

**KONČAR Inc.**

Annual Report

as at and for the year ended  
31 December 2025

**KONČAR**

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# Management Report

## Introduction

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

This Report for January – December 2025 represents the report of the Company as a separate legal entity. The companies within the Group are legally independent entities while the parent exercises oversight, provides strategic direction and support through supervisory boards and general meetings of the companies, in accordance with the Companies Act, the Articles of Association of KONČAR Inc., and the respective constituent acts of the companies (articles of association, memoranda of association and statements of incorporation).

The Company also manages a portion of the assets not allocated to subsidiaries but used directly or indirectly as financial support for placements, products, and equipment of related companies, serving as a source of credit support and guarantees.

KONČAR Inc., as the parent company, invoices the following services to its subsidiaries:

- Fees in accordance with the execution of commercial agreements
- Fees for the use of the company name and trademark/brand identity
- Fees in accordance with ICT services agreements
- Fees related to co-debtor arrangements and corporate guarantees
- Part of the costs of jointly organized participation at trade fairs and marketing activities
- Part of the education and training costs for employees and management

Following the corporate restructuring implemented in 2024, KONČAR Inc. reports revenue streams from engineering engagements within the Power Generation, Power Transmission and Distribution, and Urban Mobility and Infrastructure segments, as well as from asset and property management.

The year-on-year increase in revenue and expenses primarily reflects the addition of new business segments acquired by the Company in 2024 through the merger of two companies within the Group. Compared with the period in which these segments operated independently, the primary objective of the status changes was achieved, namely robust growth in revenue, profitability and new order intake.

EUR 000	2024	2025	Δ	Index 2025/2024
<b>Operating income</b>	<b>133,679</b>	<b>292,679</b>	<b>159,000</b>	<b>218.9</b>
Income from contracts with customers	98,095	214,546	116,451	218.7
Income from dividends	34,679	71,607	36,928	206.5
Other operating income	905	6,526	5,621	721.1
<b>Operating expenses</b>	<b>104,551</b>	<b>214,819</b>	<b>110,268</b>	<b>205.5</b>
EBIT	29,128	77,860	48,732	267.3
Net profit	31,454	80,142	48,688	254.8
<b>EBITDA</b>	<b>30,784</b>	<b>81,292</b>	<b>50,508</b>	<b>264.1</b>
<b>Normalised EBITDA<sup>1</sup></b>	<b>34,375</b>	<b>77,507</b>	<b>43,132</b>	<b>225.5</b>

<sup>1</sup> Normalised figures: Decreased for the net impact of provisions, decreased by income from the sale of assets, income from damage compensation, other operating income and increased for impairment losses



# Management Report (continued)

## Business results

For the period from January to December 2025, the Company generated operating income in the amount of EUR 292.7 million, compared to EUR 133.7 million in the corresponding period of the previous year, representing an increase of EUR 159.0 million year-on-year. The significant year-on-year increase is primarily attributable to the status changes implemented in 2024 and the business segments that continued to operate under KONČAR Inc. following the mergers.

Within operating income, revenue from sales amounted to EUR 286.1 million, the majority of which relates to revenue from contracts with customers in the amount of EUR 214.5 million, up EUR 116.5 million year-on-year. The majority of this revenue was generated in the Power Generation segment (EUR 63.6 million), the Power Transmission and Distribution segment (EUR 103.6 million), and the Urban Mobility and Infrastructure segment (EUR 18.9 million). Significant revenue was also generated from fees for the use of the company name and trademarks/service marks, amounting to EUR 18.9 million.

Dividend income from Group companies amounted to EUR 71.6 million, representing an increase of EUR 36.9 million year-on-year.

Other operating income amounted to EUR 6.5 million, representing an increase of EUR 5.6 million compared to the period January – December 2024. The largest share of other income was related to gains from the sale of assets totalling EUR 3.1 million, primarily from the Zagreb–Jankomir and Zagreb–Siget locations. In addition to asset disposals, the increase compared with 2024 was also driven by unrealised gains on financial assets and the transaction involving the sale of the equity interest in Energetski park Pometeno brdo Ltd. to a related party.

