilities	3,228	-
	<b>5,558</b>	<b>2,522</b>

Deferred revenue recognition under the ENU project in the amount of EUR 2.3 million relates to non-refundable funds granted for the co-financing of the project "Increasing energy efficiency and the use of renewable energy sources," which the Group received from the Ministry of Economy and Sustainable Development. The revenue will be recognized in line with the depreciation of the related assets.

### 31 Other short-term financial liabilities

	31 December 2025 EUR'000	31 December 2024 EUR'000
Supplier factoring liabilities	16,292	12,065
Other short-term financial liabilities	35	60
	<b>16,327</b>	<b>12,125</b>

The interest rates on factoring during 2025 ranged from 1-month EURIBOR plus 0.60% to 1.15% (2024: 2.5% to 6.49%) p.a.

The movement of supplier factoring was as follows:

	EUR'000
<b>1 January 2024</b>	<b>21,810</b>
New borrowings	25,426
Repayments	(35,171)
<b>31 December 2024</b>	<b>12,065</b>
New borrowings	24,067
Repayments	(19,840)
<b>31 December 2025</b>	<b>16,292</b>

The Group treats the factoring arrangements as a financial activity within the Statement of Cash Flows. Payments made by the bank to suppliers are treated as non-monetary transactions. During 2025, the Group used supplier factoring in the amount of EUR 36,131 thousand (2024: EUR 47,236 thousand).

All liabilities to banks for supplier factoring are due within one year.

The range of payment due dates for financial liabilities owed to financing providers does not differ from comparable liabilities to suppliers that are not part of such arrangements.

### 32 Trade and other payables

	31 December 2025 EUR'000	31 December 2024 EUR'000
Domestic trade payables	101,628	83,717
Foreign trade payables	58,825	65,247
Liabilities to related parties	6,611	6,804
Advance payments for the sale of real estate	10,672	-
Liabilities towards employees	26,199	17,186
VAT payable	9,985	5,652
Liabilities for contributions on and from salaries and taxes and surtaxes	13,355	9,041
Advances received	4,277	1,495
Agency commissions	13,036	11,779
Accrued costs and deferred income	4,133	22,432
Contingent consideration liabilities	6,886	-
Other liabilities	5,933	8,658
	<b>261,540</b>	<b>232,011</b>

### 33 Financial risk management and financial instruments

#### Capital risk management

Financial leverage ratio

The finance function of the Group reviews the capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. One of the ratios monitored is the financial leverage ratio which was as follows at the reporting date:

	31 December 2025 EUR'000	31 December 2024 EUR'000
Debt (current and non-current) = D	(70,243)	(59,017)
Bank deposits (current)	120,323	65,236
Cash and cash equivalents	242,715	147,964
Net cash / (debt)	292,795	154,183
Equity = E	847,977	650,053
Financial leverage ratio = D/(D+E)	<b>8%</b>	<b>8%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 33 Financial risk management and financial instruments (continued)

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

	<b>FV hierarchy</b>	<b>31 December 2025 EUR'000</b>	<b>31 December 2024 EUR'000</b>
Quoted shares	Level 1	675	755
Debt instruments	n/a	131	131
Other financial assets	Level 2	2,243	-
<b>Total financial assets at FVTPL</b>		<b>3,049</b>	<b>886</b>
Financial assets at FVOSD	Level 3	12	240
<b>Total financial assets at FVOSD</b>		<b>12</b>	<b>240</b>
Non-current financial assets	n/p	1,240	6,921
Non-current receivables	n/p	5,057	6,052
Current financial assets	n/p	149,823	80,163
Trade and other receivables	n/p	369,008	269,632
Cash and cash equivalents	n/p	242,715	147,964
<b>Total financial assets at amortised cost</b>		<b>767,843</b>	<b>510,732</b>
<b>Total financial assets</b>		<b>770,904</b>	<b>511,858</b>
Loans payable	n/p	55,566	50,227
Leases payable	n/p	14,676	8,512
Debentures	n/p	932	1,346
Liabilities for contingent consideration and call option	n/p	10,114	-
Factoring	n/p	16,292	12,065
Trade payables	n/p	167,064	155,768
<b>Total financial liabilities at amortised cost</b>		<b>264,644</b>	<b>227,918</b>
Derivative instruments	Level 2	333	541
<b>Total financial liabilities at FVTPL</b>		<b>333</b>	<b>541</b>
<b>Total financial liabilities</b>		<b>264,977</b>	<b>228,459</b>

### A) Fair value of financial assets and liabilities

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

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

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

#### *Derivative financial instruments*

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

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

#### *Receivables and bank deposits*

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

#### *Borrowings*

Fair value of current liabilities approximates their carrying value due to the fact that the interest rates on said loans are approximated by relevant market interest rates. The Management Board believes that their fair value is not materially different from their carrying value.

#### *Other financial instruments*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 33 Financial risk management and financial instruments (continued)

#### B) Financial instrument risks

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

#### 1 Market risk

Market risk is the fluctuation risk of fair value or future cash flows of financial instruments resulting from changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks.

There were no significant changes to the Group's exposure to market risk or the manner in which it measures and manages the risk.

#### a) Foreign currency risk and cash flow hedge accounting

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

The Group is exposed to this risk through sales, purchase and loans stated in a foreign currency which is not the Group's functional currency. Foreign currency primarily exposed to such risks is EUR. The Group is, therefore, exposed to the risk that movements in exchange rates will affect both its net income and financial position, as expressed in EUR.

