KONČAR Inc.

ANNUAL REPORT
2024

KONČAR
Inspired by challenge

This annual report is a pdf version of the official annual report of the Company which is published separately in the single electronic format prescribed by the relevant ESEF regulation

Content

KONČAR Inc.

Management Report

Introduction

KONČAR Inc. (the "Company") is the Parent Company of the KONČAR Group. In its capacity as the Parent Company, the Company prepares consolidated financial statements, which are presented separately.

This Report for the period January – December 2024 refers to the Company as a standalone legal entity. The companies within the Group are legally independent entities, while the Parent Company provides oversight, strategic direction, and support through the Supervisory Boards and General Assemblies of the respective companies, in accordance with the Companies Act, the Articles of Association of KONČAR Inc., and the Articles of Association and Memoranda of Incorporation of its member companies.

The Parent Company also manages a portion of assets not allocated to subsidiaries but used, both directly and indirectly, to provide financial support for the Group's market offerings, products, and equipment primarily by serving as a credit-guarantee facility.

As the Parent Company, KONČAR Inc. invoices the following services to its subsidiaries:

- Brand usage fee (fee for the usage of company name, trademark and service mark),
- A portion of the costs associated with joint participation in trade fairs,
- A portion of the expenses related to foreign branch offices,
- A portion of the expenses related to joint marketing activities,
- A portion of the costs for management seminars, employee training, and similar programmes.

Pursuant to previously adopted decisions, as of 1 July 2024, a corporate restructuring was implemented involving the merger of two subsidiaries - KONČAR - Engineering Co Ltd. for production and services and KONČAR – Infrastructure and Services Ltd. into KONČAR Inc. as the acquiring entity. The merged companies continued their regular operations within KONČAR Inc. Prior to the merger, KONČAR - Engineering Ltd. maintained a prominent market position in the power engineering sector within this region of Europe. The merger, paired with the contracting and execution of multiple high-value projects both domestically and in export markets (notably within the EU) has reinforced the company's strategic positioning and established a strong platform for further expansion, particularly in Western and Northern European markets. Sustained sales momentum in mature markets, entry into new international markets, and the efficient execution of capital infrastructure contracts, supported by the broader deployment of in-house engineering and field teams, are set to further enhance profitability in engineering operations. Post-merger, these engineering activities have been fully integrated into the Parent Company and are organised into three principal business segments: Power Generation, Power Transmission and Distribution, and Urban Mobility and Infrastructure.

The second merged entity, KONČAR – Infrastructure and Services Ltd., had overseen real estate assets at multiple sites across Croatia. After the merger, the Parent Company took over strategic and operational control, ensuring alignment with growth targets both organic and through M&A as set out in the Group's strategic roadmap.

By the second half of 2024, all four segments Power Generation, Transmission and Distribution, Urban Mobility and Infrastructure, and Real Estate Management demonstrated strong financial performance, with marked improvements in operational efficiency.

The significant year-on-year variances in the financial statements, relative to the same period in 2023, are primarily attributable to the corporate restructuring described above. The effects of the merger are most notably reflected in the substantial increase in operating income, driven by the integration of newly acquired business segments.

Further consolidation was carried out during 2024, with KONČAR – Investments Ltd. (merged in November) and Advanced energy solutions Llc. (merged in December 2024) becoming part of the Parent Company, KONČAR Inc).

in EUR '000	2023	2024	Δ	Index 2024/2023
Total operating income	**30,666**	**133,679**	**103,013**	**435.9**
Sales revenue	10,756	98,095	87,339	912.0
Dividend income	16,702	34,679	17,977	207.6
Other operating income	3,208	905	(2,303)	28.2
Operating expenses	**18,289**	**104,551**	**86,262**	**571.7**
EBIT	12,377	29,128	16,751	235.3
Net profit	13,707	31,454	17,747	229.5
EBITDA	**13,495**	**30,784**	**17,289**	**228.1**
Normalized EBITDA[1]	**14,873**	**34,375**	**19,502**	**231.1**

[1]Normalized EBITDA: EBITDA adjusted for the net effect of provisions, income from asset disposals, compensation income, other operating income, and increased for impairment and other operating expenses

Operating results

In 2024, KONČAR Inc. generated operating income in the amount of EUR 133.7 million, compared to EUR 30.7 million recorded in the same period of the previous year. The year-on-year increase is primarily attributable to the new business segments acquired through the aforementioned mergers within the Group.

Of the total operating income in 2024, sales revenue amounted to EUR 98.1 million, primarily generated from customer contracts in the segment of Power Generation (EUR 35.6 million), Transmission and Distribution of Electricity (EUR 39.5 million), Urban Mobility and Infrastructure (EUR 8.9 million), and Real Estate Management (EUR 5.1 million), the latter resulting from the integration of affiliated companies through merger.

Dividend income received from Group subsidiaries amounted to EUR 34.7 million, which translates to a year-on-year growth rate of 107.6%.

In parallel with the growth in revenue, total operating expenses rose to EUR 104.6 million in 2024, compared to EUR 18.3 million in 2023. Increase is primarily driven by the integration of two subsidiaries through merger, which significantly expanded the Company's operating structure and associated cost framework.

Operating expenses comprise the following:
- Material costs for 2024 amounted to EUR 73.8 million, representing an increase of EUR 70.2 million compared to the same period in the previous year. The rise is mainly driven by goods and services procured for the execution of customer contracts, while the costs of raw materials, supplies, and other materials remained relatively stable year-on-year,
- Personnel expenses totalled EUR 16.6 million, marking a significant year-on-year increase, largely due to the rise in headcount following the merger of affiliated entities. Between 1 July and 31 December 2024, the average number of employees stood at 586, compared to an average of 81 in the first half of the year (and 71 in the corresponding period of 2023),
- Depreciation and amortisation amounted to EUR 1.7 million,
- Other operating costs totalled EUR 8.4 million, encompassing intellectual services, employee-related costs, and other expenditures necessary for the day-to-day operations of the Company,
- Impairment losses were recognised in the amount of EUR 4.0 million,
- Net provisions totalled EUR 0.1 million for the reporting period.

In 2024, financial income amounted to EUR 2.3 million, marking a 48.7% increase year-on-year. The majority of financial income relates to interest income from loans granted to related companies and interest earned on term deposits. Financial expenses totalled EUR 0.6 million, primarily pertaining to interest expenses and foreign exchange differences arising from the execution of projects abroad.

Statement of financial position

As at 31 December 2024, the total assets of KONČAR Inc. amounted to EUR 359.8 million, marking an increase of EUR 105.9 million or 41.7% compared to the position as at 31 December 2023.

Non-current assets totalled EUR 231.6 million, an increase of EUR 37.8 million or 19.5% year-on-year.

Within non-current assets, intangible assets recorded a significant increase of EUR 1.0 million compared to 31 December 2023. This growth is primarily attributable to the merger (notably development projects), as well as increased investments related to the centralisation of ICT operations and the provision of ICT support services across Group companies.

Property, plant and equipment rose by EUR 7.3 million compared to the end of 2023, reflecting both the merger effect and ongoing investments in real estate and equipment at the Company level.

Non-current financial assets increased by EUR 28.4 million, largely due to the reclassification of loans that matured in December 2024 and the consolidation of four formerly affiliated companies.

Current assets increased by EUR 68.1 million compared to 31 December 2023, largely driven by the previously mentioned mergers.

Inventories grew by EUR 1.7 million, receivables from customers (including contract assets) increased by EUR 102.7 million, while loans granted declined by EUR 5.7 million. Cash and cash equivalents decreased by EUR 31.0 million compared to the prior year-end what is primarily result of decrease in investing and financing activities.

Prepaid expenses amounted to EUR 1.8 million, an increase of EUR 0.7 million year-on-year. These primarily relate to ICT project costs, trade fair expenses, marketing activities, and strategic project costs, a portion of which is expected to be re-invoiced to subsidiaries.

Total equity and reserves as at 31 December 2024 amounted to EUR 267.1 million, representing an increase of EUR 26.3 million compared to 31 December 2023. This growth reflects the combined effect of the consolidation of subsidiaries, net profit generated in 2024, and the distribution of 2023 earnings.

Long-term provisions totalled EUR 3.4 million at year-end, representing a EUR 2.0 million increase year-on-year. The growth was driven by the integration of new entities and the corresponding introduction of provision categories for warranty-related expenses linked to completed projects across all segments.

Short-term liabilities increased by EUR 77.4 million relative to 31 December 2023, primarily due to the absorption of operations and related liabilities from the merged entities.

Loan liabilities rose by EUR 5.0 million, reflecting a loan received from a subsidiary. Trade payables and other liabilities increased by EUR 34.5 million, primarily due to the transfer of obligations from the engineering operations of the merged entities.

Off-balance sheet items as at 31 December 2024 amounted to EUR 384.1 million, comprising primarily issued guarantees, mainly bank guarantees, and other financial security instruments issued on behalf of Group subsidiaries, typically in favour of financial institutions and suppliers.

KONČAR Inc.

Report on the Application of the Corporate Governance Code

Report on the Application of the Corporate Governance Code

The Corporate Governance Code of KONČAR Group is anchored in the legal standards of the Republic of Croatia and internationally recognized standards, seamlessly woven into its operational practices. As a regional leader in its industry and a key employer in Croatia, KONČAR is devoted to constantly refining and evolving its governance models to align with the highest global benchmarks and methodologies. Furthermore, with KONČAR Inc.'s shares traded on the Zagreb Stock Exchange Official Market, the company rigorously follows the Corporate Governance Code established by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

KONČAR Inc., together with the Group, is persistently progressing and aligning its operations with superior corporate governance standards. Its business strategy, policies, foundational documents, and practices all contribute to setting a high bar for corporate governance, aiming to ensure transparency and operational efficiency while maintaining strong ties with the community it supports. The management rigorously adheres to all established corporate governance regulations.

At the conference Corporate Governance and Sustainable Business - the Roadmap to Climate Transition organized by HANFA, KONČAR was awarded for the Best Compliance with the Corporate Governance Code, in the category of companies listed in the Official Market of the Zagreb Stock Exchange.

In addition to the applicable Corporate Governance Code of the Zagreb Stock Exchange and HANFA, KONČAR Group also applies its own Corporate Governance Code, furthering the business transparency standards that comply with EU Directives. Corporate Governance Code defines the procedures for the activities of the Supervisory Board, Management Board and other decision-making bodies, ensuring avoidance of the conflict of interest, efficient internal supervision and efficient accountability system.

The Management and the Supervisory Board have adopted a Code of Conduct, which serves as the foundational document for embracing and promoting the organizational values of the Company and the Group as a whole and advocating for socially responsible business practices. 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. The composition and functioning of the Management and Supervisory Boards, the operation of the General Assembly, and information about the Company's shareholders are part of the Corporate Governance Statement and are detailed below. All of the documents are available on KONČAR's website (www.koncar.hr).

The Company complies with the recommendations of the Code, with the exception of those provisions where application is either impractical or not provided for under the prevailing legal framework. The relevant exceptions are as follows:

- The Supervisory Board has not formally established a target percentage for female representation on the Supervisory Board and Management Board (Article 14 of the Code), however, all applicable international and national standards on gender equality and balanced representation are directly implemented. Currently, women represent 11.1% of the Supervisory Board's composition. At the Group level, women hold 18% of senior management positions.
- In the context of reappointing Supervisory Board members whose terms concluded in 2024, the General Assembly materials did not contain data on their prior attendance at Board and committee meetings, nor the findings of the latest performance assessments (Article 17 of the Code). The Company is committed to enhancing transparency and will include this information in all future materials concerning the reappointment of Supervisory Board members.
- The Company's internal regulations mandate the provision of all required materials for a Supervisory Board meeting to its members at least one week in advance, as per Article 34 of the Code. However, the Supervisory Board's Rules of Procedure specify that these materials be distributed no later than 5 days prior to the 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 (Article 76 of the Code). The Company has established mechanisms to

Report on the Application of the Corporate Governance Code (continued)

enable minority Shareholders to raise questions via e-mail address available to investors (ir@koncar.hr), in addition to raising any questions directly with the Supervisory and Management Board Members at the General Assembly session.
- The Company does not currently employ modern communication technologies to enable remote participation in the General Assembly (Article 79 of the Code), as the existing voting procedure has, in practice, proven to be the most effective solution.
- Communication between the chairpersons and members of the committees and the Company's stakeholders (suppliers, customers, etc.) is not provided by the Rules of Procedure, and the purpose of the committees is to give recommendations and proposals to the Supervisory Board. The Audit Committee is the exception to that rule and it communicates directly with external and internal auditors (Article 87 of the Code).

Combating corruption and bribery

In 2024, the Management Board adopted an Anti-Corruption Policy, formally reaffirming the Company's zero-tolerance stance toward all forms of corruption.

Members of the managing bodies, employees and business partners are well-versed in the anti-corruption policies and adhere to the Code of Ethics in their professional and daily activities. 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 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 organization

In line with the best practices, KONČAR 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). 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 2024, one meeting of the General Assembly was held. At the session convened on 12 June 2024, all resolutions proposed on the agenda were duly adopted. The General Assembly passed the following resolutions: on granting discharge to the members of the Management Board and the Supervisory Board, on the distribution of available profit generated in 2023, on the appointment of the auditor for 2024, and on the approval of the Remuneration Policy and the Remuneration Report for the members of the Management Board and the Supervisory Board for the year 2023. A resolution was also adopted to amend Article 6 of the Company's Articles of Association, extending the Company's scope of business activities in accordance with the corporate restructuring resulting from the merger of KONČAR – Engineering Co Ltd. for production and services Ltd. and KONČAR – Infrastructure and Services Ltd. into the Parent Company, KONČAR Inc. Due to the expiry of the mandates of certain Supervisory Board members appointed by the General Assembly, a resolution was passed on the election of Supervisory Board members for the term beginning 13 July 2024 and ending 12 July 2028.

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), the Zagreb Stock Exchange, and HANFA, together with the results of the voting.

Report on the Application of the Corporate Governance Code (continued)

Supervisory Board

In accordance with the Corporate Governance Code adopted by the Zagreb Stock Exchange and HANFA, applicable as of 1 January 2020, the Supervisory Board consists mostly of independent members who have no business, family or other relations to the Company, a majority Shareholder or a group of majority Shareholders, or a Member of the Management or Supervisory Board or a majority Shareholder.