Operating expenses in 2025 totalled EUR 214.8 million, compared to EUR 104.6 million in the comparable period of the previous year. As with revenues, the difference in expenses year-on-year is primarily due to the merger of two KONČAR Group companies.

Operating expenses comprised the following:

- Material costs amounted to EUR 167.5 million (January–December 2024: EUR 73.8 million), representing a year-on-year increase of EUR 93.7 million. The most significant increase relates to cost of goods sold, amounting to EUR 91.1 million, due to the higher volume of operations following the implemented status changes, as well as to restructuring costs and costs related to the implementation of KONČAR Group's strategy in the amount of EUR 1.6 million. Other material costs increased by a total of EUR 1.0 million.
- Staff costs amounting to EUR 29.0 million, up EUR 12.4 million compared with the corresponding period of the previous year, primarily as a result of the status changes and the increase in the number of employees following the merger of the two companies into the parent company. The average number of employees in the period from 1 January to 31 December 2025 was 584. In the period from 1 July to 31 December 2024, the average number was 586, while in the first six months of 2024, prior to the merger, the Company employed an average of 81 employees.
- Depreciation and amortisation amounted to EUR 3.4 million, an increase of EUR 1.8 million year-on-year.
- Other expenses totalled EUR 14.2 million, primarily relating to intellectual services, employee benefits and other operating costs, representing a year-on-year increase of EUR 5.8 million.
- Impairment losses and value adjustments amounted to EUR 1.4 million, decreasing by EUR 2.6 million year-on-year.
- Net provisions totalled EUR 0.7 million, reflecting a year-on-year increase of EUR 0.8 million.

In 2025, financial income amounted to EUR 1.1 million, representing a decrease of EUR 1.2 million year-on-year. Financial income primarily comprises interest income on loans granted to related companies and interest on deposits. Financial expenses amounted to EUR 0.6 million and primarily relate to interest expenses.

## Financial position

As at 31 December 2025, total assets of KONČAR Inc. amounted to EUR 487.2 million, representing a year-on-year increase of EUR 127.5 million or 35.4% compared with the position as at 31 December 2024.

Total non-current assets totalled EUR 278.1 million, up EUR 46.5 million or 20.1% year-on-year. The increase was primarily driven by investment property in the amount of EUR 14.4 million and non-current financial assets in the amount of EUR 28.6 million, relating to investments in shares in subsidiaries.

Total current assets amounted to EUR 209.1 million, representing an increase of EUR 80.9 million compared with 31 December 2024. The increase in current assets was mainly attributable to an increase in trade receivables (including contract assets) of EUR 44.7 million and loans granted of EUR 20.1 million. Cash at bank and in hand increased by EUR 13.6 million, primarily as a result of positive cash flow from operating activities.

Total equity and reserves as at 31 December 2025 amounted to EUR 341.6 million, representing an increase of EUR 74.5 million, or 27.9%, compared with the position as at 31 December 2024. This increase was driven by the profit generated in 2025 and the appropriation of profit for 2024.

Non-current liabilities as at 31 December 2025 amounted to EUR 6.6 million, up EUR 3.0 million compared with the position at the end of 2024. The largest portion of non-current liabilities relates to provisions, lease liabilities and other liabilities.

Total current liabilities amounted to EUR 139.1 million, representing an increase of EUR 50.0 million, or 56.2%, compared with 31 December 2024.

Borrowings increased by EUR 18.0 million compared with year-end 2024, reflecting a loan received from a subsidiary. Trade payables and other liabilities increased by EUR 19.5 million compared with year-end 2024, primarily as a result of the significant growth in business activity in 2025 and the expected increase in business activity towards year-end. Contract liabilities recognised by the Company under contracts with customers amounted to EUR 35.5 million, representing an increase of EUR 8.4 million compared with year-end 2024.

Off-balance sheet records as at 31 December 2025 amounted to EUR 648.7 million and consisted predominantly of issued security instruments, primarily bank guarantees, as well as security instruments issued at the request of third parties and Group subsidiaries in favour of financial institutions and suppliers.