The relevant exchange rates during the period were as follows:

	Spot exchange rate		Average exchange rate	
	31 December 2025 EUR	31 December 2024 EUR	31 December 2025 EUR	31 December 2024 EUR
SEK	10.82	11.49	11.07	11.43
NOK	11.83	11.84	11.72	11.63
USD	1.18	1.04	1.13	1.08
AUD	1.78	1.68	1.75	1.64
CAD	1.61	1.50	1.58	1.48
GBP	0.87	0.83	0.86	0.85

Apart from euros, as of the reporting date, the majority of the assets and liabilities of the Group were denominated in currencies as shown below.

	31 Decem- ber 2025 SEK'000	31 Decem- ber 2025 NOK'000	31 Decem- ber 2025 USD'000	31 Decem- ber 2025 AUD'000	31 Decem- ber 2025 GBP'000	31 Decem- ber 2025 Other cur- rencies'000
Trade receivables	17,211	10,285	8,716	4,168	2,351	11,346
Deposits (over 3 months)	-	-	-	-	-	9
Cash and cash equivalents	9,130	1,349	11,570	4,644	379	2,637
Trade and other payables	(605)	(1,704)	(687)	(2)	-	(4,983)
Borrowings and lease liabilities	-	(824)	-	-	-	-
Derivative instruments	(120)	-	-	-	(63)	-
	<b>26,221</b>	<b>9,106</b>	<b>19,599</b>	<b>8,810</b>	<b>2,667</b>	<b>9,009</b>

	31 Decem- ber 2024 SEK'000	31 Decem- ber 2024 NOK'000	31 Decem- ber 2024 USD'000	31 Decem- ber 2024 AUD'000	31 Decem- ber 2024 GBP'000	31 Decem- ber 2024 Other cur- rencies'000
Trade receivables	15,115	8,010	6,994	2,380	1,827	8,160
Deposits (over 3 months)	25	-	-	-	-	34
Cash and cash equivalents	3,260	2,287	163	439	2,576	2,242
Trade and other payables	(2,674)	(1,102)	(652)	-	-	(9,132)
Derivative instruments	-	-	-	-	(541)	-
	<b>15,726</b>	<b>9,195</b>	<b>6,505</b>	<b>2,819</b>	<b>3,862</b>	<b>1,304</b>

#### b) Interest rate risk

The companies of the Group are mostly exposed to interest rate risk from loans and borrowings contracted at variable interest rates, while insignificant part of assets is exposed to interest rate risk.

Overview of borrowings with fixed and variable interest rates is as follows:

	31 Dec 2025 EUR'000	31 Dec 2024 EUR'000
Bank and other loans based on fixed interest rates	48,126	31,366
Bank and other loans based on variable interest rates	7,430	18,861
	<b>55,556</b>	<b>50,227</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 33 Financial risk management and financial instruments (continued)

#### b) Interest rate risk (continued)

The Group analyses the exposure to interest rates at the reporting date by taking into account the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is deemed a reasonably possible change in interest rates. The estimated effect of the reasonably possible change in variable interest rates on the result before tax is not material. The Group does not hedge against interest rate risk.

#### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss for the other party. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses data and opinions of specialised rating companies, the Chamber of Economy and other publicly available financial information on the financial positions of companies as well as its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and measured and the aggregate value of contracts concluded is spread amongst creditworthy counterparties.

A significant part of credit risk arises from the Group's operating activities (primarily trade receivables) and from the Company's financial activities, including deposits with banks and financial institutions.

#### *Impairment of financial assets*

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables arising from the sale of goods and services
- Contract assets
- Debt instruments at amortised costs
- Debt instruments at fair value through other comprehensive income

Although cash and cash equivalents are also subject to impairment in accordance with IFRS 9 requirements, the impairment identified is immaterial.

#### *Trade receivables and contract assets*

The Group applies the simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics – country risk of the customer and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles over a period of 36 months before 31 December 2025 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are impaired directly if there are no reasonable expectations that they will be recovered. Indicators that there is no reasonable expectation that trade receivables and contract assets will be recovered include, inter alia, a failure to make contractual payments for a period of more than one year.

#### *Other financial assets at amortised cost*

Other financial assets at amortised cost include receivables for flats sold, receivables for shares sold, receivables for loans given, receivables for recognised claims, receivables for dividends from associates and receivables from foreign sales.

The analysis performed has shown that the effect of applying IFRS 9 on receivables for recognised claims, receivables for dividends and receivables from foreign sales is immaterial and as such was not recognized at 31 December 2025 and at 31 December 2024.

#### Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. Liquidity risk management is the responsibility of the Management Boards of the Group companies, while the Company's Management Board has built a quality frame for monitoring current, middle and long-term financing, and all liquidity risk requirements. The Group manages liquidity risk by continuously monitoring the anticipated and actual cash flow based on the maturity of financial assets and liabilities.