The Supervisory Board has nine members. Five members are appointed and recalled by the General Assembly, one member is appointed by the employees as per the Labour Act and three members are appointed, in accordance with the Companies Act (Article 256), by the shareholder Kapitalni fond d.d. for as long as it holds Company shares representing 25% plus one share in the Company's share capital. In the event of a decrease of the number of shares held by Kapitalni fond d.d., the number of Supervisory Board Members it appoints shall be reduced accordingly.

The Supervisory Board is responsible for supervising the management of operations, represents the Company in dealings with the Management Board and adopts resolutions on matters not falling under the General Assembly's competence. Direct management of the Company is not performed by the Supervisory Board. Rather, the Supervisory Board directs the Management Board when adopting strategic decisions and setting a governance framework. 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 Kapitalni fond d.d., from among their own ranks. Supervisory Board Members are appointed for a four-year term and may be reappointed. Members appointed by Kapitalni fond d.d. 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.

Remuneration report for the Members of the Management and Supervisory Boards includes information on the remuneration amount, it is drawn up pursuant to Article 272 of the Companies Act and the Company's Remuneration Policy, and it will be presented to the General Assembly for adoption.

Supervisory Board Members in 2024:

Joško Miliša	Chairman of the Supervisory Board
Darko Horvatin	Deputy Chairman of the Supervisory Board
Branko Lampl	Member of the Supervisory Board - term expired on 13 July 2024
Ivan Milčić	Member of the Supervisory Board - term expired on 13 July 2024
Maja Martinović	Member of the Supervisory Board
Ruža Siluković	Member of the Supervisory Board - term expired on 29 October 2024
Lovro Jurišić	Member of the Supervisory Board - appointed as of 30 October 2024
Mario Radaković	Member of the Supervisory Board - term expired on 31 December 2024
Zvonimir Savić	Member of the Supervisory Board
Danko Škare	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board - appointed as of 13 July 2024
Igor Filipović	Member of the Supervisory Board - appointed as of 30 July 2024

In 2024, the Supervisory Board held twenty-two meetings. A quorum at the meetings requires the presence of five Supervisory Board Members.

Throughout the year, all Members participated in decision-making at every meeting. In cases where Members were unable to attend

Report on the Application of the Corporate Governance Code (continued)

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 Management Board and the Supervisory Board cooperated closely in the best interests of the Company and the Group, through regular meetings as well as other channels of communication, whenever necessary. The Management Board regularly informed the Supervisory Board of all significant business events, the progress of operations, income and expenditure, 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, material deviations from initial plans and forecasts, as well as on significant business transactions involving the Company and its affiliated companies. For all matters requiring the Supervisory Board's consent as stipulated by the Articles of Association, 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 Supervisory Board operates with an optimal number of nine members. Collectively, the members possess the knowledge, capabilities and professional experience necessary to discharge their duties effectively, with due consideration given to diversity and gender representation. 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.

Administrative support in the preparation of Supervisory Board meetings is provided efficiently and in a timely manner by the Company Secretary. Out of nine Supervisory Board Members, one is a woman, representing 11.1% of the total membership. While professional qualifications remain the key criterion in proposing candidates, the Supervisory Board supports diversity in its composition.

The Report on the supervision conducted in 2024, prepared for adoption at the General Assembly meeting, contains the following:
- Manner and the extent to which the Supervisory Board supervised the management of the Company in 2024,
- Results of review of Annual Financial Statements prepared as at 31 December 2024,
- Auditor's reports,
- Results of review of the Management Board's report on the Company's performance in 2024,
- 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, Appointments Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board.

Audit Committee

The Audit Committee conducts detailed analyses of financial statements, assists the Company's accounting department, and establishes suitable and effective internal control systems within the Company. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used at the Company and KONČAR Group, including the criteria for consolidated financial reporting of Group subsidiaries. Moreover, the Committee is tasked with monitoring the internal controls and risk management system with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed.

Report on the Application of the Corporate Governance Code (continued)

Darko Horvatin serves as the Chairman of the Audit Committee, with Mario Radaković and Joško Miliša as its Members. In 2024, the Audit Committee held three meetings. All Committee Members participated in the decision-making process at every meeting. During the meetings, the Committee discussed, adopted resolutions, and made recommendations to the Supervisory Board regarding reports on the implementation of the Annual Internal Audit Plan, enforcement of the Policy on the Provision of Non-Audit Services for 2024, oversight of the statutory audit process, and the consolidated and unconsolidated annual financial statements for 2024. The Committee also issued recommendations for the approval of those reports and participated in the appointment of the auditor for 2024. The Audit Committee operates independently, and the majority of its members possess professional expertise in the fields of accounting and auditing.

Strategic and Business Development Committee

The Committee is tasked with providing support to the Supervisory Board in strategic planning by tracking and evaluating shifts 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. Joško Miliša is the Chairman of the Strategic and Business Development Committee, and its Members are Mario Radaković, Zvonimir Savić, Igor Filipović, and Maja Martinović. All members of the Committee are also Members of the Supervisory Board. In 2024, the Committee held two meetings. The Committee discussed the proposed strategy *"People, Technology, Investments – KONČAR 2030"*. Based on the Committee's recommendation, the Supervisory Board adopted the proposed Strategy.

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. Danko Škare serves as the Committee Chair. The Committee's membership in 2024 included Darko Horvatin and Ruža Siluković (until 29 October 2024), who was succeeded by Lovro Jurišić as of 30 October 2024. All Committee Members concurrently serve on the Supervisory Board. During 2024, the Committee convened one meeting, with full attendance by all members.

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. Zdravko Kačić serves as the Chairman of the Committee, with Maja Martinović and Igor Filipović acting as Members. All Committee Members are also Members of the Supervisory Board. In 2024, the Committee convened on five occasions, with all Members in attendance at each session.

Management Board

The role of the Management Board in managing the Company's operations is governed by the Companies Act, the Articles of Association, and KONČAR Inc.'s internal regulations. In performing their duties, the Members of the Management Board are required to act with the care and diligence of a prudent and conscientious businessperson, while always upholding the best interests of the Company and its shareholders.

As the executive body responsible for the overall management of operations, the Management Board 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.

At its regular sessions, the Supervisory Board evaluates the performance of the Management Board and the management boards of Group companies, based on key performance indicators and efforts to uphold and enhance the Company's corporate reputation. Through participation in supervisory boards, assemblies, and adherence to other established guidelines, Management Board members of KONČAR ensure coordination, direction, supervision, and performance monitoring within Group subsidiaries. It is noted that KONČAR Inc. Management Board members do not receive remuneration for their roles on the supervisory boards of these subsidiaries.

Report on the Application of the Corporate Governance Code (continued)

The Supervisory Board concluded that, in 2024, the Management and Supervisory Boards maintained effective cooperation in the Company's best interest through regular and constructive communication. The Management Board consistently and in a timely manner informed the Supervisory Board of all material business events, developments in operations, revenues and expenditures, and the overall status 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, and significant transactions involving the Company and its related parties. Between formal sessions, the Management Board ensured the Supervisory Board was continuously updated on key developments relevant to the Company's operations .

Self-assessment of the Management Board is an integral part of the annual performance management process and serves as a tool for evaluating the performance of individual Management Board Members. 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 2024, 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. 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 272 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.

Members of the Management Board during 2024 were as follows:
- Gordan Kolak, President of the Management Board
- Petar Bobek, Member of the Management Board
- Miki Huljić, Member of the Management Board
- Josip Lasić, Member of the Management Board
- Ivan Paić, Member of the Management Board

At the Supervisory Board meeting held on 18 October 2024, Josip Lasić, the Management Board Member responsible for Finance, submitted his resignation effective 31 December 2024, due to his appointment to a new position outside the KONČAR Group.

At the same session, Mario Radaković tendered his resignation from the Supervisory Board, effective 31 December 2024, and was appointed Member of the Management Board responsible for Finance for the period from 1 January 2025 to 21 January 2028. Mr. Radaković had served as a Supervisory Board Member of KONČAR Inc. since 2020.

In 2024, the Management Board held 45 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.

Throughout 2024, the Management Board operated as a five-member body. 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.

Report on the Application of the Corporate Governance Code (continued)

Internal Audit

The Corporate Internal Audit Department of the KONČAR Group functions as an independent assurance and control mechanism, providing the Management Board with comprehensive audit reports that include key findings and recommendations for improvement. The Internal Audit Charter defines the operational framework and core principles guiding audit activities across the KONČAR Group.

The Internal Audit function is responsible for evaluating the effectiveness of risk management processes embedded within business operations, reviewing the adequacy and efficiency of internal control systems, and ensuring compliance with established policies, procedures, strategic plans, applicable laws, and regulations that may significantly impact financial reporting and corporate integrity. In addition to oversight, the Internal Audit team is tasked with identifying and recommending preventative measures in areas such as financial reporting, regulatory compliance, operations, and control. These recommendations aim to mitigate risks and address deficiencies that could potentially lead to process inefficiencies or fraudulent activities. The Internal Audit Department reports on its activities and audit plans to the Management Board, the Audit Committee, and the Supervisory Board. The findings and recommendations provided by Internal Audit serve as a critical tool for management, supporting process improvements and proactively managing risks to maintain them at acceptable levels.

During 2024, audits were conducted across several key operational areas, including sales processes, procurement, inventory management, and process mapping in companies involved in recent mergers. All audit findings and recommendations, along with implementation deadlines and current status, are outlined in the Overview of Findings and Recommendations. The final audit report was reviewed and formally adopted by the Audit Committee.

Employees

One of the core pillars of KONČAR's strategic direction is the development of a knowledge-based company grounded in its intellectual capital. In light of increasing competitiveness in the market, the professional growth of employees and effective human resource management remain high priorities for the organisation.

In managing employment relations and internal structure, the Company complies with all applicable legislation, collective and individual agreements, and remains committed to safeguarding the human and civil rights, dignity, and integrity of every employee. In its day-to-day operations, the Company adheres to the Constitution, statutory and subordinate legislation, internal corporate acts, and the Code of Conduct.

Employees are continuously and proactively informed of all relevant regulations and internal rules concerning their rights and obligations at work. The Company firmly upholds a zero-tolerance policy toward any form of misconduct and is committed to the prevention of irregularities. It promotes a culture of equal opportunity for all employees, irrespective of gender, age, nationality, ethnic origin, race, religion, language, socio-economic status, sexual orientation, or affiliation with political or other organisations. Throughout the reporting period, there were no recorded instances of discrimination based on race, ethnicity, gender, religion, political belief, nationality, or social background.

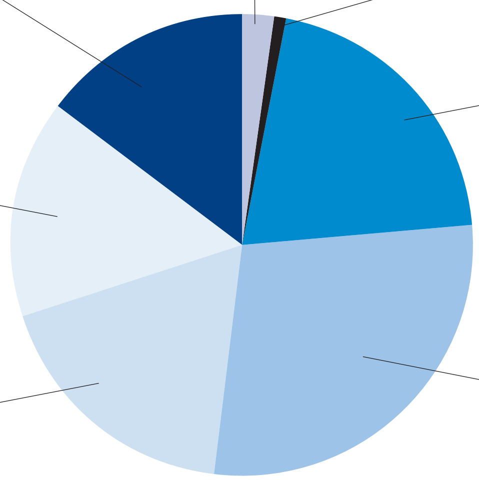
In line with the Collective Agreement, the Employer is obliged to protect the dignity of employees during the course of their work and to ensure a working environment free from harassment, whether sexual or non-sexual, by supervisors, colleagues, or any third party with whom the employee may come into contact in the course of their duties. Human resource management entails the continuous monitoring and analysis of employee motivation drivers. Accordingly, regular one-on-one meetings and employee satisfaction surveys are conducted, providing valuable insight into the perceptions, needs, and preferences of each individual. These findings serve as the foundation for designing targeted action plans aimed at fostering a supportive and motivating work environment, ultimately enhancing employee wellbeing and engagement.

As at 31 December 2024, the Company employed 587 individuals, compared to 78 employees as at 31 December 2023. (in previous paragraphs is explained connection between mergers in 2024 with increase in number of employees).

Capital market

Ownership Structure

The shares of KONČAR Inc. are listed on the Official Market of the Zagreb Stock Exchange, trading under the ticker symbol KOEI-R-A (ISIN: HRKOEIRA0009). The Company maintains a stable and well-diversified ownership structure, with Kapitalni fond and both mandatory and voluntary pension funds holding the most significant share.



In 2024, KONČAR's share (KOEI-R-A) recorded the highest annual growth among all listed companies on the Zagreb Stock Exchange. The share reached its peak value in late December, closing at EUR 462.00. As at 31 December 2024, the Company's market capitalisation stood at EUR 1,130.8 million, marking a year-on-year increase of 137.5% compared to 31 December 2023.