## Report on the Application of the Corporate Governance Code

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

As a regional leader in its industry and a key employer in Croatia, KONČAR is devoted to constantly refining and evolving its governance models. Through the consistent application of best corporate governance practices founded on the highest international standards, and by conducting its operations responsibly and in accordance with the highest ethical principles, KONČAR Inc. strengthens its sustainability and resilience while further increasing its value and competitiveness. Through its business strategy, policies, key internal acts and business practices, the Management Board promotes transparent and efficient operations while cultivating partnership-based relationships with all stakeholders, and fully adheres to the provisions of the adopted corporate governance acts.

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

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

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

With the consent of the Supervisory Board, the Management Board also adopted the Code of Conduct for the purposes of promoting the core organisational values, establishing clear rules and a framework for the professional conduct of all employees, and fostering awareness of the importance of preventing and avoiding unethical and socially unacceptable behaviour. The Code of Conduct encompasses all aspects of ethical, sustainable and socially responsible business conduct, including responsibility, integrity and transparency in operations, which the Company reinforces through the integration of ESG criteria into risk assessments and risk management plans, employee training, and a zero-tolerance approach to bribery and corruption.

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

Through the adoption and endorsement of these guidelines, the Company commits to fostering an environment of equality for every employee, transcending distinctions of gender, age, nationality, ethnicity, race, religion, language, social and economic standing, sexual orientation, or political and other organizational affiliations, especially within the realms of employment, workplace conditions, selection criteria, career progression, and professional growth.

The description of the main elements of the internal control and risk management system is an important part of business operations, and its components are outlined below. Details regarding the composition and functioning of the Management Board, the Supervisory Board and its committees, the rules governing the appointment and dismissal of members of the Management Board and the Supervisory Board, their respective powers, the manner in which the General Assembly operates, and information on the holders of the Company's shares form part of the Statement on the Application of the Corporate Governance Code and are presented below. The Corporate Governance Rules, together with all previously referenced documents, are available on the website of KONČAR Inc. ([www.koncar.hr](http://www.koncar.hr)).

The Company adheres to the recommendations of the Corporate Governance Code, except for those provisions whose application is currently impracticable or not provided for under the applicable legal framework, or in respect of which the process of developing and harmonising internal procedures is still underway. Having regard to the current mandates of the existing members of the Supervisory Board and the Management Board, matters relating to the composition of these bodies, including the targeted representation of the underrepresented gender, will be considered at the time of the future appointments. However, given that two women were elected to the Supervisory Board during 2025 and that women currently represent 33.3% of its membership, the Company's clear orientation towards achieving a balanced gender composition of the Supervisory Board is already evident.

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

The Company has established mechanisms to enable Shareholders to raise questions via e-mail address available to investors ([ir@koncar.hr](mailto:ir@koncar.hr)), in addition to raising any questions directly with the Supervisory and Management Board Members at the General Assembly session. The Company has not yet established separate formal mechanisms to enable minority Shareholders to raise questions directly with the Presidents of the Supervisory and Management Boards.

Having regard to the current composition of the Supervisory Board and the terms of the existing mandates, the Audit Committee does not currently comprise a majority of independent members, and neither the Chair of the Audit Committee nor the Chair of the Remuneration Committee has been appointed from among the independent members. In proposing candidates for election to the Supervisory Board to the General Meeting, the Company made partially available the information envisaged under Article 19 of the Corporate Governance Code, including the candidate's biography, the manner in which the candidate contributes to the profile of the Supervisory Board and to balanced gender representation, as well as the candidate's key qualifications, experience and relationship with the Company. The Corporate Governance Code provides that materials for meetings of the Supervisory Board should be submitted no later than seven days before the meeting, whereas the Rules of Procedure of the Supervisory Board of KONČAR Inc. prescribe a five-day period, which has been considered appropriate and sufficient for a thorough review of the materials and the timely preparation of members for discussion and decision-making.

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

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

## Combating corruption and bribery

The Anti-Corruption Policy affirms KONČAR's zero-tolerance approach to all forms of corruption. Members of the Management Board and the Supervisory Board, employees and business partners are familiar with the anti-corruption policies and procedures and, in the course of their business operations and day-to-day activities, adhere to the principles set out in the Code of Conduct. KONČAR Inc. has established itself as a trustworthy and ethical business partner on the international stage, with no incidents of corruption reported.