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

	<b>Net book value EUR'000</b>	<b>Contractual cash flows EUR'000</b>	<b>up to 1 year EUR'000</b>	<b>2 – 5 years EUR'000</b>	<b>over 5 years EUR'000</b>
<b>31 December 2025</b>					
<b><i>Non-interest bearing liabilities</i></b>					
Current trade and other payables	167,063	167,063	166,717	346	-
<b><i>Interest bearing liabilities</i></b>	<b>87,800</b>	<b>91,854</b>	<b>40,071</b>	<b>45,165</b>	<b>6,618</b>
	<b>254,863</b>	<b>258,917</b>	<b>206,788</b>	<b>45,511</b>	<b>6,618</b>
	<b>Net book value EUR'000</b>	<b>Contractual cash flows EUR'000</b>	<b>up to 1 year EUR'000</b>	<b>2 – 5 years EUR'000</b>	<b>over 5 years EUR'000</b>
<b>31 December 2024</b>					
<b><i>Non-interest bearing liabilities</i></b>					
Current trade and other payables	155,768	155,768	155,768	-	-
<b><i>Interest bearing liabilities</i></b>	<b>74,034</b>	<b>77,834</b>	<b>46,775</b>	<b>27,813</b>	<b>3,246</b>
	<b>229,802</b>	<b>233,602</b>	<b>202,543</b>	<b>27,813</b>	<b>3,246</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 34 Segment reporting

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- Power generation - production and revitalization of generators, construction and revitalization of HPPs, construction of solar power plants, production of converters, production and installation of wind turbines, management, maintenance and services;
- Power transmission and distribution - production and sale of distribution, special, measuring and other transformers, transformer boilers, transformer stations, equipment for primary and secondary distribution of electricity, low-voltage plants, monitoring systems, diagnostic, testing and technical supervision services;
- Urban mobility and infrastructure - includes construction and sale of rail vehicles such as trains and trams and related maintenance services in the transport sector;
- Digital solutions and platforms - digital solutions, digital services, digitization of products and production, business support systems, ICT infrastructure and services.

The reportable segments are an integral part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

Other includes the activity of renting real estate, production and sale of switches, circuit breakers and small appliances and machines and metal processing, which do not represent a separate operating segment.

The Group does not disclose the value of total assets and total liabilities of each reporting segment, since such information is not provided to the chief operating decision maker.

#### Segment revenues and results

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 Operating segments and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. Inter-segment revenues are eliminated on consolidation.

in EUR thousands	Power generation		Power transmission and distribution		Urban mobility and infrastructure		Digital solutions and platforms	Total reportable segments	Other	Total
	Renewable energy resources	Hydro	Transmission	Distribution	Urban mobility	Infrastructure				
<b>2025</b>										
External revenue	15,067	114,865	380,099	604,328	94,776	51,151	35,171	1,295,457	22,360	1,317,817
Intersegment revenue	5,192	873	2,731	3,727	323	502	-	13,348	6,715	20,063
<b>Revenue</b>	<b>20,259</b>	<b>115,738</b>	<b>382,830</b>	<b>608,055</b>	<b>95,099</b>	<b>51,653</b>	<b>35,171</b>	<b>1,308,805</b>	<b>28,075</b>	<b>1,337,880</b>
Segment operating costs	18,115	108,199	343,980	444,082	90,982	57,033	29,993	1,092,384	32,500	1,124,884
<b>Segment operating profit / (loss)</b>	<b>2,144</b>	<b>7,539</b>	<b>38,850</b>	<b>163,973</b>	<b>4,117</b>	<b>(5,380)</b>	<b>5,178</b>	<b>216,421</b>	<b>(3,425)</b>	<b>212,996</b>
Net financial result	4	(827)	(3,339)	4,625	(586)	(40)	(1,458)	(1,621)	2,553	932
Share of result in equity accounted investee	(41)	-	44,755	258	-	-	-	44,972	-	44,972
<b>Profit / (loss) before tax</b>	<b>2,107</b>	<b>6,712</b>	<b>80,266</b>	<b>168,856</b>	<b>3,531</b>	<b>(5,420)</b>	<b>3,720</b>	<b>259,772</b>	<b>(872)</b>	<b>258,900</b>
Income tax	(159)	168	5,625	30,758	998	(15)	471	37,846	(1,373)	36,473
<b>Profit / (loss) after tax</b>	<b>2,266</b>	<b>6,544</b>	<b>74,641</b>	<b>138,098</b>	<b>2,533</b>	<b>(5,405)</b>	<b>3,249</b>	<b>221,926</b>	<b>501</b>	<b>222,427</b>
Non-controlling interest										75,567
<b>Profit attributable to the owner</b>										<b>146,860</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 34 Segment reporting (continued)

in EUR thousands	Power generation		Power transmission and distribution		Urban mobility and infrastructure		Digital solutions and platforms	Total reportable segments	Other	Total
	Renewable energy resources	Hydro	Transmission	Distribution	Urban mobility	Infrastructure				
<b>2024</b>										
External revenue	19,548	67,500	286,482	519,122	68,729	38,373	25,739	1,025,493	27,997	1,053,490
Intersegment revenue	4,799	734	4,608	1,096	-	-	96	11,333	1,330	12,663
<b>Revenue</b>	<b>24,347</b>	<b>68,234</b>	<b>291,090</b>	<b>520,218</b>	<b>68,729</b>	<b>38,373</b>	<b>25,835</b>	<b>1,036,826</b>	<b>29,327</b>	<b>1,066,153</b>
Segment operating costs	23,405	63,577	268,668	377,892	64,094	40,317	26,056	864,009	42,537	906,546
<b>Segment operating profit / (loss)</b>	<b>942</b>	<b>4,657</b>	<b>22,422</b>	<b>142,326</b>	<b>4,635</b>	<b>(1,944)</b>	<b>(221)</b>	<b>172,817</b>	<b>(13,210)</b>	<b>159,607</b>
Net financial result	48	(512)	(968)	2,366	(318)	(133)	(484)	(1)	81	80
Share of result in equity accounted investee	-	(7)	34,045	139	-	-	-	34,177	(3)	34,174
<b>Profit / (loss) before tax</b>	<b>990</b>	<b>4,138</b>	<b>55,499</b>	<b>144,831</b>	<b>4,317</b>	<b>(2,077)</b>	<b>(705)</b>	<b>206,993</b>	<b>(13,132)</b>	<b>193,861</b>
Income tax	1	180	3,364	24,934	(36)	263	437	29,143	365	29,508
<b>Profit / (loss) after tax</b>	<b>989</b>	<b>3,958</b>	<b>52,135</b>	<b>119,897</b>	<b>4,353</b>	<b>(2,340)</b>	<b>(1,142)</b>	<b>177,850</b>	<b>(13,497)</b>	<b>164,353</b>
Non-controlling interest										61,753
<b>Profit attributable to the owner</b>										<b>102,600</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 35 Related party transactions