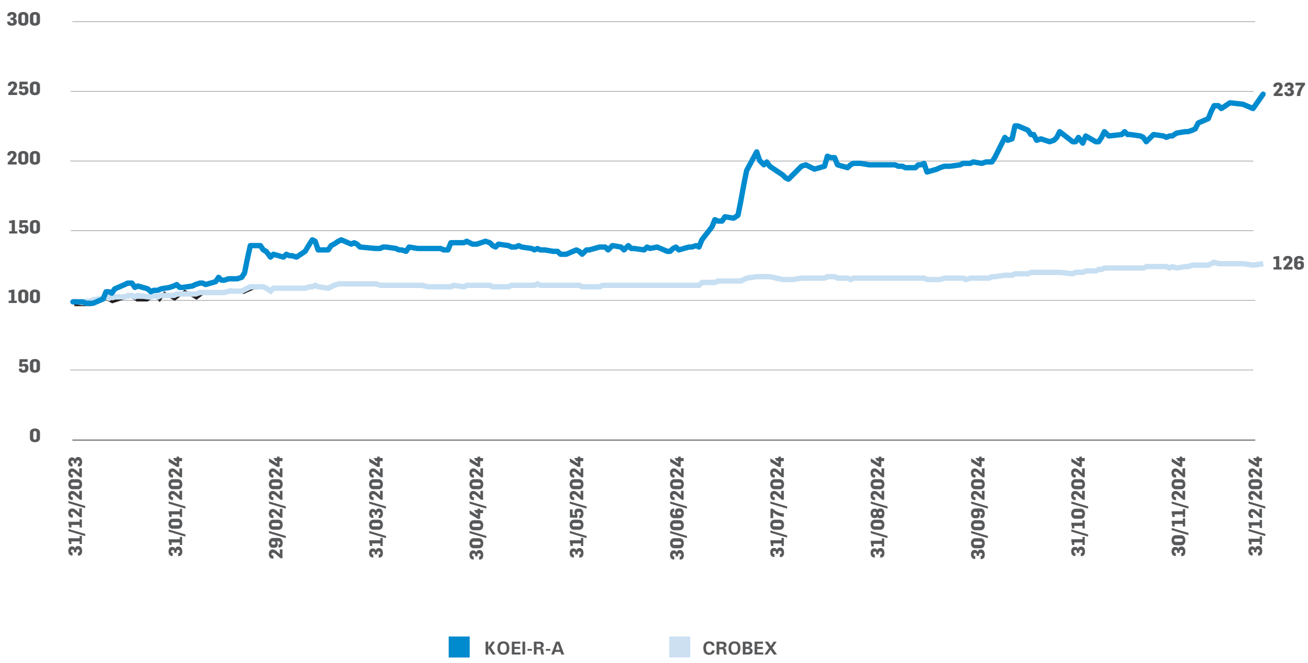
Earnings per share (EPS) for 2024 amounted to EUR 12.35, which represents a 129.6% increase relative to the EPS achieved in the same period of 2023. The General Assembly of KONČAR Inc. was held on 12 June 2024. At the meeting, a resolution was passed approving the distribution of dividend in the amount of EUR 2.50 per share to the Company's shareholders.

As at 31 December 2024, the Company held 25,306 treasury shares, representing 0.99% of the total 2,572,119 issued shares. The nominal value of each share is EUR 62.00.

KOEI-R-A	31/12/2023	31/12/2024	Index
Final price(EUR)	187.00	444.00	237.4
Highest price (EUR)	200.00	462.00	231.0
Lowest price (EUR)	115.00	184.00	160.0
Volume	65,201	122,537	187.9
Turnover (EUR)	10,501,587	39,110,412	372.4
Market capitalization (EUR)	476,149,872	1,130,784,972	237.5
EPS (EUR) profit of parent company / weighted average number of shares	5.38	12.35	229.6

Capital market (continued)

Trajectory of the KOEI's share price index and CROBEX's value throughout 2024



Investor Relations

In 2024, KONČAR Inc. continued its established practice of holding regular webcast conferences following the publication of each quarterly financial result. In addition to these scheduled updates, the Investor Relations Department actively participated in a number of domestic and international investment conferences and conducted a substantial number of one-on-one meetings with institutional investors from both Croatia and abroad.

Ongoing engagement with financial analysts and the investment community has contributed to a deeper understanding of the operations of KONČAR and the wider Group, raised the level of corporate transparency, and further strengthened the market appeal of KONČAR shares.

All presentations delivered to analysts and investors are available on the company's official website www.koncar.hr/investitori/prezentacije.

ESG

Pursuant to the Accounting Act (Official Gazette No. 85/24) and the regulatory framework grounded in the Corporate Sustainability Reporting Directive (CSRD), KONČAR Inc. is not classified as a reporting entity obligated to prepare a standalone Sustainability Report. However, as the Parent Company, KONČAR Inc. is subject to consolidated sustainability reporting requirements. Accordingly, the Company's data is incorporated into the KONČAR Group's consolidated Sustainability Report.

Statement of Management's responsibilities

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

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

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

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

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

The Management report and the Corporate Governance Report, as well as the annual separate financial statements in single electronic reporting format were approved and signed by the Management Board on 16 April 2025 for submission to the Supervisory Board.

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 d.d. Zagreb
Fallerovo šetalište 22
2

KONČAR Inc.
Fallerovo šetalište 22,
10 000 Zagreb


KONČAR
KONČAR

KONČAR Inc.

Independent Auditors' Report

Independent Auditors' Report to the shareholders of KONČAR Inc.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2024, and of its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

This version of our audit 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.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

RECOVERABILITY OF INVESTMENTS IN SUBSIDIARIES

As at 31 December 2024, investments in subsidiaries in the separate financial statements amounted to EUR 151,271 thousand (2023: EUR 109,561 thousand). During the year the Company recognized an impairment loss with respect to investments in subsidiaries in the amount of EUR 1,698 thousand (2023: EUR 4,357 thousand).

Refer to: Material accounting policy information 2. *m) Investment in subsidiaries,* key accounting estimate 3. *a) Recoverability of investments in subsidiaries* and notes 9. *Impairment* and 17. *Investment in subsidiaries* to the financial statements.

Key audit matter	How our audit addressed the matter

The Company is required to assess whether there are indicators of impairment relating to its investments in subsidiaries. Where such indicators exist, the Company determines the recoverable amounts of the investments. This determination involves the use of valuation models and requires significant judgement, particularly in respect of future cash flow projections, discount rates, growth assumptions, and the selection and application of valuation methodologies.
 	
Given the size of the investments and the total exposure to subsidiaries (including loans and receivables, net of related liabilities), even minor changes in key assumptions may have a material impact on the estimated recoverable amounts and, consequently, the financial statements. The involvement of both internal and external valuation specialists further contributes to the complexity of the matter. These factors led us to consider the recoverability of investments in subsidiaries as a key audit matter.
	Our audit procedures addressing this matter included, among others:
	
	• Obtaining an understanding of the process applied by the Company to identify indicators of impairment and considering whether factors such as industry developments, net asset positions, regulatory changes, financial performance, overdue balances, and business model changes had been considered.
	• Where impairment indicators were identified, assessing whether the methodologies applied by the Company in estimating recoverable amounts were consistent with the relevant financial reporting standards. This included identifying the models and inputs used, and considering their relevance and consistency with industry practice.
	• Assessing the competence, capabilities and objectivity of the internal and external valuation experts engaged by the Company.
	• Involving our valuation specialists to assist in evaluating the key assumptions used in the impairment models, including:
	  ○ Comparing historical cash flow projections with actual outcomes to assess the reliability of management's forecasting process.
	  ○ Considering the discount rates and long-term growth rates applied, using publicly available market data and historical financial information.
	  ○ Performing sensitivity analyses to understand the impact of changes in key assumptions on the estimated recoverable amounts, and considering whether assumptions used could indicate potential management bias.
	• Assessing whether disclosures in the financial statements in respect of the impairment testing were appropriate and complied with the applicable financial reporting requirements.

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

REVENUE RECOGNITION	
Revenue from customer contracts recognized in profit or loss in 2024 amounts to EUR 98,095 thousand (2023: EUR 10,756 thousand). Refer to: Material accounting policy information 2. *a) Revenue from contracts with customers,* key accounting estimate 3. *e) Revenue recognition* and note *4. Revenue* in the financial statements.	
Key audit matter	**How we addressed the matter**
The Company's principal activities include sales of plant and equipment in the energy and transportation sector as well as related services such as design, engineering and maintenance. These contracts often include terms that require management to assess whether additional components, such as extended warranties or significant financing components, exist and represent separate performance obligations under IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 requires the identification of all promised goods and services in a contract and a determination of whether each should be treated as a separate performance obligation. Part of revenue is recognised at a point in time, when control transfers to the customer, generally upon delivery. Where 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 Company 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.	Our procedures performed in this area included: • Evaluating the design and implementation of selected controls over the revenue cycle; • Assessing the Company's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard; • Assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for completed contracts and contracts with 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 Company's identification of performance obligations included therein; - critically assessing the Company's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations; - based on the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents with particular attention paid to cut-off procedures over amounts recognised at or around the reporting date;

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

REVENUE RECOGNITION (CONTINUED)	
Key audit matter	**How our audit addressed the matter**
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.	• For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Company's accounting records, and inspecting the underlying documentation; • Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items. • Assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for customer contracts.

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on the Audit of the Financial Statements (continued)

Other Information

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

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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Face to Face Business

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on the Audit of the Financial Statements (continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

We were appointed by those charged with governance on 12 June 2024 to audit the separate financial statements of KONČAR Inc. for manufacturing and services for the year ended 31 December 2024. The total uninterrupted period of engagement as auditors for KPMG Croatia d.o.o. is five years, covering the periods ending 31 December 2020 to 31 December 2024 while the total uninterrupted period of engagement as auditors for TPA Audit d.o.o. is two years covering the periods ending 31 December 2023 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 14 April 2025;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partners on the joint audit resulting in this independent auditors' report are Igor Gošek and Igor Arbutina.

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the separate financial statements of the Company as at and for the year ended 31 December 2024, as included in the attached electronic file "74780000H0SHMRAW0I15-2024-12-31-0-en-Nekonsolidirano.zip", with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the separate financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the separate financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Independent Auditors' Report to the shareholders of KONČAR Inc. *(continued)*

Report on Compliance with the ESEF Regulation (continued)

Auditors' Responsibilities (continued)

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the separate financial statements of the Company presented in human-readable format;
- evaluating the completeness of the Company's tagging of the separate financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate financial statements.

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

Opinion

In our opinion, based on the procedures performed and evidence obtained, the separate financial statements of the Company as at and for the year ended 31 December 2024, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our conclusion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

16 April 2025

KPMG Croatia d.o.o.
Croatian Certified Auditors
Ivana Lučića 2a
10000 Zagreb
Croatia

Igor Gošek
Management Board Member, Croatian Certified Auditor

TPA Audit d.o.o.
Croatian Certified Auditors
Kneza Branimira 28
40323 Prelog
Croatia

Igor Arbutina
Director, Croatian Certified Auditor

This version of our audit 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.

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024.

	Note	2024 EUR'000	2023 EUR'000
Revenue	4	132,774	27,458
Other operating income	5	905	3,208
		133,679	**30,666**
Cost of materials and services	6	(73,794)	(3,617)
Staff costs	7	(16,614)	(4,860)
Depreciation and amortisation	8	(1,656)	(1,118)
Impairment	9	(3,988)	(4,357)
Provisions		(118)	-
Other operating expenses	10	(8,381)	(4,337)
		(104,551)	**(18,289)**
Operating profit		**29,128**	**12,377**
Finance income		2,319	1,560
Finance costs		(583)	-
Net finance income	11	**1,736**	**1,560**
Profit before tax		**30,864**	**13,937**
Income tax	11	590	(230)
PROFIT FOR THE YEAR		**31,454**	**13,707**
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE YEAR		**31,454**	**13,707**
Basic and diluted earnings per share in EUR	13	12.35	5.38

The accompanying notes form an integral part of these financial statements

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2024.

	Note	31 December 2024 EUR'000	31 December 2023 EUR'000
ASSETS			
Intangible assets	14	996	61
Property, plant and equipment	15	14,431	7,133
Investment property	16	45,356	45,696
Right-of-use asset		334	-
Investments in subsidiaries	17	151,271	109,561
Investments in associates	18	8,988	8,988
Financial assets at FVTPL		847	457
Financial assets at amortised cost	19	8,178	21,905
Deferred tax assets		1,161	-
Non-current assets		**231,562**	**193,801**
Inventories	20	1,681	-
Cash and cash equivalents	21	89,924	14,992
Contract assets	22	27,740	-
Income tax receivables		497	-
Loans given	23	321	6,007
Cash and cash equivalents	24	7,294	38,343
Non-current assets held for sale	25	757	757
Current assets		**128,214**	**60,099**
TOTAL ASSETS		**359,776**	**253,900**
EQUITY AND LIABILITIES			
Share (registered) capital		159,471	159,471
Capital reserves		1,073	1,072
Reserves from profit		68,674	57,272
Retained earnings		37,896	23,018
Capital and reserves	26	**267,114**	**240,833**
Non-current provisions	27	3,369	1,449
Lease liabilities	29	250	-
Non-current liabilities		**3,619**	**1,449**
Loans and borrowings	28	5,032	-
Trade and other payables	30	45,879	11,388
Lease and other financial liabilities	29	10,555	-
Contract liabilities	22	27,126	-
Income tax liability		-	230
Current provisions	27	451	-
Current liabilities		**89,043**	**11,618**
Total liabilities		**92,662**	**13,067**
TOTAL EQUITY AND LIABILITIES		**359,776**	**253,900**

The accompanying notes form an integral part of these financial statements

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024.