KONČAR Inc. has not provided any financial or non-financial support for political purposes, whether directly or indirectly, to any government or entity. KONČAR Inc. is committed to fostering and maintaining honest and transparent relationships in market competition across all operations, with every participant, and in every arena. No anti-competitive, antitrust or monopoly practices were recorded.

## Corporate governance framework

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

## General Assembly

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

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

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

lished in accordance with legal requirements and are available on the websites of the Company ([www.koncar.hr](http://www.koncar.hr)), the Zagreb Stock Exchange, and HANFA, together with the results of the voting.

## Supervisory Board

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

The Supervisory Board comprises nine members, of whom five are elected and removed by the General Assembly, one employee representative is elected in accordance with the provisions of the Labour Act, while three representatives are appointed by the shareholder Kapitalni fond d.d. (hereinafter: the "Kapitalni fond") pursuant to the Companies Act (Article 256), for as long as it holds shares in the Company representing 25% plus one share of the Company's share capital. 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 entrusted with oversight of the management of the Company's affairs, representation of the Company in relation to the Management Board, and decision-making on matters falling outside the competence of the General Assembly. It does not engage in the direct management of the Company's operations; rather, it provides strategic guidance to the Management Board and sets the framework for governance. The Supervisory Board has also been granted additional authorisations by virtue of the Company's Articles of Association, stipulating that particular types of tasks can be performed only with the previous consent of the Supervisory Board.

The President of the Supervisory Board is elected by the Members, who are elected by the General Assembly. Deputy President is elected by the appointed members of 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 272r of the Companies Act and the Company's Remuneration Policy, and it will be presented to the General Assembly for adoption.

Members of the Supervisory Board during 2025 were as follows:

- Joško Miliša, Chair of the Supervisory Board, since 15 July 2024
- Darko Horvatin, Vice-Chair of the Supervisory Board, since 19 November 2024
- Maja Martinović, Member of the Supervisory Board, since 17 November 2024
- Lovro Jurišić, Member of the Supervisory Board, since 30 October 2024
- Zvonimir Savić, Member of the Supervisory Board, since 17 November 2024
- Danko Škare, Member of the Supervisory Board – mandate ended on 31 May 2025
- Zdravko Kačić, Member of the Supervisory Board, since 13 July 2024
- Igor Filipović, Member of the Supervisory Board, since 13 July 2024
- Rosa Marić, Member of the Supervisory Board, since 12 June 2025
- Dubravka Sinčić, Member of the Supervisory Board, since 12 June 2025

Of the total of nine members of the Supervisory Board, the independent members are: Joško Miliša, Zdravko Kačić, Dubravka Sinčić, Maja Martinović and Zvonimir Savić.

The Supervisory Board currently comprises nine members, of whom six are men (66.7%) and three are women (33.3%).

In view of the current mandates of its members, balanced gender representation on the Supervisory Board has not yet been achieved. The Company is taking the necessary actions to ensure alignment with the requirement for balanced representation of women and men within its governing bodies. Nevertheless, the election of two women to the Supervisory Board during 2025, with women now accounting for 33.3% of its membership, demonstrates the Company's clear commitment to achieving a more balanced gender composition.

In 2025, the Supervisory Board held nine meetings. A quorum at the meetings requires the presence of five Supervisory Board Members.

Throughout the year, all Members participated in all meetings and in the decision-making process, except in one case where two members of the Supervisory Board abstained from participating in the discussion, decision-making and voting. In cases where Members were unable to attend in person, they took part via videoconference or submitted their votes in writing, in accordance with the Rules of Procedure of the Supervisory Board.

The Supervisory Board and the Management Board work in close cooperation in the best and long-term sustainable interests of KONČAR Inc., jointly shaping the strategic direction of the Company's operations. 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, mate-

rial deviations from initial plans and forecasts, as well as on significant business transactions involving the Company and its affiliated companies. For all decisions of the Management Board which, under the Company's Articles of Association, could not be adopted without the prior consent of the Supervisory Board, such consent was duly obtained.