Parties are considered related if one party has the ability to control the other party, if it is under joint control or has a significant influence on the business of the other party. The Group is also in a significant part owned by the Republic of Croatia and other companies in control or under significant influence of the Republic of Croatia. In that respect, the Group is in a related party relationship with state institutions and other companies where the State is a majority owner or has a significant influence. For the purpose of related party disclosures, the Group does not consider routine transactions (such as taxes, levies, etc.) with various local communal entities (directly or indirectly owned by the State) or with other bodies to be related party transactions. More significant transactions with state-owned companies relate to supply of electricity, gas similar utilities. During 2025 the Group has realised total of EUR 284.65 million (2024: EUR 205.28 million) of sale revenues with state institutions and other companies where the State is a majority owner or has a significant influence, which mostly relate to engineering services in energy sector, rail vehicles and industry equipment.

All related party transactions are based on arm's length conditions (purchase of goods, sale of products and provision of services).

2025	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Operating activities</b>				
Associates	44,655	17,180	16,837	14,672
Joint venture	1,965	102	5,881	1,463
<b>Total operating activities</b>	<b>46,620</b>	<b>17,282</b>	<b>22,718</b>	<b>16,135</b>

2025	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Financing activities</b>				
Associates	-	-	-	-
Joint venture	9,716	-	268	-
<b>Total financing activities</b>	<b>9,716</b>	<b>-</b>	<b>268</b>	<b>-</b>

2024	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Operating activities</b>				
Associates	22,887	7,779	7,789	15,509
Joint venture	1,278	460	4,874	1,294
<b>Total operating activities</b>	<b>24,165</b>	<b>8,239</b>	<b>12,663</b>	<b>16,803</b>

2024	Receivables EUR'000	Liabilities EUR'000	Revenues EUR'000	Expenses EUR'000
<b>Financing activities</b>				
Associates	-	-	-	-
Joint venture	5,918	-	193	-
<b>Total financing activities</b>	<b>5,918</b>	<b>-</b>	<b>193</b>	<b>-</b>

Dividend receivables from associates amounted to EUR 42,980 thousand as at 31 December 2025 (31 December 2024: EUR 21,294 thousand).

### Key management remuneration

Salaries include compensations to the Management Board of the Company and other related companies in the amount of EUR 5,621 thousand (2024: EUR 5,280 thousand) and accrued bonuses for the Management Board in the amount of EUR 3,246 thousand (2024: EUR 4,161 thousand), and are an integral part of staff costs. The share-based payment expense recognized for management amounts to EUR 816 thousand. In 2025, total number of key management personnel was 53 (2024: 52).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 36 Share based payment

During 2025, a new Remuneration Policy and Incentive Rules were adopted, defining the rules and procedures for determining the remuneration of Management Board members and key management personnel. Under the said policy/rules, total remuneration is divided into fixed and variable remuneration, as well as a long-term incentive plan.

In 2025, the Company recognised expenses relating to variable remuneration as well as share-based awards:

	<b>2025</b>
	<b>EUR' 000</b>
<b>Variable remuneration (cash-settled)</b>	<b>7,406</b>
• Net	3,629
• Personal income tax	2,481
• Social security contributions (Pension Pillar I, II, Health Insurance)	1,296
<b>Share-based awards (equity-settled)</b>	<b>992</b>
<b>Total expense related to share-based payments</b>	<b>8,398</b>

As of 31 December 2025, the carrying amount of the liability for cash-settled share-based payments amounted to EUR 7,406 thousand and is presented within the liability to employees.

In accordance with the adopted Remuneration Policies, the management boards and key management of subsidiaries that have acquired the aforementioned rights are granted shares of the parent company.

### Measurement of the fair value of shares at grant date

Variables used in the measurement include the share price at the measurement date, expected volatility (based on an assessment of historical share price volatility), expected dividend yield, and the risk-free interest rate (based on relevant government bonds).

The grant date is the date on which the Company and the service provider have a mutual understanding of the key terms and conditions of the award. In the context of share-based payments, the grant date is the date of execution of the relevant agreement.