	Bilješka	2024. EUR'000	2023. EUR'000
Cash flows from operating activities			
Proceeds from trade receivables		84,492	12,196
Proceeds from insurance compensation		35	-
Proceeds from tax refunds		4,507	-
Payments to trade payables		(60,027)	(5,237)
Payments to employees		(16,190)	(4,239)
Payments for insurance compensation		(350)	-
Taxes paid		(1,319)	(1,776)
Other proceeds and payments		15	944
Cash from operations		**11,163**	**1,888**
Interest paid		(31)	-
Income tax paid		(387)	-
Net cash flows from operating activities		**10,745**	**1,888**
Cash flows from investing activities			
Proceeds from sale of non-current intangible and tangible assets		849	3,415
Proceeds from sale assets held for sale		-	391
Cash acquired through mergers of subsidiaries	34	5,065	-
Proceeds from dividends and profit shares		21,084	13,793
Interest received		737	1,001
Proceeds from repayment of loans and borrowings given	23	10,370	43,276
Payments for purchase of non-current intangible and tangible assets		(9,219)	(2,665)
Payments for acquisition of equity and debt financial instruments		(7,344)	(10,620)
Payments for loans given	19, 23	(42,590)	(20,515)
Outflows from other financial activities		(2)	-
Net cash flows (used in) / from investing activities		**(21,050)**	**28,076**
Cash flows from financing activities			
Proceeds from principal of borrowings		5,000	-
Dividend payments	26	(6,366)	(5,092)
Cash outflows related to supplier's factoring	29	(19,297)	-
Lease principal repayments		(9)	-
Other cash outflows from financing activities		(59)	-
Net cash used in financing activities		**(20,731)**	**(5,092)**
Net (decrease)/increase in cash and cash equivalents		**(31,036)**	**24,872**
Cash and cash equivalents at beginning of year	24	38,343	13,473
Effect of change in foreign exchange differences		(13)	(2)
Cash and cash equivalents at end of year	**24**	**7,294**	**38,343**

The accompanying notes form an integral part of these financial statements

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital EUR'000	Capital reserves EUR'000	Reserves from profit EUR'000	Reserves for treasury shares EUR'000	Treasury shares EUR'000	Retained earnings EUR'000	Total equity and reserves EUR'000
At 1 January 2023	**160,448**	**95**	**54,048**	**4,526**	**(2,051)**	**15,116**	**232,182**
Profit for the year	-	-	-	-	-	13,707	13,707
Currency translation adjustment upon EUR conversion	(977)	977	-	-	-	-	-
Total comprehensive income	**(977)**	**977**	**-**	**-**	**-**	**13,707**	**13,707**
Transfer	-	-	749	-	-	(749)	-
Other changes in equity	-	-	-	(16)	16	36	36
Dividend payments	-	-	-	-	-	(5,092)	(5,092)
Total transactions with the owners	**-**	**-**	**749**	**(16)**	**16**	**(5,805)**	**(5,056)**
At 31 December 2023	**159,471**	**1,072**	**54,797**	**4,510**	**(2,035)**	**23,018**	**240,833**
Profit for the year	-	-	-	-	-	31,454	31,454
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**31,454**	**31,454**
Effect of merger	-	1	10,969	-	-	(9,930)	1,040
Transfer to reserves according to the annual schedule	-	-	433	-	-	(433)	-
Other changes in equity	-	-	(1,525)	1,489	36	153	153
Dividend payments	-	-	-	-	-	(6,366)	(6,366)
Total transactions with the owners	**-**	**1**	**9,877**	**1,489**	**36**	**(16,576)**	**(5,173)**
At 31 December 2024	**159,471**	**1,073**	**64,674**	**5,999**	**(1,999)**	**37,896**	**267,114**

The accompanying notes form an integral part of these financial statement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1 General information on the Company

KONČAR Inc., Croatia, Zagreb, Fallerovo šetalište 22, (the "Company") is the parent company of then KONČAR Group. The Company is incorporated in Croatia, while the central offices are located in Fallerovo šetalište 22, 10 000 Zagreb, As the parent company, it prepares consolidated financial statements which are presented and audited separately. These unconsolidated financial statements represent the Company as a separate entity. The principal activities of the Company are managing owned subsidiaries and associates.

In accordance with previously adopted decisions, a status change in the form of a merger was carried out on 1 July 2024, whereby the affiliated companies KONČAR – Engineering Co Ltd for production and services and KONČAR – Infrastructure and services Ltd. for services were merged into KONČAR Inc., as the acquiring company. The merged companies continued their regular business operations within KONČAR Inc. Significant differences in the financial statements compared to the same period in 2023 are the result of the aforementioned status change.

Additionally, in the course of 2024, KONČAR – Investments Ltd. for business services (on 11 November 2024) and Advanced energy solutions Llc. for investment (on 31 December 2024) were also merged into the Company.

The Company has branches in Albania, North Macedonia, Kosovo, Kenya, Tanzania, Bulgaria, Bosnia and Herzegovina (Mostar and Bijeljina), Sweden, Algeria, Iceland, Romania and Cyprus. The Company's financial statements include the financial data of its branches.

As at 31 December 2024 the Company had 587 employees, while as at 31 December 2023 the Company had 78 employees.

Members of the Supervisory Board:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Danko Škare	Member of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Mario Radaković	Member of the Supervisory Board until 31 December 2024
Maja Martinović	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board since 13 July 2024
Igor Filipović	Member of the Supervisory Board since 13 July 2024
Lovro Jurišić	Member of the Supervisory Board since 30 October 2024
Ruža Siluković	Member of the Supervisory Board until 29 October 2024
Branko Lampl	Member of the Supervisory Board until 12 July 2024
Ivan Milčić	Member of the Supervisory Board until 12 July 2024

Members of the Management Board:

Gordan Kolak	President of the Management Board
Miki Huljić	Member of the Management Board
Josip Lasić	Member of the Management Board until 31 December 2024
Ivan Paić	Member of the Management Board since 21 January 2024
Petar Bobek	Member of the Management Board since 21 January 2024

Auditors of the financial statements provided services amounting to EUR 139 thousand in 2024 (2023: EUR 72 thousand). Services in 2024 relate to the audit of statutory financial statements and other assurance services related to reports prepared for regulatory purposes. Non-audit services provided by the auditors to the Company's subsidiaries and associates are disclosed in the consolidated financial statements of the Group.

Management and Supervisory Board remuneration is disclosed in note 32 to the financial statements.

The financial statements are presented in euros, which represents the functional currency of the Company. Financial statements are presented in thousand EUR ('000 EUR). Amounts are rounded to the nearest thousand EUR.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information

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

Basis of preparation

The Company's 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.

The Company has prepared these separate financial statements in accordance with the Croatian legal regulations. At the date of approval of these separate financial statements, the Company has prepared and approved the related consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the Company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiaries (Note 17) have been fully consolidated. Users of these separate financial statements should read them with the Group's consolidated financial statements as at and for the year ended 31 December 2024 in order to obtain full information on the financial position, results of operations and changes in the financial position of the Group as a whole.

The preparation of financial statements in conformity with 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 Company'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 disclosed in Note 3.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments that are carried at fair value.

The financial statements have been prepared under the accrual principle on a going concern basis.

Adoption of new and amended International Financial Reporting Standards

Current standards, amendments to existing standards, and implementations – adopted during 2024

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

- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current or non-current, and non-current liabilities with covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier finance arrangements
- Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback transaction

The adoption of these standards has not resulted in significant effects on the amounts recognized in the balance sheet or the income statement, or on the disclosed accounting policies.

Standards, amendments to existing standards, and interpretations that have been issued but are not yet effective.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

a) Revenue from contracts with customers

The Company recognises revenue based on:
- revenue generated in the Power Generation segment
- revenue generated in the Transmission and Distribution segment
- revenue generated in the Urban Mobility and Infrastructure segment
- brand fees (fees for the use of the company name, trademark, and service mark)
- property management fees / revenue from property management
- other fees (joint guarantees, representations)

The Company recognises revenue when the control over particular goods or services is transferred to a customer or when the customer acquires the right to manage the transferred goods or services provided that there is an agreement resulting in enforceable rights and obligations and, among other things, a consideration is likely to be charged taking into account the creditworthiness of the Company's customers. Revenue is recognised in the amount of the transaction price to which the Company expects to be entitled in exchange for transferring the promised service to customers.

The promised consideration may include fixed amounts, variable amounts, or both.

Revenue from construction contracts: The Company recognises revenue both over time and at a point in time. The method for measuring progress in service delivery highlights the importance of accurate estimation when assessing the fulfilment of performance obligations and may include estimates related to the scope of delivery and services required to meet contractual obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks including technical, political, and regulatory risks and other management judgements. The Company has determined that the input method is the most appropriate for measuring progress in service delivery, as there is a direct relationship between the Company's efforts (i.e., costs incurred to date on a project) and the transfer of services to the customer. When revenue is recognised over time, it is measured based on the costs incurred to date relative to the total expected costs necessary to satisfy the performance obligations under the contract. Additionally, the Company assesses whether an individual contract will be continued or terminated, and estimates the most likely scenario, taking into account all relevant facts and circumstances related to the contract.

The Company also recognises revenue at a point in time for the sale of goods, recognising revenue when control of the goods is transferred to the customer usually upon delivery when the customer obtains full discretion over the goods and when there are no unfulfilled obligations that could affect the customer's acceptance of the goods. Delivery typically occurs when the goods are delivered to the agreed location, the risk of loss has been transferred to the customer, and the customer has accepted the goods in accordance with the terms of the contract, or the acceptance provisions have lapsed, or the Company has objective evidence that all acceptance criteria have been met.

Revenue from service: is recognised over time either on a straight-line basis or based on the stage of completion, i.e. the proportion of costs incurred to date relative to the total expected costs necessary to fulfil the performance obligations under the contract, as described in the previous paragraph.

Revenue from brand usage: which provides the right to access intellectual property, is recognised over time. The fee is calculated and paid monthly and is determined by applying a market-based percentage to sales revenue generated from unrelated third parties.

Sale of goods: Revenue is recognised at the point in time when control of the goods transfers to the customer, usually upon delivery. Invoices are issued at that point, and payments are typically made in accordance with the payment terms defined in the contract. Revenue from licences that provide the right to access intellectual property is recognised over time, with payment terms defined as 60 days from the invoice date according to the contractual conditions.

When either party to a customer contract fulfils its obligations, customer contracts are presented in the statement of financial position as a contract asset, contract liability, or receivable, depending on the relationship between the Company's performance and the customer's payment. Contract assets and contract liabilities are presented as current because they arise in the course of the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

a) Revenue from contracts with customers (continued)

Contract Assets and Contract Liabilities

A contract liability is recognised when the customer has paid the consideration, but the Company has not yet fulfilled its performance obligation by transferring goods or services.

If the Company has transferred goods or services to the customer, and the customer has not yet paid the consideration and the right to receive payment is unconditional (except for the passage of time), a receivable is recognised.

A contract asset is recognised when the right to receive consideration is conditional (e.g., upon the completion of another performance obligation).

b) Income from dividends

Income from dividends, i.e. shares in profit of subsidiaries and associates, is recognised when the right to receive payment is established.

c) Finance income and costs

Finance income and expenses include interest accrued on loans and borrowings using the effective interest rate method, interest income on invested funds, dividend income and profit shares, as well as gains and losses arising from foreign exchange differences.

Finance expenses consist of accrued interest expenses on borrowings, changes in the fair value of financial assets measured at fair value through profit or loss, impairment losses on financial assets, and foreign exchange losses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period necessary to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised using the effective interest rate method.

d) Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities as of the date on which the Company obtains the right to use the leased asset. Right-of-use assets are presented separately in the statement of financial position.

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

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, and are adjusted for any remeasurement of the lease liability due to lease reassessments or modifications.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset. The depreciation periods for right-of-use assets are as follows:
Right-of-use vehicles: 5 years

Payments related to all short-term leases and certain leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

d) Leases (continued)

The Company applies the low-value asset exemption on a lease-by-lease basis. For leases where the leased asset is subject to a sublease, a right-of-use asset with a corresponding lease liability is recognised; for all other low-value leases, lease payments are expensed on a straight-line basis over the lease term.

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

Low-value assets include printers and small office furniture.

The weighted average incremental borrowing rate applied to the measurement of lease liabilities is 5% for properties.

Leasing activities

The Company leases various properties (office buildings, parking spaces), vehicles, and other small equipment (e.g. printers).

Leases are negotiated individually and contain a wide range of different terms and conditions, including termination and extension options. Key lease features are summarised below:
- Vehicles are leased for a fixed term of 5 years.
- Small equipment (e.g. printers) is leased for a fixed period of two years, with a purchase option at fair value.

Lease agreements do not include any specific provisions, but the leased assets may not be used as collateral for borrowings.

The Company is not significantly exposed to future cash outflows that are not reflected in the measurement of lease liabilities.

The Company does not provide any residual value guarantees.

e) Income tax

The Company recognises tax liabilities in accordance with Croatian regulations. Income tax for the current year includes current and deferred tax.

Global minimum tax

The Company has adopted the International Tax Reform – Pillar Two Model Rules (amendments to IAS 12). The aim of the Pillar Two rules is to ensure that large multinational enterprises are subject to a minimum tax rate of 15% in each jurisdiction in which they operate.

The amendments to IAS 12 – Income Taxes introduce a mandatory temporary exception in IAS 12, prohibiting the recognition and disclosure of deferred tax assets and deferred tax liabilities arising from the implementation of the OECD Pillar Two rules. The mandatory temporary exception to the requirements of IAS 12 has been applied, under which the Company is not required to recognise or disclose information regarding deferred tax assets and liabilities related to the proposed Pillar Two rules.

The estimated tax expense (or income) related to the Pillar Two rules for the year 2024 has been disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

f) Earnings per share

The Company presents data on basic and diluted earnings per share for ordinary shares.

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all potential ordinary shares arising from options exercised.

g) Dividend distribution

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

h) 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 according to the Croatian National Bank. Gains and losses arising on translation are included in the income statement for the current year. Negative and positive exchange differences arising on translation are included in the income statement for the current year and are presented in Note 11 in net amounts (these amounts include exchange differences from operating activities).

i) Non-current intangible assets

Intangible assets are initially recognised at cost. They include the following asset types: licences, software, advances for intangible assets, and other intangible assets. Part of the Company's activities relates to research and development—prototypes of new products. During the research phase of an internal project, costs are recognised as expenses in the period in which they are incurred. Expenditures in the development phase are recognised as intangible assets if it is probable that the future economic benefits attributable to the asset will flow to the Company. After initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated so as to allocate the cost of each asset, except for assets under development and advances, over its estimated useful life on a straight-line basis, as follows:

	Amortisation and depreciation rates (from – to %)
Development expenditures	20
Licences and software	20 - 50

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

j) Property, plant and equipment

Property, plant and equipment are initially carried at cost. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the item will flow to the Company and if the cost of the asset can be reliably measured and if the cost of the asset is higher than EUR 465.

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

Maintenance and repairs, replacements and improvements of minor scale lower extent are expensed as incurred.

Depreciation is charged so as to write off the cost of each asset, other than land and tangible assets under construction and advances, over their estimated useful lives, using the straight line method, as follows:

	Amortisation and depreciation rates (from – to %)
Buildings	1.2 – 25
Equipment	6.25 – 50
Tools, plant inventory and vehicles	5 - 25
Other tangible assets	14.29 - 50

k) 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.

	Amortisation and depreciation rates (from – to %)
Buildings	1.2 – 10

The residual value of an asset is the estimated amount that the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

k) Investment property (continued)

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the item will flow to the Company 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 Company starts using the investment property, it is reclassified to property, plant and equipment. The Company discloses the fair value of investment property on the basis of periodical independent valuations by expert valuers.

Based on these estimates, the Company 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.

l) Financial assets and liabilities

Classification and measurement of financial assets

Financial assets are classified and measured as presented in Note 33.

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

Business models for managing financial assets include:
- amortised cost model - business model whose objective is 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.