The Supervisory Board conducted a self-assessment of the profiles and competencies of its members and the members of its committees. The evaluation was carried out by the president of the Supervisory Board with the assistance of appropriate committees, without engaging an external auditor. The assessment of the Supervisory Board Members and its committees confirmed that each member contributes effectively, demonstrates commitment to their role, and devotes sufficient time to performing their duties.

With its optimal composition of nine members, the Supervisory Board brings together individuals whose qualifications and professional experience meet the requisite standards and whose diversity of gender, age, profile and experience contributes to a broad range of perspectives in decision-making and to the maintenance of the highest ethical standards.

Administrative support in preparing Supervisory Board meetings is provided by the Company Secretary, in an efficient and timely manner.

The report on the supervision performed during the 2025 financial year contains:

- Manner and the extent to which the Supervisory Board supervised the management of the Company in 2025
- Results of review of Annual Financial Statements prepared as at 31 December 2025
- Auditor's reports
- Results of review of the Management Board's report on the Company's performance in 2025
- Results of the review of the report on relations with the Parent company and its associate companies.

## Supervisory Board committees

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Appointments Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board.

### Audit Committee

The Committee performs a detailed review of the financial statements, oversees the accuracy and completeness of the sustainability reporting, and plays a key role in strengthening robust and reliable internal control systems. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used at the Company and KONČAR Group, including the criteria for consolidated financial reporting of Group subsidiaries. Moreover,

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

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. It ensures that the external audit function is adequate, independent and effective, and that the internal audit function is independent and adequately resourced.

As of 30 July 2025, the Committee was chaired by Darko Horvatin, with Maja Martinović and Joško Miliša serving as members. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 September 2025, the Committee was reconstituted with the following members: Darko Horvatin as Chair of the Committee, and Igor Filipović and Joško Miliša as members.

In 2025, the Audit Committee held three meetings. All Committee Members participated in the decision-making process at every meeting. At its meetings, the Committee discussed and decided on matters on the basis of which it submitted recommendations to the Supervisory Board concerning the Internal Audit Work Plan, reports on the implementation of the annual internal audit plan, the Risk Management Report, the implementation of the policy on the provision of non-audit services for 2025, oversight of the statutory audit, and the consolidated and unconsolidated annual financial statements for 2025, including recommendations for their adoption. The Audit Committee operates independently and is composed of two members with proven 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. It was chaired by Joško Miliša, and its members were Zvonimir Savić, Igor Filipović and Maja Martinović. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 July 2025, the Committee was reconstituted with the following members: Joško Miliša serving as Chair, and Lovro Jurišić, Zvonimir Savić, Igor Filipović and Maja Martinović serving as members, of whom Joško Miliša, Zvonimir Savić and Maja Martinović are independent members. No meetings of the Strategic and Business Development Committee were held in 2025.

## Nomination Committee

The Nomination Committee functions as a working body of the Supervisory Board, established to assist in the preparation of decisions within the Board's remit. The Committee is entrusted with considering and proposing to the Supervisory Board decisions relating to the appointment and election of members of the Company's Management Board. The Committee was chaired by Danko Škare, and its members were Darko Horvatin and Zvonimir Savić. Following changes to the composition of the Supervisory Board, and pursuant to the resolution adopted at the meeting held on 30 July 2025, the Committee was reconstituted with the following members:

Zdravko Kačić serving as Chair, and Darko Horvatin and Zvonimir Savić serving as members, of whom Zdravko Kačić and Zvonimir Savić are independent members. All members of the Committee are also Members of the Supervisory Board. No meetings of the Nomination Committee were held in 2025.

## Remuneration Committee

The Remuneration Committee is tasked with proposing the content of contracts for Management Board Members and defining the overall structure of their remuneration packages. It is also responsible for preparing and drafting the Company's Remuneration Policy applicable to both the Management Board and the Supervisory Board. The Committee was chaired by Zdravko Kačić, and its members were Maja Martinović and Igor Filipović. Pursuant to a resolution dated 30 July 2025, the Supervisory Board appointed Rosa Marić as Chair of the Remuneration Committee, and Maja Martinović and Dubravka Sinčić as members. All members of the Committee are members of the Supervisory Board, of whom Maja Martinović and Dubravka Sinčić are independent members. In 2025, the Committee convened on five occasions, with all Members in attendance at each session.