<b>Grant date &gt;</b>	<b>25/6/2025</b>	<b>30/6/2025</b>	<b>7/7/2025</b>	<b>19/9/2025</b>	<b>28/10/2025</b>
Selected valuation model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Share price at grant date	510.0	530.0	532.0	640.0	690.0
Expected volatility (annual)	29.29%	29.36%	29.32%	28.84%	28.03%
Risk-free interest rate (annual)	1.83%	1.84%	1.84%	1.94%	1.91%
<b>Grant date &gt;</b>	<b>30/10/2025</b>	<b>31/10/2025</b>	<b>3/11/2025</b>	<b>6/11/2025</b>	
Selected valuation model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	
Share price at grant date	672.0	678.0	670.0	656.0	
Expected volatility (annual)	28.38%	28.38%	28.19%	28.13%	
Risk-free interest rate (annual)	1.90%	1.90%	1.91%	1.92%	

### 37 Business combinations

In 2025, the Group acquired control over several companies:

In EUR thousands	<b>HELB Ltd</b>	<b>Novi Feromont Ltd.</b>	<b>Total</b>
<b>Acquisition cost</b>			
Transaction cost	5,529	5,250	10,779
<b>Fair value recognized at acquisition</b>			
<b>Assets</b>			
Intangible assets	66	143	209
Property, plant and equipment	2,267	5,211	7,478
Assets with right of use	256	-	256
Non-current financial assets	-	150	150
Non-current receivables	1	-	1
Deferred tax assets	69	-	69
Inventories	635	3,013	3,648
Trade and other receivables	3,052	3,817	6,869
Current financial assets	13	-	13
Cash and cash equivalents	1,037	728	1,765
	<b>7,396</b>	<b>13,062</b>	<b>20,458</b>
<b>Liabilities</b>			
Deferred tax liabilities	305	311	616
Total liabilities (excluding deferred tax)	2,562	4,824	7,386
	<b>2,867</b>	<b>5,135</b>	<b>8,002</b>
<b>Total net assets recognized at fair value</b>	<b>4,529</b>	<b>7,927</b>	<b>12,456</b>
<b>Bargain purchase gain / goodwill</b>			
Adjusted acquisition cost for premium	5,529	5,190	10,719
Non-controlling interest	1,132	1,491	2,623
Total net assets recognized at fair value	(4,529)	(7,927)	(12,456)
<b>Bargain purchase gain / goodwill</b>	<b>2,132</b>	<b>(1,246)</b>	<b>886</b>

During 2025, the Group paid EUR 6,955 thousand as a contingent consideration for the acquired shares in the company KONČAR - System Integrations Ltd. (at the time of the acquisition of the companies Kodeks System Integrations and EXA Globe), as well as EUR 838 thousand in respect of contingent consideration for the acquisition of ADNET Ltd. and Kreanca Systems Ltd.

In accordance with the agreement for the acquisition of the company HELB Ltd. a portion of the agreed compensation amounting to EUR 2,895 thousand was paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 37 Business combinations (continued)

Company	Scope of work	Transaction details
<b>HELB Ltd.</b>	The Company is an engineering and manufacturing firm in the power industry that provides services in all stages of developing an energy facility: from design, automation and testing to commissioning.	On 31 July 2025, the Group obtained control over a 75% ownership interest in HELB. A call option, i.e. the right to acquire the remaining 25% interest, was defined in the agreement and is recognised as a financial asset. The present value of the expected purchase price amounts to EUR 5,529 thousand, while the estimated present value of the call option amounts to EUR 2,243 thousand. During 2025, the first instalment in the amount of EUR 2,895 thousand was paid. The recognised goodwill amounts to EUR 2,132 thousand.
<b>Novi Feromont Ltd.</b>	The Company was established in 1997 and is engaged in the production of large transformer tanks and metal structures.	On 17 December 2025, the Group obtained control over Novi Feromont Ltd. from Donji Kraljevec, with an ownership interest of 81.2%. Prior to the acquisition date, the Group held an 18.93% interest in this company. The value of the existing ownership interest was remeasured to fair value, resulting in a profit of EUR 0.8 million, which was recognised in other comprehensive income in accordance with the Group's accounting policies. The purchase price for the 81.2% ownership interest amounts to EUR 5,250 thousand. The recognised gain on a bargain purchase amounts to EUR 1,246 thousand. From the acquisition date (17 December 2025) to the end of the prior year (31 December 2025), there were no significant transactions, and the Group used the company's financial information as at 31 December 2025 to calculate the effects of the acquisition of the controlling interest in Novi Feromont Ltd. Therefore, the results of this company's operations from the acquisition date to year end are not presented as effects on the Group's comprehensive income or cash flows.

Had all acquisitions been completed on 1 January 2025, the total revenue and profit of the Group would be as follows:

	<b>2025 EUR'000</b>
<b>Revenue from sales up to the acquisition date</b>	
HELB Ltd.	14,171
Novi Feromont Ltd.	21,594
Presented consolidated revenue of the Group	<u>1,320,019</u>
<b>Total revenue if the acquisition had been completed on 1 January 2025</b>	<b><u>1,355,784</u></b>
<b>Profit for the period up to the acquisition date</b>	
HELB Ltd.	112
Novi Feromont Ltd.	2,048
Net profit of the Group	<u>223,773</u>
<b>Profit for the period if the acquisition had been completed on 1 January 2025</b>	<b><u>225,933</u></b>

Methods and assumptions used to calculate the fair value of net acquired assets:

Item asset/liability	Valuation technique
Property, plant and equipment	The market approach, using the comparable transactions method, was applied in the valuation of land. This method is based on the assumption that the value of an asset can be determined by analysing recent market sales prices achieved for comparable assets. The income approach, using the earnings capitalisation method, was applied in the valuation of buildings. This approach is based on the assumption that the value of an asset equals the present value of its future cash flows attributable to the owner. For the valuation of most plant and equipment, the cost approach was applied, using the depreciated replacement cost method. This approach is based on the assumption that the value of an asset equals the reproduction or replacement cost of the asset, reduced by depreciation. For the valuation of vehicles and forklifts, the market approach was used, applying the comparable transactions method. This method is based on the assumption that the value of an asset can be determined by analysing recent market sales prices achieved.
Software	It mainly consists of software. The fair value of the intangible assets equals their carrying amount.
Inventories	The fair value of inventories acquired in a business combination is estimated as follows: <ul style="list-style-type: none"> <li>• Raw materials – at replacement cost as at the valuation date</li> <li>• Work in progress (WIP) – at selling price less costs of completion, disposal costs and a reasonable profit margin for finishing and selling</li> <li>• Finished goods and merchandise – at selling price less disposal costs and a reasonable profit margin</li> </ul>
Current receivables and current liabilities	Trade receivables, other receivables, trade payables and other payables are measured at the present value of the amounts expected to be collected or settled, determined using appropriate interest rates and reduced, where necessary, for impairment losses and collection costs. Since these receivables and payables are short-term in nature, they approximate their fair value.
Financial liabilities	Receivables from customers, other receivables, payables to suppliers, and other liabilities are assessed at the present value of the amounts expected to be collected, which is determined based on appropriate interest rates, reduced by impairment allowances for uncollectibility and collection costs, if necessary. Since these receivables and liabilities are short-term in nature, they are approximately equal to their fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 37 Business combinations (continued)

In 2024, the Group acquired control over several companies:

In EUR thousands	ADNET Ltd. and Kreaanca Systems Ltd.	Liburnia Solar Ltd.	South East Energy Ltd.	Total
<b>Acquisition cost</b>				
Transaction cost	<b>3,381</b>	<b>65</b>	<b>75</b>	<b>3,521</b>
<b>Fair value recognized at acquisition</b>				
<b>Assets</b>				
Intangible assets	1,508	-	-	1,508
Property, plant and equipment	9	7	4	20
Non-current financial assets	-	-	-	-
Non-current receivables	-	-	-	-
Deferred tax assets	13	-	-	13
Inventories	-	-	-	-
Trade and other receivables	825	-	1	826
Current financial assets	5	-	-	5
Cash and cash equivalents	702	5	-	707
	<b>3,062</b>	<b>12</b>	<b>5</b>	<b>3,079</b>
<b>Liabilities</b>				
Deferred tax liabilities	259	-	-	259
Total liabilities (excluding deferred tax)	486	14	5	505
	<b>745</b>	<b>14</b>	<b>5</b>	<b>764</b>
<b>Total net assets recognized at fair value</b>	<b>2,317</b>	<b>(2)</b>	<b>-</b>	<b>2,315</b>
<b>Goodwill</b>				
Adjusted acquisition cost for premium	3,381	65	75	3,521
Non-controlling interest	-	1	-	1
Total net assets recognized at fair value	(2,317)	2	-	(2,315)
<b>Goodwill</b>	<b>1,064</b>	<b>68</b>	<b>75</b>	<b>1,207</b>

During 2024, the Group paid EUR 3,388 thousand as a contingent consideration for the initially acquired shares in the company KONČAR - System Integrations Ltd. (at the time of the acquisition of the companies Kodeks System Integrations and EXA Globe).

In accordance with the agreement for the acquisition of the company ADNET Ltd. and Kreaanca Systems Ltd., a portion of the agreed compensation amounting to EUR 2,043 thousand was paid.

Company	Scope of work	Transaction details
<b>ADNET Ltd. and Kreaanca Systems Ltd.</b>	ADNET is an operational company, while Kreaanca Systems is a holding company. ADNET Ltd. was founded in 1997. Throughout its existence, the company has achieved growth through the development of new products and the upgrading and maintenance of existing products, primarily in the energy sector.	On 22 March 2025, the Group acquired control with a 52% ownership stake in the companies ADNET Ltd., Zagreb, Kreaanca Systems Ltd. and KONČAR - Digital Ltd. acquired a 52% stake through direct (26%) and indirect ownership (26%) in ADNET. The agreement stipulates two Call options, which grant the acquirer the right to exercise the purchase option in the years of the transaction, i.e., the following year, which management has assessed as highly probable to be exercised. The purchase price calculation was made on the payment date, i.e., the formal acquisition of control over the company on 22 March 2024. According to the calculation, the value of 100% of the equity of ADNET Ltd. as of 22 March 2024, is EUR 3.4 million. The recognized goodwill amounts to EUR 1.06 million.
<b>Liburnia Solar Ltd.</b>	The company was established in 2023 and is engaged in projects related to the production of electricity from renewable sources.	In May 2024, KONČAR – Renewable Energy Sources Ltd. acquired control over 76% of the ownership interest in Liburnia Solar Ltd. for an estimated purchase price of EUR 65 thousand. The payment was made in cash.
<b>South East Energy Ltd.</b>	The company was founded in 2023 and specializes in consulting related to business operations in the renewable energy sector.	In May 2024, KONČAR - Renewable Energy Sources Ltd. acquired control over 75.2% of the ownership stake in South East Energy Ltd. for an estimated purchase price of EUR 75 thousand. The payment was made in cash.