Key categories of the Company's financial assets measured at amortised cost are as follows:

- Cash and cash equivalents:
- Cash includes cash on hand, bank balances, and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash within no more than three months and are subject to an insignificant risk of changes in value. Cash equivalents include time deposits with maturities of up to three months and units in money market funds. Since cash and cash equivalents are held to collect contractual cash flows and are not measured at fair value through profit or loss, they are measured at amortised cost.

- Receivables and contract assets:
- Receivables and contract assets are initially measured at fair value. At each reporting date, receivables and contract assets for which settlement is expected in a period longer than one year are measured at amortised cost using the effective interest rate method, less impairment losses. All other receivables are measured at their initially recognised amount, reduced by collections and impairment.

Impairment of financial assets

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses, applying the simplified expected credit loss approach. In measuring expected credit losses, the Company uses historical data (covering a minimum of three years) on days past due, adjusted for forward-looking expectations regarding the collection of receivables. Trade receivables are grouped into portfolios based on the credit rating of the customer's country of domicile and their ageing profile.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

l) Financial assets and liabilities (continued)

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

For the amount of expected credit losses, the value of the financial asset is impaired and the gain or loss on the impairment is recognised in profit or loss, except for debt instruments where 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 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 assumption 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.

Key categories of the Company's financial liabilities are as follows:

- *Borrowings:*
  - Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- *Trade payables:*
  - Trade payables represent obligations to pay suppliers for goods received or services rendered during the ordinary course of business. Trade payables are classified as current liabilities if they are due for payment within one year or within the normal operating cycle, if longer. Otherwise, they are classified as non-current.

Financial guarantee on contractual obligations

A financial guarantee on contractual obligations is initially measured at fair value and subsequently measured at the higher of:
- the amount determined in accordance with the expected credit loss model under IFRS 9; and
- the amount initially recognised, less, where appropriate, cumulative income recognised in accordance with the revenue recognition policy.

m) Investments in subsidiaries

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

n) Investments in associates

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

o) Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A group of individuals is considered to control an entity when, as a result of a contractual agreement, they collectively have the power to govern the financial and operating policies of that entity to obtain benefits from its activities.

The method used for combining entities or businesses under common control is the book value method. The combination is carried out at the book values of the entity or business being acquired, and these book values are prospectively included in the financial statements of the acquiring entity from the date of combination..

p) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories includes all purchase costs, conversion costs, and other costs incurred in bringing the inventories to their current location and condition. The cost of purchase includes the purchase price, import duties and taxes (other than those subsequently recoverable from tax authorities), transport costs, handling charges, and other directly attributable costs. Trade discounts, quantity discounts, and similar items are deducted in determining the purchase cost. The cost is determined using the weighted average cost method.

q) 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. Noncurrent 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.

r) Supplier factoring

Under supplier factoring arrangements, the Company enters into agreements with a factoring service provider whereby the provider settles the Company's outstanding payables to suppliers and subsequently collects payment from the Company 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 Company 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 Company classifies such transactions as either financing or operating activities in the Statement of Cash Flows.

s) Provisions

The Company recognises the following categories of provisions: provisions for estimated warranty repair costs and provisions for termination benefits and jubilee awards, as described in note u). Provisions are reviewed at each reporting date and adjusted to reflect the best current estimate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

t) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises the related costs that the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company purchase, construct, or otherwise acquire long-term assets are recognised in the statement of financial position as deferred income and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset.

Receivables related to government grants for reimbursement of expenses or losses already incurred, or for the purpose of providing immediate financial support to the Company with no future related costs, are recognised in profit or loss in the period in which the receivable is established.

u) Permanent establishments

The accounting policies of permanent establishments (entities without legal personality) are aligned with the Company's accounting policies. Certain balance sheet and income statement items are included in the Company's financial statements in amounts translated using the Croatian National Bank (CNB) exchange rate and are recorded in the balance sheet under separate accounts marked as permanent establishment accounts. Taxes are calculated in accordance with local legislation.

v) Employee benefits

i. Pension obligations and other post-employment benefits
In the normal course of business, the Company makes regular contributions on behalf of its employees who are members of mandatory pension funds, in accordance with applicable legislation. Mandatory pension contributions to pension funds are recognised as an employee benefit expense when incurred. The Company has no obligation to provide any further post-employment benefits in relation to pensions from mandatory pension funds.

ii. Termination benefits
Termination benefits are recognised when the Company terminates the employment of an employee before the normal retirement date or when an employee accepts voluntary redundancy in exchange for compensation. The Company recognises termination benefits when it has demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or when it provides termination benefits as an incentive for voluntary redundancy.

iii. Regular retirement severance payments
Severance payments due more than 12 months after the reporting date are discounted to their present value based on an actuarial valuation prepared at the end of each reporting period. This valuation uses assumptions about the number of employees expected to become entitled to retirement severance payments, the estimated cost of such benefits, and a discount rate determined as the average expected return on investment in government bonds.

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

iv. Long-term employee benefits
The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period in which the award is earned, based on the actual number of years of service. The liability is measured by an independent actuary at each reporting date using assumptions regarding the number of employees entitled to such benefits, the estimated cost of the benefits, and a discount rate determined as the average expected return on investment in government bonds. Actuarial gains and losses resulting from adjustments and changes in actuarial assumptions based on experience are recognised immediately in profit or loss.

v. Short-term employee benefits
The Company recognises accrued liabilities for employee bonuses when there is a contractual obligation or when past practice has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2 Material accounting policy information (continued)

w) Events after the reporting date

Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are recognised in the financial statements. Events that do not require adjustment are disclosed in the notes to the financial statements if they are material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Recoverability of investments in subsidiaries

At each reporting date the Company estimates whether impairment indicators exist, which indicate that the investments in subsidiaries could be impaired and estimates the recoverable amount of those investments.

For the purpose of impairment tests, the DCF method is used which is based on the assumptions that the entity's value represents the present value of its future cash flows. When using the DCF method, the objectivity of calculations mostly depends on the reality of medium-term business plans and the discounted rate used in discounting future cash flows as well as the calculation of the residual value of entities. Determining the discount rate depends on the interest rate for risk-free placements (government bonds) and the rate which reflects the risk premium depending on the entity's specifics, market position and technical capabilities. In 2024, as in 2023, the Company performed impairment tests on investments in subsidiaries for which indicators of impairment had been identified.

During 2024, in assessing the recoverability of the investment in Energetski park Pometeno brdo Ltd, the Company applied an expected return on invested capital of 9.12%, a terminal value of EUR 0.98 million, expected annual energy production of 20 GWh with a reduction in the final year, and an average price of EUR 98.92/MWh. These assumptions did not result in an impairment of the investment. With respect to the sensitivity of the impairment test to changes in key variables, the sensitivity analysis indicates that a reasonably expected change in one of the key variables (such as the level of production, electricity price, operating costs, or the weighted average cost of capital), with all other variables held constant, would not result in an impairment of the investment in Energetski park Pometeno brdo Ltd. A reasonably expected change in key variables, as defined by management, is considered to be a change of 1%.

Furthermore, in 2024 the Company carried out an impairment test on its investment in the subsidiary KONČAR – Generators and Motors Ltd. The recoverable amount was calculated based on a five-year business plan of the subsidiary, which is based on existing order books and includes planned capital investments, applying a return on equity rate of 10.30%. The impairment test assumes a terminal growth rate of 2.5%.

For the investment in KONČAR – Generators and motors Ltd., given the ongoing restructuring process initiated in 2022 and the level of financial debt as at 31 December 2024, the impairment test indicated a need to recognise an impairment loss in the amount of EUR 1,698 thousand.

In the event of an increase in the weighted average cost of capital by 50 basis points (with the terminal growth rate unchanged), the impairment would amount to EUR 3,563 thousand. Conversely, a decrease in the terminal growth rate by 50 basis points (with the weighted average cost of capital unchanged) would result in an impairment of EUR 2,425 thousand.

b) Estimation of the residual value of investment property

The Company regularly reassesses the residual value and useful life of its investment property. It has estimated that the residual value of such property exceeds its carrying amount, and as a result, depreciation is not charged until the residual value falls below the carrying amount.

For the aforementioned properties, the Company engaged an independent valuation expert in both 2024 and 2023, who determined their fair market value. Based on the 2024 valuation report, the Company recognised an impairment of investment property in the amount of EUR 0.6 million. In 2023, the Company did not recognise any impairment losses related to investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

3 Key accounting estimates and judgments (continued)

c) Provisions for warranty costs

The Company provides warranties for its projects ranging from 2 to 5 years. Management estimates provisions for future warranty claims based on historical information. Factors that may affect the estimate include the success of the Company's product quality improvement initiatives and the cost of spare parts and labour. If the required provision level increased by 1% relative to active contracts with existing warranties, provisions would increase by EUR 1.3 million (2023: -).

d) Impairment of trade receivables

In calculating and recognising expected credit losses on trade receivables, the choice of methodology, model, and input parameters is a matter of judgement. Details of the expected credit loss calculation methodology are disclosed in Note 2. The Company uses historical data (covering a minimum of 3 years) on days past due from group systems, adjusted for expected future conditions.

e) Revenue recognition

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

The majority of contracts with customers that the Company enters into may contain multiple activities which include the sale of plant and equipment and as well as related engineering, design, and installation services. Due to the integrated nature of activities in the contracts, the Company recognizes them as one integrated performance obligation completed over time.

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 Company has determined that the input method is the most appropriate for measuring progress in service delivery, as it reflects a direct relationship between the Company's efforts (i.e. 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.

If the measure of progress were to increase by 10%, the Company's revenue for 2024 would increase by EUR 33,700 thousand (2023: -), whereas a 10% decrease in the measure of progress would result in a decrease in revenue of EUR 41,045 thousand (2023: -).

Furthermore, the execution of certain contracts may take longer than one year. Considering that the Company 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.

For sale of goods, revenue is recognized 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 Company has objective evidence that all acceptance criteria have been met.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

4. Revenue

	2024 EUR'000	2023 EUR'000
Dividend income /i/	34,679	16,702
Revenue from contracts with customers /ii/	98,095	10,756
	132,774	**27,458**

/i/ Dividend income

	2024 EUR'000	2023 EUR'000
Dividends from subsidiaries (note 32)	13,385	8,685
Dividends from associates (note 32)	21,294	8,017
	34,679	**16,702**

/ii/ Revenue from contracts with customers

	2024 EUR'000	2023 EUR'000
Type of service		
Power Generation segment	35,567	-
Transmission and Distribution segment	39,526	-
Urban Mobility and Infrastructure segment	8,948	-
Brand usage fee (fee for the usage of company name, trademark and service mark)	7,885	6,840
Income from property management	5,139	3,230
Income from other fees	1,030	686
Total revenue from contracts with customers	**98,095**	**10,756**
Related parties (note 32)	17,747	10,627
Unrelated parties	80,348	129
Total revenue from contracts with customers	**98,095**	**10,756**
Timing of revenue recognition		
Croatia	75,968	10,756
Asia	8,253	-
Africa	3,608	-
European Union countries	8,125	-
Southeast Europe	2,141	-
Total revenue from contracts with customers	**98,095**	**10,756**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

4. Revenue (continued)

Timing of revenue recognition		
At a point in time	15,974	3,916
Over time	82,121	6,840
Total revenue from contracts with customers	**98,095**	**10,756**

5. Other operating income

	2024 EUR'000	**2023 EUR'000**
Gain on sale of assets /i/	181	2,914
Unrealised gains from financial assets	390	168
Income from damage compensations	133	86
Other income /ii/	201	40
	905	**3,208**

/i/ The gain on sale of assets in 2023 primarily relates to the sale of land at the Jankomir location and for the remaining portion of the Labin location, while in 2024 there were no significant asset sales.

/ii/ Other income in 2024 relates to extraordinary income from previous periods, income from the collection of previously impaired receivables, and income from the reversal of unused accrued vacation days.

6. Cost of materials and services

	2024 EUR'000	**2023 EUR'000**
Cost of goods sold	69,465	-
Maintenance services (servicing)	997	1,033
Energy costs	833	170
Utility and water protection fee	482	478
Costs of advertising and fairs	408	337
Telephone, post and transport	388	75
Supervisory services and property management services	321	576
Cleaning services	276	316
Company vehicle expenses	133	-
Rental expenses	133	-
Energy distribution costs	104	207
Administrative services	-	59
Strategy services	50	121
Other services	204	245
	73,794	**3,617**

As part of the cost of goods sold, an amount of EUR 34,569 thousand relates to services provided by subcontractors and project participants (in 2023 there were no such costs, as they relate to the engineering activity acquired through the merger of KONČAR – Engineering Co Ltd. as of 1 July 2024).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

7. Staff costs

	2024 EUR'000	2023 EUR'000
Net salaries and wages	9,129	2,343
Taxes and contributions	4,206	1,356
Contributions on salaries	1,947	577
Reimbursements of costs to employees	1,332	584
	16,614	**4,860**

Pension fund contributions in 2024 amounted to EUR 2,125 thousand (2023: EUR 519 thousand). The average number of employees during 2024 was 332 (2023: 71 employees).

8. Depreciation and Amortisation

	2024 EUR'000	2023 EUR'000
Amortisation of intangible assets (Note 14)	58	15
Depreciation of property, plant and equipment (Note 15)	601	208
Depreciation of right-of-use assets	66	-
Depreciation of investment property (Note 16)	931	895
	1,656	**1,118**

9. Impairment losses

	2024 EUR'000	2023 EUR'000
Impairment losses on investment in subsidiaries (note 17)	1,698	4,357
Impairment losses on intangible assets (note 16)	775	-
Impairment losses on receivables	1,515	-
	3,988	**4,357**

The impairment calculation methodologies for the items disclosed in this note are explained in more detail in Note 3 – Key accounting estimates and judgements.