Had all acquisitions been completed on 1 January 2024, the total revenue and profit of the Group would be as follows:

	<b>2024 EUR'000</b>
<b>Revenue from sales up to the acquisition date</b>	
ADNET Ltd.	390
Presented consolidated revenue of the Group	1,065,721
<b>Total revenue if the acquisition had been completed on 1 January 2024</b>	<b>1,066,111</b>
<b>Profit for the period up to the acquisition date</b>	
ADNET Ltd.	54
Presented consolidated revenue of the Group	164,566
<b>Profit for the period if the acquisition had been completed on 1 January 2024</b>	<b>164,620</b>

The Group has presented the effects of the acquisition as of 1 January 2024 only for one newly acquired company, as the effects of other acquisitions are immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

### 37 Business combinations (continued)

Methods and assumptions used to calculate the fair value of net acquired assets:

Item asset/liability	Valuation technique
Software	Intangible assets consist of capitalized software development costs co-financed by the EU. For the valuation, the "relief from royalty" method was used. The relief from royalty method is based on estimating the value of the software based on the licensing fees (royalties) that would be charged for the use of the software.
Customer relationships	The valuation method used is the MEEM approach. By applying the "MEEM" (multi-period excess earnings method), projected cash flows from the identified intangible assets were primarily based on the projected EBIT margin from the business plan (without adjustment for IFRS 16 effects). Since the software was identified as intangible assets, it is considered a contributory asset within the MEEM method. The return on the software was calculated as the product of the royalty rate used (5.4%) and the revenue from sales generated by the identified wholesale customers.
Short-term receivables and short-term liabilities	Receivables from customers, other receivables, payables to suppliers, and other liabilities are assessed at the present value of the amounts expected to be collected, which is determined based on appropriate interest rates, reduced by impairment allowances for uncollectibility and collection costs, if necessary. Since these receivables and liabilities are short-term in nature, they are approximately equal to their fair value.

### 38 Events after reporting date

#### Mergers within the Group

On 31 December 2025, the Commercial Court in Zagreb issued decisions on the basis of which, in 2026, the merger of INK PROJECT Ltd. as the merged entity into KONČAR Inc. as the acquiring entity will be carried out.

On 31 December 2025, the Commercial Court in Zagreb also issued decisions on the basis of which, in 2026, the statutory merger of DALEKOVOD MK Ltd. as the merged entity into KONČAR – Metal Structures Ltd. as the acquiring entity will be carried out.

#### Acquisition of a company

On 2 January 2026, as defined in the previously signed share purchase agreement for NEOS Ltd., the conditions for completion of the transaction and the acquisition of a majority ownership interest by KONČAR – Digital Ltd. in NEOS Ltd. were met.

#### New factory

On 23 January 2026, KONČAR and Siemens Energy officially opened their newest factory in Sesevetski Kraljevec. It is a modern and fully equipped production facility of KONČAR – Transformer Tanks Ltd., a company in which KONČAR holds a 60% majority interest and Siemens Energy holds a 40% interest.

#### Pledged assets

The Group is in the process of removing liens registered over its real estate and movable property by financial institutions.

#### Acquisition of additional ownership interest

The subsidiary KONČAR – Distribution and Special Transformers Inc. (KONČAR - D&ST) signed share purchase agreements in February and April 2026 to acquire a 31.5% ownership interest in Ferokotao Ltd. Prior to this acquisition, KONČAR - D&ST held a 51% ownership interest in Ferokotao Ltd., and following the acquisition, its ownership interest increased to 82.5% of the share capital of the company.

On 7 April 2026, KONČAR Inc. entered into a sale and purchase agreement for 25% of the ownership interests in the company HELB Ltd., with its registered office at Industrijska ulica 1, Božjakovina, Republic of Croatia. On 8 April 2026, the transaction was successfully completed, thereby fulfilling all agreed conditions. Pursuant to the said agreement, KONČAR Inc. acquired the remaining 25% of the ownership interests and thus became the holder of 100% of the ownership interests in HELB Ltd.

#### Legal dispute against the Ministry of Finance / Republic of Croatia

On 4 March 2026, the High Commercial Court of the Republic of Croatia, in case no. Pž-423/2026, deciding on the appeal filed by the subsidiary Dalekovod jsc. against the judgment of the Commercial Court in Zagreb (P-536/2024 dated 26 November 2025), upheld the claim of the subsidiary. The Court ordered the Ministry of Finance of the Republic of Croatia to pay the claimed amount and awarded the subsidiary litigation costs in the amount of EUR 6,636 thousand, together with statutory default interest and related costs.

Given that extraordinary legal remedies remain available to the Ministry of Finance of the Republic of Croatia against the aforementioned judgment, the subsidiary considers that the final outcome of the dispute with the Ministry of Finance of the Republic of Croatia remains highly uncertain.

Except for the foregoing, after the reporting date and up to the date of approval of the consolidated financial statements, there were no other events that would have a significant impact on the Group's annual consolidated financial statements for 2025 and would therefore need to be disclosed.

# Independent Auditor's Report



# Independent Auditor's Report to the shareholders of KONČAR Inc.



*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 consolidated 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 d.d.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the consolidated financial statements of KONČAR d.d. ("the Parent Company") and its subsidiaries ("the Group"), which comprise:

- the consolidated statement of financial position as at 31 December 2025;
- and, for the year from 1 January 2025 to 31 December 2025:

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

and

- notes, comprising material accounting policies and other explanatory information (hereinafter "the financial statements").

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("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 Group 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 separate opinion on these matters.

#### Warranty provision

Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2025 amounted to EUR 25,984 thousand (31 December 2024: EUR 28,594 thousand). Refer to notes: material accounting policy information 2.23 Provisions, key accounting estimate 2.27 b) Warranty provisions and note 28 Provisions in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group's customer arrangements include long-term product warranties given to customers.</p> <p>The product warranties primarily cover expected costs to repair or replace components with defects or functional and/or serial errors as well as financial losses suffered by customers in connection with unplanned suspension of operations.</p> <p>As disclosed in note 2.27 b), the valuation of these provisions is based primarily on historical warranty cost experience and incorporates available industry data relating to statistical product failure rates.</p> <p>Management applies judgement when estimating the extent of expected future claims, taking into account the nature and duration of warranties and external benchmarking data where relevant.</p> <p>The completeness and valuation of the expected outcome of warranty provisions requires a significant degree of Management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements. As a result, this area required our increased attention in the audit and was considered by us to be a key audit matter.</p>	<p>Our procedures performed in this area included:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the process for assessing and recording warranty provisions and evaluating the design and implementation of selected relevant internal controls.</li> <li>Assessing the methodologies and assumptions applied by management in determining the valuation of provisions, including:                             <ul style="list-style-type: none"> <li>warranty terms and durations as outlined in customer contracts;</li> <li>historical trends in product warranty claims and associated costs;</li> <li>available industry data on statistical failure rates, where relevant;</li> <li>market experience from other manufacturers of comparable products;</li> </ul> </li> <li>On a sample basis, evaluating the utilisation of warranty provisions by:                             <ul style="list-style-type: none"> <li>obtaining an understanding of the nature of actual product warranty repairs incurred during the year, through inquiries with operational and technical personnel;</li> <li>inspecting relevant customer contracts and warranty terms as well as source documentation such as correspondence with customers with respect to warranty claims, where applicable;</li> <li>comparing actual warranty repair costs to supporting documentation, considering the nature, timing and magnitude of such claims;</li> </ul> </li> <li>Assessing whether the disclosures in the financial statements adequately describe the estimation uncertainty and judgements associated with the measurement of warranty provisions.</li> </ul>

# Independent Auditor's Report to the shareholders of KONČAR Inc.



## Revenue recognition

Revenue from customer contracts recognized in profit or loss for 2025 amounts to EUR 1,320,019 thousand (2024: EUR 1,054,377 thousand). Refer to: material accounting policy information 2.4 *Revenue recognition*, key accounting estimate 2.27 a) *Revenue recognition* and note 3 *Sales revenue* in the financial statements.

The key audit matter	How the matter was addressed in our audit
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The Group's principal activities include production, construction and sales of plant and equipment in the energy and transportation sector as well as related services such as design, engineering and maintenance. Contracts with customers often include terms that require management to assess whether additional components, such as extended warranties or significant financing components, exist and represent separate performance obligations under IFRS 15 *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. Part of the revenue is recognised at a point in time, when control transfers to the customer, generally upon delivery. When the criteria for recognising revenue over time are met, revenue is recognised based on the stage of completion using the input method (cost-to-cost). This method requires reliable estimation of future contract costs and assessment of the stage of completion of performance obligations.

The Group also receives advance payments from customers. These are presented as contract liabilities until the associated performance obligations are satisfied. Goods or services already transferred to customers are presented as trade receivables or contract assets, depending on whether the Group's right to payment is unconditional or subject to further conditions.

The application of IFRS 15 involves significant judgement, especially in identifying separate performance obligations, determining the appropriate pattern of revenue recognition, and assessing whether elements such as significant financing components or extended warranties are present. Given the volume and complexity of these arrangements, this area was a focus of the audit and considered to be a key audit matter.

Our procedures performed in this area included:

- Evaluating the design and implementation of selected controls over the revenue cycle;
- Assessing the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard;
- Assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for completed contracts and contracts with a significant change in the stage of completion in the current year;
- For a sample of contracts or contract equivalents with key customers in force during the reporting period:
  - challenging the Group's identification of performance obligations included therein;
  - critically assessing the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations;
  - based on the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents with particular attention paid to cut-off procedures over amounts recognised at or around the reporting date;
- For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Group's accounting records, and inspecting the underlying documentation;
- Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items;
- Assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for customer contracts.



## Other Information

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and the Corporate Governance Report included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

We have performed a limited assurance engagement on the consolidated Sustainability Statement that forms part of the other information and provided a separate unmodified assurance practitioner's conclusion thereon that is included within 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## 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.

# Independent Auditor's Report to the shareholders of KONČAR Inc.



As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Audit Act, applicable in Croatia.



## Report on Other Legal and Regulatory Requirements

### 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 Group by resolution of those charged with governance dated 12 June 2025. Our period of total uninterrupted engagement as auditors for KPMG Croatia d.o.o. is six years, covering the periods ended 31 December 2020 to 31 December 2025 while the total uninterrupted period of engagement as auditors for TPA Audit d.o.o. is three years covering the periods ended 31 December 2023 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.

### Auditor's Statement on Corporate Income Tax Information

For the financial year ended 31 December 2024, the Group was obliged to publish a report on Corporate Income Tax information pursuant to Article 44 of the Croatian Accounting Act and has published this report in accordance with Article 44 of the Accounting Act. Our audit opinion on the consolidated financial statements does not include the statement of corporate income tax information for the financial year preceding the financial year for which the consolidated financial statements were prepared, and we do not express any form of conclusion in relation to such statements.

### 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 Group as at and for the year ended 31 December 2025, as included in the attached electronic file 7478000H0SHMRAW015-2025-12-31-1-en-Konsolidirano.zip, 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 Group's ESEF reporting, as a part of the financial reporting process.

# Independent Auditor's Report to the shareholders of KONČAR Inc.



## *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 Group's ESEF preparation process;
- evaluating the design and implementation 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 Group 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.

16 April 2026

## **KPMG Croatia d.o.o. za reviziju**

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Eurotower, Ivana Lučića 2a  
10000 Zagreb  
Croatia

## **TPA Audit d.o.o.**

Croatian Certified Auditors  
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