10. Other operating expenses

	2024 EUR'000	2023 EUR'000
Intellectual services	3,936	2,757
Daily allowances and travel expenses	1,242	97
Service agreements	689	469
Entertainment costs	496	235
Cost of insurance	448	118
Sponsorships and donations	436	301
Bank fees and payment transaction costs	426	-
Professional training	200	-
Net book value of disposed assets	178	32
Memberships and other fees	90	-
Administrative fees and similar expenses	65	-
Other	175	328
	8,381	**4,337**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

11. Finance income and costs

	2024 EUR'000	2023 EUR'000
Finance income		
Interest income	2,280	1,517
Income from dividends and shares in profit	39	43
	2,319	**1,560**
Finance cost		
Foreign exchange losses	84	-
Interest expense on lease liabilities	11	-
Other interest expenses	488	-
	583	**-**
Net finance income	**1,736**	**1,560**

12. Income tax

	2024 EUR'000	2023 EUR'000
Current tax	-	*(230)*
Income tax	-	(230)
Deferred tax	*590*	-
Deferred income tax	590	-
Income tax	**590**	**(230)**

Current income tax differs from the theoretical tax that would result from applying the applicable tax rate to profit, as follows:

	2024 EUR'000	2023 EUR'000
Profit before tax	30,864	13,937
Income tax at the rate of 18%	**5,555**	**2,509**
Tax effects of:		
Non-deductible expenses	72	884
Non-taxable income	(6,258)	(3,073)
Temporary differences for which no deferred tax asset was recognised	540	-
Temporary differences for which no deferred tax liability was recognised	(67)	(7)
Recognised deferred tax liability on leases	(7)	-
Recognised deferred tax asset acquired through merger	(425)	-
Utilisation of tax losses previously not recognised as deferred tax assets	-	(83)
Income tax	**(590)**	**230**

The income tax rate applied for the calculation of deferred taxes is 18%, in accordance with the tax regulations.

Total tax losses (gross) expire as follows:

	2024 EUR'000	2023 EUR'000
Within 5 years	3,012	-
Within 4 years	1,962	-
	4,974	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

12. Income tax (continued)

In accordance with the regulations of the Republic of Croatia, the Tax Administration may, at any time within three years following the end of the year in which the tax liability was reported, review the Company's books and records and may impose additional tax liabilities and penalties. The Company's management is not aware of any circumstances that could result in potentially significant liabilities in this respect.

The Company estimates that it will be able to utilise the total recognised deferred tax asset in the amount of EUR 1,227 thousand in future periods (2023: EUR – thousand). In respect of leases, the Company recognised a deferred tax liability in the amount of EUR 66 thousand (2023: EUR – thousand).

As at 31 December 2024, the Company did not recognise a deferred tax asset in the amount of EUR 540 thousand, which relates to temporary differences that are not expected to be realised in the foreseeable future (31 December 2023: EUR – thousand).

Priznata odgođena porezna imovina i obveze (kretanje):

	31.12.2023 EUR'000	Effect of merger – recognised DTA EUR'000	Effect of merger – additional recognition EUR'000	Recognised in P&L EUR'000	Utilised EUR'000	31.12.2024 EUR'000
Deferred tax assets						
Tax losses carried forward	-	580	425		(110)	895
Temporary differences	-	-	-	268	-	268
Leases	-	391	-	(327)	-	64
Total deferred tax assets	**-**	**971**	**425**	**(59)**	**(110)**	**1.227**
Deferred tax liabilities						
Leases	-	400	-	(334)	-	66
Total deferred tax liabilities	**-**	**400**	**-**	**(334)**	**-**	**66**
TOTAL	**-**	**571**	**425**	**275**	**(110)**	**1,161**

The Company is subject to the Pillar Two rules. Legislation has been enacted in Croatia, the jurisdiction in which the Company is incorporated, and came into effect on 31 December 2023. The Company applies the exemption from recognising and disclosing information about deferred tax assets and liabilities related to income taxes under the Pillar Two rules, as provided by the amendments to IAS 12 issued in May 2023.

The Company estimates that the current tax expense related to the Pillar Two rules for the year 2024 amounts to EUR 30 thousand.

13. Earnings per share

Basic and diluted earnings per share	2024 EUR	2023 EUR
Profit for the year	31,453,933	13,707,458
Weighted average number of shares	2,546,603	2,546,256
Earnings per share in EUR	**12.35**	**5.38**

Diluted earnings per share for 2024 and 2023 is equal to basic earnings per share, since the Company did not have any convertible instruments or share options outstanding during either period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

13. Earnings per share (continued)

The weighted average number of shares is as follows:

	2024 EUR'000	2023 EUR'000
Issued shares as at 1 January	2,572,119	2,572,119
Treasury shares effect	(25,516)	(25,863)
Weighted number	**2,546,603**	**2,546,256**

14. Nematerijalna imovina

	Software and other rights EUR'000	Development projects EUR'000	Intangible assets under construc-tion EUR'000	Total EUR'000
Cost				
At 1 January 2023	**278**	**-**	**207**	**485**
Additions	-	-	32	32
Transfer	32	-	(32)	-
At 31 December 2023	**310**	**-**	**207**	**517**
Effect of merger	10	99	268	377
Increases	-	-	11	11
Reclassifications	-	-	605	605
Transfer	433	-	(433)	-
At 31 December 2024	**753**	**99**	**658**	**1,510**
Accumulated depreciation				
At 1 January 2023	**234**	**-**	**207**	**441**
Depreciation for the year	15	-	-	15
Impairment	-	-	-	-
At 31 December 2023	**249**	**-**	**207**	**456**
Depreciation for the year	25	33	-	58
At 31 December 2024	**274**	**33**	**207**	**514**
Net carrying amount				
At 31 December 2023	61	-	-	61
At 31 December 2024	**479**	**66**	**451**	**996**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

15. Property, plant and equipment

	Land EUR'000	Buildings EUR'000	Plant and equipment EUR'000	Tools and office supplies EUR'000	Other EUR'000	Assets under construc-tion EUR'000	Advances EUR'000	Total EUR'000
Cost								
At 1 January 2023	**442**	**5,380**	**3,347**	**583**	**7**	**5**	**-**	**9,764**
Additions	-	-	83	-	-	3,897	184	4,164
Transfer from assets under construction	-	-	303	-	-	(303)	-	-
Disposals	-	(69)	(50)	(86)	-	-	(184)	(389)
At 31 December 2023	**442**	**5,311**	**3,683**	**497**	**7**	**3,599**	**-**	**13,539**
Effect of merger	918	763	284	1,064	348	3	-	3,380
Reclassifications	-	-	2,897	1,464	239	(2,892)	-	1,708
Additions	-	-	-	-	-	2,966	-	2,966
Transfer from assets under construction	-	2,294	565	118	33	(3,010)	-	-
Disposals	-	(337)	(44)	(117)	(8)	-	-	(506)
At 31 December 2024	**1,360**	**8,031**	**7,385**	**3,026**	**619**	**666**	**-**	**21,087**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

15. Property, plant and equipment (continued)

Accumulated depreciation	Land EUR'000	Buildings EUR'000	Plant and equipment EUR'000	Tools and office supplies EUR'000	Other EUR'000	Assets under construc-tion EUR'000	Advances EUR'000	Total EUR'000
At 1 January 2023	**-**	**2,842**	**2,975**	**554**	**-**	**-**	**-**	**6,371**
Amortisation for the year	-	70	115	23	-	-	-	208
Disposals	-	(37)	(50)	(86)	-	-	-	(173)
At 31 December 2023	**-**	**2,875**	**3,040**	**491**	**-**	**-**	**-**	**6,406**
Amortisation for the year	-	97	250	178	76	-	-	601
Reclassifications	-	-	(1,588)	1,369	219	-	-	-
Disposals	-	(187)	(40)	(116)	(8)	-	-	(351)
At 31 December 2024	**-**	**2,785**	**1,662**	**1,922**	**287**	**-**	**-**	**6,656**
Net carrying amount								
At 31 December 2023	**442**	**2,436**	**643**	**6**	**7**	**3,599**	**-**	**7,133**
At 31 December 2024	**1,360**	**5,246**	**5,723**	**1,104**	**332**	**666**	**-**	**14,431**

During 2024 and 2023, the Company had no mortgages registered over its land and buildings. In 2021, following the identification and segmentation of the property portfolio, the Management undertook necessary structured actions regarding certain currently designated "non-core" properties that are not in use. These actions aimed to reduce costs and ease the burden on personnel responsible for property management. As a result, a reclassification of properties was carried out as at 31 December 2021.The property portfolio management strategy may in the future lead to changes in the current reclassification approach.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

16. Investment property

Movements in investment property in 2024 and 2023 are presented below:

	Land EUR'000	Buildings EUR'000	Assets under construction and advances EUR'000	Total EUR'000
Cost				
At 1 January 2023	**20.170**	**53.620**	**1.404**	**75.194**
Additions	-	-	2.529	2.529
Reclassification from assets held for sale	343	2.580	-	2.923
Transfer from assets under construction	-	1.857	(1.857)	-
Disposals	(338)	(82)	(53)	(473)
At 31 December 2023	**20.175**	**57.975**	**2.023**	**80.173**
Effect of merger	-	53	139	192
Additions	-	-	2.369	2.369
Utilisation of advances	-	-	(177)	(177)
Reclassifications	-	(4.637)	3.642	(995)
Transfer from assets under construction	153	5.697	(5.850)	-
Write-off of assets	-	-	(199)	(199)
Disposals	(3)	(75)	-	(79)
At 31 December 2024	**20.325**	**59.013**	**1.947**	**81.285**
Accumulated depreciation				
At 1 January 2023	**1.891**	**29.960**	**-**	**31.851**
Depreciation	-	895	-	895
Reclassification from assets held for sale	-	1.731	-	1.731
Disposals	-	-	-	-
At 31 December 2023	**1.891**	**32.586**	**-**	**34.477**
Impairment	577	-	-	577
Depreciation	-	931	-	931
Disposals	-	(56)	-	(57)
At 31 December 2024	**2.468**	**33.461**	**-**	**35.929**
Net carrying amount				
At 31 December 2023	18.284	25.389	2.023	45.696
At 31 December 2024	**17.857**	**25.552**	**1.947**	**45.356**

The fair value of investment property at the reporting date is classified as Level 3 fair value, as the input variables used in its determination are not based on observable market data. The fair value of investment property as at the reporting date amounts to EUR 109.3 million (31 December 2023: EUR 88.4 million), of which:

- EUR 63.9 million relates to land (31 December 2023: EUR 49.6 million),
- EUR 45.4 million relates to buildings (31 December 2023: EUR 38.8 million).

The cost of fully depreciated investment property still in use as at 31 December 2024 amounts to EUR 6,876 thousand (31 December 2023: EUR 4,546 thousand).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. Investments in subsidiaries

	Country	31 December 2024 EUR'000	31 December 2023 EUR'000	31 December 2024 % ownership share	31 December 2023 % ownership share
Domestic subsidiaries					
KONČAR – Switchgear Ltd., Zagreb	Croatia	11,197	11,197	100,00	100,00
KONČAR – Metal Structures Ltd., Zagreb	Croatia	16,779	16,779	100,00	100,00
KONČAR – Generators and Motors Ltd., Zagreb	Croatia	7,902	9,600	100,00	100,00
KONČAR – Distribution and Special Transformers, Inc., Zagreb	Croatia	8,245	8,245	52,73	52,73
KONČAR – Electrical Engineering Institute Ltd., Zagreb	Croatia	8,088	8,088	100,00	100,00
KONČAR - Infrastructure and Services Ltd., Zagreb	Croatia	-	7,524	-	100,00
KONČAR – Electronics and Informatics Ltd., Zagreb	Croatia	8,353	8,353	100,00	100,00
KONČAR – Renewable Energy Sources Ltd., Zagreb	Croatia	221	5,733	100,00	91,25
KONČAR – Engineering Ltd., Zagreb	Croatia	-	9,304	-	100,00
KONČAR - Motors and Electrical Systems Ltd., Zagreb	Croatia	6,450	6,450	100,00	100,00
KONČAR – Electric Vehicles Inc., Zagreb	Croatia	5,642	5,058	84,73	77,44
KONČAR – Instrument Transformers Inc., Zagreb	Croatia	4,041	4,041	61,97	61,97
KONČAR – Digital Ltd., Zagreb	Croatia	14,684	9,184	100,00	100,00
KONČAR – Investments Ltd., Zagreb	Croatia	-	3	-	100,00
KONČAR – Transformer Tanks, Inc., Zagreb	Croatia	1,102	2	100,00	100,00
Energetski park Pometeno brdo Ltd., Zagreb	Croatia	6,061	-	100,00	-
INK PROJEKT Ltd., Zagreb	Croatia	126	-	100,00	-
TELENERG-ENGINEERING Ltd., Zagreb	Croatia	1,008	-	100,00	-
Dalekovod Inc., Zagreb	Croatia	51,370	-	75,16	-
KONČAR – Hydro Turbine Ltd., Zagreb	Croatia	2	-	100,00	-
		151,271	**109,561**		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

17. Investments in subsidiaries (continued)

	31 December 2024 EUR'000	31 December 2023 EUR'000
As at 1 January	109,561	103,072
Effect of merger – increase /i/	1,684	-
Effect of merger – elimination of ownership interest	(16,860)	-
Additions /ii/	58,584	10,846
Impairment /iii/	(1,698)	(4,357)
As at 31 December	**151,271**	**109,561**

/i/ Through the merger of KONČAR – Engineering Ltd., the Company acquired ownership interests in TELENERG-ENGINEERING Ltd. and INK PROJEKT Ltd.

/ii/ Increases in 2024 relate to the acquisition of direct shares in Dalekovod Inc., capital increases in KONČAR – Digital Ltd. and KONČAR – Investments Ltd., repurchase of a portion of shares in KONČAR – Electric Vehicles Inc., capital contributions to KONČAR – Transformer Tanks Ltd., and the establishment of KONČAR – Hydro Turbine Ltd. In 2023, increases relate to capital increases in KONČAR – Digital Ltd. and KONČAR – Generators and Motors Ltd., repurchase of a portion of shares in KONČAR – Electric Vehicles Inc., and the establishment of KONČAR – Transformer Tanks Ltd.

/iii/ Impairment of investment in 2024 and 2023 relates to the investment in KONČAR – Generators and Motors Ltd.
On 1 July 2024, KONČAR – Engineering Ltd. (production and services) and KONČAR - Infrastructure and Services Ltd. for services were merged into KONČAR Inc. (production and services) as the acquiring company. Additionally, in 2024, KONČAR – Investments Ltd. (business services) was merged on 11 November 2024 and Advanced energy solutions Ltd. on 31 December 2024.

18. Investments in associates

Investments in associates in the amount of EUR 8,988 thousand (31 December 2023: EUR 8,988 thousand) relate to the investment in the company KONČAR - Power Transformers Ltd., Zagreb (the Company holds a 49% share in the share capital of this company).

The summary data for this company are disclosed and equity accounted in the consolidated financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

19. Financial assets at amortised cost

	31 December 2024 EUR'000	31 December 2023 EUR'000
Loan granted /ii/	*7,225*	*20,618*
Receivables for shares sold /i/	913	1,269
Receivables for deposits given	28	-
Receivables for sold flats	12	18
Total receivables	***953***	***1,287***
	8,178	**21,905**

/i/ Receivables for shares sold relate to long term receivable for sold shares of the company KONČAR - Household Appliances, Inc. with repayment in instalments over a 10-year period.

/ii/ Loan granted are loans given to a subsidiary, with maturity period of 2 years at an interest rate of 4.4% p.a.

Changed in loans granted to subsidiaries:

	EUR'000
1 January 2023	**20,618**
Loans granted	-
Loan repayments	-
31 December 2023	**20,618**
Loans granted	
Reclassification to current	(20,618)
Loans repaid	-
31 December 2024	**7,225**

20. Inventories

As at 31 December 2024, the total value of inventories amounted to EUR 1,681 thousand, the majority of which relates to merchandise inventory held at the warehouse of an unrelated company in the amount of EUR 1,315 thousand (31 December 2023: EUR –).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

21. Trade and other receivables

	31 December 2024 EUR'000	31 December 2023 EUR'000
Receivables from related customers	33,209	13,231
Receivables from unrelated customers	35,087	51
Advances to unrelated parties	10,410	-
Advances to related parties	6,551	-
VAT receivable	2,540	-
Prepaid expenses	1,754	1,121
Receivable for sold shares	246	239
Other receivables /i/	127	350
	89,924	**14,992**

Trade receivables are as follows:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Related party receivables	35,146	13,231
Expected credit loss	(1,937)	-
Related party receivables, net	*33,209*	*13,231*
Domestic customers	29,593	51
Less: Impairment	(572)	-
Expected credit loss	(541)	-
Domestic customers, net	*28,480*	*51*
Foreign customers	6,607	-
Less: Impairment	-	-
Foreign customers, net	*6,607*	-
	68,296	**13,282**

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

	31 December 2024 EUR'000	31 December 2023 EUR'000
Not yet due	58,680	4,050
< 60 days	5,744	8,411
60 – 90 days	256	47
90 – 180 days	1,887	315
180 – 365 days	601	453
More than 365 days	1,128	6
	68,296	**13,282**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

21. Trade and other receivables (continued)

The expected credit loss (ECL) for trade receivables has been determined based on the assumptions disclosed in Note 33.

The maximum exposure to credit risk as at the reporting date corresponds to the carrying amount of each category of receivables disclosed.

The following table presents the changes in expected credit loss for trade receivables between the beginning and end of the period:

	2024 EUR'000	2023 EUR'000
Balance at 1 January	-	-
Effect of merger	(2,614)	-
Increase in ECL during the year	(1,514)	-
Decrease in ECL due to derecognition of financial assets	14	-
Reclassification to related party receivables	900	-
Write-off of impaired receivables	164	-
Balance at 31 December	**(3,050)**	**-**

22. Contract assets and liabilities

The Company has recognised the following assets and liabilities from contracts with customers:

	31 December 2024 EUR'000	31 December 20243 EUR'000
Contract assets – with customers	26,414	-
Contract assets – with related parties	1,126	-
Contract assets – with associates	200	-
Total current contract assets	**27,740**	**-**
Contract liability – with customers	27,078	-
Contract liability – with related parties	48	-
Total contract liabilities	**27,126**	**-**

Revenue recognised related to contract liabilities:

The total transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period amounts to EUR 239,481 thousand (2023: EUR – thousand).

Management expects that 52% of the transaction price allocated to performance obligations that remain unfulfilled as at 31 December 2024 will be recognised as revenue in the next reporting period (EUR 124,144 thousand).

All other customer contracts in which the Company has a right to receive consideration from the customer in an amount that directly corresponds to the value that the customer receives from the Company's performance that has an initial expected duration of one year or less, the Company has recognized at the amount for which it has the right to issue an invoice. In accordance with IFRS 15, the transaction price allocated to these unperformed contracts is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

23. Loans given

	31 December 2024 EUR'000	31 December 20243 EUR'000
Loans given	-	5,027
Interest receivable	321	980
	321	**6,007**

Loans to subsidiaries are granted with a maturity of up to one year, at an annual interest rate ranging from 3.6% to 4.4% (2023: 1.5%–2%), and are secured by promissory notes and blank bills of exchange issued by the borrowers. Loan maturities range from 3 to 12 months.

Movements in loans granted to related parties are as follows:

	EUR'000
1 January 2023	**27,788**
Loans granted	20,515
Loans repaid	(43,276)
31 December 2023	**5,027**
Effect of merger – increase	2,015
Effect of merger – loan elimination	(52,628)
Loans granted	35,365
Reclassified from non-current	20,618
Decrease	(27)
Loan repayments	(10,370)
31 December 2024	**-**

24. Cash and cash equivalents

	31 December 2024 EUR'000	31 December 2023 EUR'000
Deposit	1,693	38,166
Cash in bank	5,601	175
Cash on hand	-	2
	7,294	**38,343**

Interest rates on term deposits range from 3% to 3.75%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

24. Cash and cash equivalents (continued)

The Company deposits its cash with banks that, according to S&P ratings, have the following credit ratings:

	31 December 2024 EUR'000	31 December 2023 EUR'000
A+	113	154
A-	264	1
AAA	305	-
B+	1,056	8
B-	2	-
BB+	-	14
BB-	699	-
BBB	4,552	38,166
BBB-	271	-
Not rated	32	-
	7,294	**38,343**

25. Non-current assets held for sale

In October 2021, the Management Board and the Supervisory Board adopted a new business strategy, which defined the sale of the Company's non-operating assets. Accordingly, the Management initiated the process of selling several company-owned properties, which are presented as assets held for sale. The sales process has been initiated by the Management, and the disposal of these assets is expected to be completed by the end of 2025. During 2023, the Belgrade location was reclassified to investment property.

	31 December 2024 EUR'000	31 December 2023 EUR'000
Land	180	180
Buildings	577	577
	757	**757**

The fair value of non-current assets held for sale as at the reporting date is classified as Level 3 fair value, as the input variables used in its determination are not based on observable market data. The fair value of non-current assets held for sale as at the reporting date amounts to EUR 1.2 million (31 December 2023: EUR 1 million), of which:

- EUR 220 thousand relates to land (31 December 2023: EUR 220 thousand),
- EUR 960 thousand relates to buildings (31 December 2023: EUR 870 thousand).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

26. Capital and reserves

The Company's share capital is stated at a nominal amount of EUR 159,471,378 (31 December 2023: EUR 159,471,378) and consists of 2,572,119 shares with a nominal value of EUR 62 each. By resolution of the General Assembly held on 13 June 2023, the Company's share capital was redenominated into euros, and the change was registered in the court register on 28 September 2023.

The ownership structure of the Company is as follows:

		31 December 2024.		31 December 2023	
	Shareholder	**Number of shares**	**Ownership share %**	**Number of shares**	**Ownership share %**
1	HPB d.d. (Kapitalni fond d.d.)	724,515	28.17	724,515	28.17
2	Erste & Steiermarkische bank D.D./ PBZ CO OMF - Category B	463,067	18.00	463,067	18.00
3	OTP Banka d.d./ Erste Plavi obligatory pension fund	381,660	14.84	398,402	15.49
4	OTP Banka d.d. / AZ OMF	373,065	14.50	373,065	14.50
5	Restructuring and Sale Center / Croatia	60,000	2.33	60,000	2.33
6	Privredna banka Zagreb d.d./ Raiffeisen OMF - Category B	47,636	1.85	47,636	1.85
7	Zagrebačka banka d.d. /AZ Profit DMF	35,817	1.39	35,869	1.39
8	Privredna banka Zagreb d.d../custody account	-	-	22,658	0.88
9	AGRAM BROKERI D.D./Zec Branislav	22,222	0.86	22,222	0.86
10	Erste & Steiermarkische bank D.D./ PBZ CO OMF - Category A	20,284	0.79	-	-
11	Other shareholders	418,547	16.27	398,953	15.53
12	KONČAR Inc. (treasury shares)	25,306	1.00	25,732	1.00
		2,572,119	**100**	**2,572,119**	**100**

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, based on the decision of the General Assembly, the Management Board was authorised to acquire treasury shares over a period of five years. A portion of other reserves in the amount of EUR 4 million was allocated, in accordance with the General Assembly's decision, for the purpose of acquiring treasury shares, thereby simultaneously establishing reserves for the purchase of treasury shares. During both 2024 and 2023, no treasury shares were repurchased. As at 31 December 2024, the Company held 25,306 treasury shares (31 December 2023: 25,732 shares).

In 2024, the General Assembly adopted a decision on the distribution of dividends to shareholders in the amount of EUR 6,366 thousand (2023: EUR 5,092 thousand).

The Company has established legal, statutory and other reserves based on the appropriation of retained earnings in accordance with decisions of the General Assembly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

27. Provisions

	Warranty repair costs EUR'000	Jubilee awards and severance payments EUR'000	Total EUR'000
1 January 2023	**-**	**1,234**	**1,234**
Additional provisions	-	215	215
Release of provisions	-	-	-
31 December 2023	**-**	**1,449**	**1,449**
Out of which current	-	-	-
Effect of merger	2,476	269	2,745
Additional provisions	1,063	352	1,415
Release of provisions	(1,297)	-	(1,297)
Utilised	-	(492)	(492)
31 December 2024	**2,242**	**1,578**	**3,820**
Out of which current	*(424)*	*(27)*	*(451)*

Provisions for warranty costs

Provisions for warranty periods are recognised based on the Management's best estimate for all active contracts under warranty coverage.

Provisions for long-term employee benefits (severance and jubilee awards)

Provisions for severance payments and jubilee awards amount to EUR 1,578 thousand (2023: EUR 1,449 thousand), of which the largest part refers to provisions for Management Board members severance in the amount of EUR 1,159 thousand (2023: EUR 1,395 thousand).

The remaining amount of EUR 417 thousand (2023: EUR 54 thousand) relates to the estimated value of severance payments and jubilee awards in accordance with the Collective Agreement, which employees are entitled to upon termination of employment (retirement, dismissal, voluntary resignation, or fulfilment of jubilee award conditions), as well as directors' severance payments. The present value of the provision is calculated based on the number of employees, average gross salary, years of service within the Company, the legally prescribed non-taxable amount of severance, and a discount rate of 2.94% (2023: 3.67%).

28. Loans and borrowings

During the year, the Company received a loan from a subsidiary with a maturity of one year and an interest rate of 4% p.a. The balance as at 31 December 2024 represents the loan liability and related accrued interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

29. Lease liabilities and other financial liabilities

	31 December 2024 EUR'000	31 December 2023 EUR'000
Lease liabilities	**366**	**-**
Non-current portion	*250*	-
– Unrelated parties	250	-
Current portion	*116*	-
Unrelated parties	116	-
Other current financial liabilities	**10,439**	**-**
Supplier's factoring	10,378	-
Other	61	-
	10,805	**-**

Other current financial liabilities relate to supplier factoring. Interest rates for factoring arrangements during the first six months of 2024 ranged from 3.82% to 6.49% (2023: –) p.a. All related liabilities are due within one year.

Movements in supplier factoring were as follows:

	2024 EUR'000
31 December 2023	**-**
Effect of merger	22,575
New agreements	7,100
Cash outflows (repayments)	(19,297)
31 December 2024	**10,378**

The Company accounts for factoring as a financing activity in the Statement of Cash Flows.

Payments made by the bank are treated as non-cash transactions. In 2024, the Company utilised supplier factoring in the amount of EUR 7,100 thousand (2023: EUR –). All liabilities to banks under supplier factoring arrangements are due within one year.

The maturity profile of payment obligations toward financing institutions does not differ from comparable trade payables that are not part of such arrangements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

30. Trade and other payables

	31 December 2024 EUR'000	31 December 2023 EUR'000
Related party payables	15,592	2,498
Trade payables	23,215	5,471
Liabilities for contributions on and from salaries and taxes and surtaxes	1,922	644
Deferred income	-	1,566
Bonus accruals	1,874	512
Liabilities for net salaries	1,247	161
Other employees related liabilities	845	145
Accrued expenses	812	68
Other liabilities	372	323
	45,879	**11,388**

Breakdown of trade payables:

	31 December 2024 EUR'000	31 December 2023 EUR'000
Domestic suppliers	15,675	5,462
Foreign suppliers	7,540	9
	23,215	**5,471**

31. Contingent liabilities and off - balance sheet items

As at 31 December 2024, the Company's off-balance sheet items primarily include issued guarantees and other security instruments (including corporate guarantees issued at the request of third parties and subsidiaries of the Group) in favour of financial institutions and suppliers, in the amount of EUR 163,077 thousand (31 December 2023: EUR 151,422 thousand). Management estimates that the fair value of issued guarantees/securities is not significant using an extremely low probability of occurrence of a harmful event, taking into account the fact that no guarantees have been activated in the past.

32. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control or exercises significant influence over the other party in making financial or operational decisions. Related parties include companies included in the KONČAR Group. These companies are subsidiaries, associates (companies with participating interests). All related party transactions are based on arm's length conditions (purchase of goods, sale of products and provision of services). The Company is also significantly owned by the Republic of Croatia and other companies under the control or significant influence of the Republic of Croatia. Accordingly, the Company is in a related party relationship with state institutions and other companies in majority state ownership or companies in which the state has a significant influence. For the purpose of disclosing transactions with related parties, the Company does not consider routine transactions (such as the payment of taxes, fees, etc.) with local municipal companies (in direct or indirect state ownership) or with other state bodies as transactions with related parties. Significant transactions that the Company has with state-owned enterprises relate to the supply of electricity and thermal energy and similar services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

32. Related party transactions (continued)

2024	Non-current receivables EUR'000	Receivables EUR'000	Advances given EUR'000	Liabilities EUR'000	Advances received EUR'000	Revenue EUR'000	Expenses EUR'000
Operating activities							
Subsidiaries	900	12,171	6,551	10,408	808	28,420	20,339
Associates	-	22,976	-	5,184		24,006	2,369
Impairment (expected credit losses))	(900)	(1,938)	-	-	-	-	-
Total – Operating	***-***	***33,209***	***6,551***	***15,592***	***808***	***52,426***	***22,708***
Financing activities							
Subsidiaries	-	7,546	-	5,032	-	1,552	111
Total – Financing	***-***	***7,546***	***-***	***5,032***	***-***	***1,552***	***111***

2023	Receivables EUR'000	Liabilities EUR'000	Revenue EUR'000	Expenses EUR'000
Operating activities				
Subsidiaries	5,086	2,498	18,835	3,562
Associates	128	-	8,494	-
Total – Operating	***5,214***	***2,498***	***27,329***	***3,562***
Financing activities				
Subsidiaries	26,625	-	799	-
Total – Financing	***26,625***	***-***	***799***	***-***

Profit from the sale of assets to subsidiaries amounted to EUR 21 thousand in 2024, and EUR 2.7 million in 2023.

Dividend receivables from associates as at 31 December 2024 amounted to EUR 21,294 thousand (31 December 2023: EUR 8,017 thousand). Dividend income and profit shares from subsidiaries and associates are disclosed in detail in Note 4.

/i/ Transactions with key management personnel and Supervisory Board members:

Regular remuneration (fixed and variable gross I) of key management personnel in 2024 amounted to EUR 1,382 thousand (2023: EUR 1,675 thousand) what includes 344 thousand variable payments for 2023 for active Management Board members (during 2023 variable payments for 2022 amounted to EUR 688 thousand).

Compensation to key personnel in 2024 also includes variable pay in the amount of EUR 832 thousand (2023: EUR 946 thousand) and severance provision expense of EUR 255 thousand (2023: EUR 379 thousand).

Management Board consists of 5 members (2023: six members)

Total remuneration paid to Supervisory Board members in 2024 amounted to EUR 357 thousand (2023: EUR 332 thousand) for 9 members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments

Capital risk management

Financial leverage ratio

	31 December 2024 EUR'000	31 December 2023 EUR'000
Debt (current and non-current) = D	(15.837)	-
Bank deposits (current)	-	-
Cash and cash equivalents	7.294	38.343
Net cash/(debt)	(8.543)	38.343
Equity = E	(267.114)	(240.833)
Financial leverage ratio = D/(D+E)	**5,60%**	**0,00%**

Financial risk management

The Company's operations are exposed to the following financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. Categories of financial instruments and method for measuring fair values are as follows:

	FV hierarchy	31 December 2024 EUR'000	31 December 2023 EUR'000
Equity instruments at FVTPL	Level 1	847	457
Total financial assets at FVTPL		**847**	**457**
Trade receivables	n/p	68,296	13,282
Receivables for sold shares	n/p	246	1,508
Receivables for flats sold	n/p	38	58
Interest receivable	n/p	321	980
Loans granted and interest	n/p	7,225	25,645
Other receivables	n/p	21,356	1,431
Cash and cash equivalents	n/p	7,294	38,343
Total financial assets at amortised cost		**104,776**	**81,247**
Total financial assets		**105.623**	**81.704**
Loans	n/p	5.032	-
Lease liabilities	n/p	10.805	-
Trade payables	n/p	38.934	7.969
Total financial liabilities at amortised cost		**54.771**	**7.969**
Total financial liabilities		**54.771**	**7.969**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments (continued)

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. This hierarchy groups financial assets and liabilities into 3 levels depending on the significance of the input variables used in measuring the fair value of financial assets and liabilities. The Company uses the following hierarchy for determining the fair value of financial instruments:
- level 1: quoted prices (unadjusted) in active markets for such assets or liabilities
- level 2: other techniques not included in level 1 where all inputs which have a significant effect on the fair value are observable on the market, directly (i.e. prices) or indirectly (i.e. derived from prices)
- level 3: techniques where all inputs which have a significant effect on the fair value are not based on the observable market data.

The level within which a financial asset/liability is classified is based on the lowest level of the significant input variable used in measuring fair value. The Company used the following methods and assumptions in estimating the fair value of financial instruments:

Receivables and bank deposits

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

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.

B) Financial instrument risks

The Company manages and controls financial risk that could affect the Company's operations through internal risk reports that analyse the exposure based on the degree and significance of the risk. This risk includes market risk (including exchange rate risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate 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. The goal of market risk management is to manage and control market risk exposure within acceptable parameters, optimizing returns. The Company is primarily exposed to the financial risk of changes in foreign exchange rates. There were no significant changes to the Company's exposure to market risk or the manner in which it measures and manages the risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments (continued)

B) Financial instrument risks (continued)

a) Foreign currency risk

The Company's functional currency is the euro. Following the change of functional currency to the euro, the Company was not exposed to foreign exchange risk during 2023, as transactions in currencies other than the functional currency were insignificant.

However, in 2024, as a result of the mergers with subsidiaries, the Company became exposed to foreign exchange risk through sales, purchases, and loans denominated in currencies other than the Company's functional currency. The currencies to which the Company was most exposed during 2024 were primarily USD and SEK.

Relevantni tečajevi dolara i švedske krune tijekom razdoblja izvještavanja bili su kako slijedi:

	Spot exchange rate		Average exchange rate	
	31.12.2024 EUR	31.12.2023 EUR	2024 EUR	2023 EUR
USD	1.0444	1.1050	1.0824	1.0813
SEK	11.4865	11.0960	11.4325	11.4788

The Company is not economically hedged against this risk. The Company's exposure to foreign currency risk is as follows:

31.12.2024	USD EUR'000	SEK EUR'000	MKD EUR'000	Other currencies EUR'000	Total foreign currencies EUR'000
Trade receivables – unrelated parties	634	906	1,384	746	3,670
Trade receivables – related parties	-	-	-	3	3
Deposits (3 to 12 months)	-	25	-	9	34
Cash and cash equivalents	5	305	3	1,912	2,225
Trade payables	(600)	(1,305)	(920)	(3,020)	(5,845)
	39	**(69)**	**467**	**(350)**	**87**
Effect of 1% exchange rate movement on profit	**0.39**	**(0.69)**	**4.68**	**(3.5)**	**0.87**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments (continued)

B) Financial instrument risks (continued)

b) Interest rate risk

The Company was not exposed to interest rate risk during 2023, as it did not have any interest-bearing liabilities. In 2024, the Company became exposed to interest rate risk, as it has borrowings subject to both fixed and variable interest rates. The variable interest rates applicable to the relevant portion of the Company's borrowings as at the reporting date were based on the following:

	31.12.2024 EUR'000	31.12.2023 EUR'000
Bank loans with fixed interest rate	5,000	-
Bank loans with variable interest rate	10,378	-
Leases with fixed interest rate	366	-
	15,744	**-**

The Company analyses its sensitivity to interest rate risk by considering a reasonably possible increase in interest rates on borrowings with variable interest rates, by comparing the expected contractual cash flows of such borrowings with those calculated using the interest rate applicable at the end of the current reporting period. An increase or decrease of 50 basis points is considered a reasonably possible change in interest rates. The estimated effect of such a reasonably possible change in interest rates on profit before tax for the reporting periods is not material.

2. 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 Company 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 form defaults. The Company 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 Company'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 Company's operating activities (primarily trade receivables) and from the Company' financial activities, including deposits with banks and financial institutions.

The analysis carried out showed that the effect of IFRS 9 on receivables is irrelevant for the financial statements at 31 December 2023 and is not recorded as such.

As at 31 December 2024, the Company holds the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables from the sale of goods and services
- Contract assets
- Debt instruments measured at amortised cost

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments (continued)

B) Financial instrument risks (continued)

2. Credit risk (continued)

Trade receivables and contract assets

The Company applies the simplified approach in measuring expected credit losses, which is based on 12-month expected credit losses for all trade receivables and contract assets.

To measure expected credit losses, trade receivables and contract assets are grouped based on similar characteristics – namely, the risk profile of the country in which the customer operates and the number of days past due. Contract assets relate to unbilled work-in-progress and bear essentially the same credit risk as trade receivables for the same types of contracts. Therefore, the Company has concluded that the expected credit loss rates applied to trade receivables are reasonable for use with contract assets as well.

The expected credit loss rates are based on historical payment profiles over the 36-month period prior to 30 June 2024 or 31 December 2023, as well as on the corresponding historical credit loss experience recorded during that period. The historical loss rates have been adjusted to reflect current and forward-looking macroeconomic factors that affect the customer's ability to settle the receivables.

The Company has identified changes in GDP and unemployment rates in the countries in which it operates as relevant factors and has therefore adjusted the historical loss rates based on expected changes in these indicators.

The impairment loss as at 31 December 2024 for trade receivables and contract assets is as follows:

31.12.2024	Ukupno EUR'000	Non-due EUR'000	1–90 days past due EUR'000	91–180 days past due EUR'000	181–365 days past due EUR'000	More than 365 days past due EUR'000
Trade receivables	71,346	58,855	6,154	2,060	1,008	3,269
Contract assets	27,740	27,740	-	-	-	-
Loss rate		0,30	1,1 – 4,04	7,84	42,13	100
Expected credit loss	**2,478**	**178**	**151**	**160**	**388**	**1,601**
Individual impairment	572					

Trade receivables and contract assets are written off directly when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the inability to fulfil contractual payment obligations for a period exceeding one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

33. Financial risk management and financial instruments (continued)

B) Financial instrument risks (continued)

3. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet their financial obligations as they fall due. Liquidity risk management is the responsibility of the Management Board of the Company which has built a quality frame for monitoring current, middle and long-term financing and all liquidity risk requirements. The Company 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 Company as at 31 December 2024 in accordance with contracted undiscounted payments:

	Net book value EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1 – 2 years EUR'000	2 – 5 years EUR'000	over 5 years EUR'000
31 December 2024						
Non-interest-bearing liabilities	*38,807*	*38,807*	*38,233*	*574*	-	-
Trade payables	38,807	38,807	38,233	574	-	-
Interest-bearing liabilities	*15,837*	*16,042*	*15,793*	*116*	*134*	-
Loans	5,032	5,032	5,032	-	-	-
Lease and other financial liabilities	10,805	11,011	10,761	116	134	-
	54,644	**54,850**	**54,026**	**690**	**134**	**-**

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

	Net book value EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1 – 2 years EUR'000	2 – 5 years EUR'000	over 5 years EUR'000
31 December 2023						
Trade payables	7,969	7,969	7,969	-	-	-
	7,969	**7,969**	**7,969**	**-**	**-**	**-**

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FOR THE YEAR ENDED 31 DECEMBER 2024

34. Merger

On 1 July 2024, the Company's wholly owned subsidiaries KONČAR - Engineering Co. Ltd. for production and services and KONČAR - Infrastructure and Services Ltd. were merged to the Company. The assets and liabilities of these companies were merged using their net book values.

Additionally, during 2024, two additional common control mergers took place resulting in merger of wholly owned subsidiaries: KONČAR - Investments Ltd. for business services on 11 November 2024, and Advanced energy solutions Llc. for investment on 31 December 2024.

The assets and liabilities resulting from the merger of the aforementioned companies are as follows:

	KONČAR - Engineering Co. Ltd. 1 July 2024 EUR'000	KONČAR - Infrastructure and Services Ltd.. 1 July 2024 EUR'000	KONČAR - Investments Ltd. 11 November 2024 EUR'000	Advanced energy solutions Llc. 31 December 2024 EUR'000	TOTAL EUR'000
ASSETS					
Property, plant and equipment and intangible assets	2,478	1,471	-	-	3,949
Right-of-use assets	2,171	-	-	-	2,171
Investments in subsidiaries and associates	1,684	-	10,229	41,144	53,057
Deferred tax assets	570	-	-	-	570
Inventories	2,340	77	-	-	2,417
Loans and receivables	35,519	7,374	43,967	-	86,860
Contract assets	23,847	-	-	-	23,847
Other assets	1,956	44	-	-	2,000
Cash and cash equivalents	1,897	3,158	8	2	5,065
	72,462	**12,124**	**54,204**	**41,146**	**179,936**
LIABILITIES					
Provisions for warranty costs	2,476	-	-	-	2,476
Provisions for pensions, termination benefits and similar	165	104	-	-	269
Lease liabilities	2,221	-	-	-	2,221
Other financial liabilities	22,679	-	-	-	22,679
Trade and other payables	25,305	2,177	54,703	44,122	126,309
Contract liabilities	8,081	-	-	-	8,081
	60,927	**2,281**	**54,703**	**44,122**	**17,905**
NET ASSETS BEFORE ADJUSTMENTS	**11,535**	**9,841**	**(499)**	**(2,976)**	**17,901**
Merger adjustments	**(9,304)**	**(7,523)**	**(31)**	**(3)**	**(16,861)**
NET ASSETS MERGED	**2,231**	**2,318**	**(530)**	**(2,979)**	**1,040**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

35. Events after the reporting date

The member of the Management Board for finance, Josip Lasić, resigned with effect from 31 December 2024 due to his transfer to a new position outside the KONČAR Group. Mario Radaković, who has been a member of the Supervisory Board of KONČAR Inc. since 2020, has been appointed as the member of the Management Board for finance for the period from 1 January 2025 to 21 January 2028.

On 10 February 2025, KONČAR Inc. signed a Share Purchase Agreement for the acquisition of a 75% ownership stake in HELB Ltd, a company registered in Božjakovina, Industrijska ulica 1, Republic of Croatia.

Further to the signed Joint Investment Agreement between KONČAR Inc. and Siemens Energy Holding B.V. from July 12, 2024 to March 31, 2025, the preconditions for closing the transaction were met, whereby Siemens Energy Holding B.V. takes over 40% of the ownership share in the company KONČAR - Transformer tanks Ltd. which will operate in the business sector related to the production of transformer tanks.

Except for the aforementioned, there have been no other events after the reporting date and up to the date of approval of these financial statements that would materially affect the Company's annual non-consolidated financial statements for 2024, and that would require disclosure.

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