At its meetings, the Committee considered and approved the proposal for a new Long-Term Incentive Plan, gave its consent to the 2024 Remuneration Report for the members of the Management Board and the Supervisory Board, approved amendments to the Remuneration Policy, as well as the proposal for calculating the variable component of the remuneration of the members of the Management Board of KONČAR Inc. for 2024, and approved the proposal for and conclusion of the 2024 share allocation and transfer agreement.

## Management Board

The role of the Management Board in conducting the affairs of the Company is governed by the Companies Act, the Articles of Association, the general acts of the Company and the Corporate Governance Rules. In performing its duties, the Management Board is required to act with the diligence of a prudent and conscientious businessperson, having due regard to the interests of the Company and its shareholders. It must at all times act exclusively in the interests of the Company, while taking into account the interests of employees and the wider community, with the objective of enhancing the value of the Company.

The Management Board manages the affairs of the Company independently and at its own responsibility and adopts all decisions solely on the basis of its own judgment. It is appointed and dismissed by the Supervisory Board. Its responsibilities are delineated across business areas (divisions), processes, and markets. The Management Board is accountable for effective risk management and regularly monitors the Company's economic, environmental, and social performance during its meetings. The Management Board may, by resolution, regulate the entitlement to, and the manner of allocation of, the Company's treasury shares to members of the management boards of certain subsidiaries and to senior managers of the Company who do not concurrently serve as members of the Company's governing bodies.

At its regular meetings, the Supervisory Board assesses and evaluates the

performance of the Management Board of KONČAR d.d., while the operations of subsidiaries are monitored through Management Board reports and consolidated Group performance indicators, without direct evaluation of their management boards, as such evaluation falls within the competence of their own management and supervisory bodies.

Through their membership on supervisory boards, through general assemblies, and by means of other adopted rules, members of the Management Board coordinate, direct, supervise and monitor the work of the Group's dependent companies. Members of the Management Board of KONČAR Inc. do not receive remuneration for their work on the supervisory boards of dependent companies.

The Supervisory Board concluded that, in 2025, the Management and Supervisory Boards maintained effective cooperation in the Company's best interest through regular and constructive communication. The Management Board duly informed the Supervisory Board of all significant business events, the course of operations, revenues and expenses, and the overall position of the Company. Quarterly, semi-annual, and annual written reports were submitted to the Supervisory Board in line with statutory requirements, all of which were reviewed without objection and unanimously adopted. The Management Board also kept the Supervisory Board informed of the Company's corporate strategy, planning processes, operational developments, risk management practices, compliance matters, deviations from original plans, as well as material business transactions involving the Company and its related companies. Between formal sessions, the Management Board ensured the Supervisory Board was continuously updated on key developments relevant to the Company's operations.

Once a year, the Management Board evaluates its own effectiveness, as well as the effectiveness of its individual members, and reports its conclusions to the Supervisory Board. The individual self-assessment of Management Board members forms an integral part of the annual performance management and evaluation process, serving as a key instrument for reinforcing accountability, strategic alignment, and continuous improvement at the executive level. Additionally, in accordance with the Companies Act, the General Assembly grants discharge to the Management Board, thereby confirming the appropriateness of how the Company's business was managed during the preceding financial year.

Pursuant to the Company's Articles of Association, the Management Board may consist of three to seven members. As at year-end 2025, the Management Board comprised five members. Members are appointed for a term of up to five years, with the possibility of reappointment without limitation on the number of terms. Through their personal qualities, members of the Management Board contribute to the achievement of the Company's overall objectives, are well versed in good corporate governance practice, and possess strategic vision, thereby ensuring the effective discharge of the Management Board's role. Each member independently manages the operations within their designated remit, acting with the care and diligence of a prudent businessperson, and makes decisions solely in the best interest of the Company. When matters pertain to key business policy or affect the remit of other Members, such issues are submitted for collective decision-making by the entire Management Board.

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

The rights and responsibilities of Management Board Members are defined by their respective Management Board Service Contracts. The Remuneration Report for the Members of the Management and Supervisory Boards, prepared in accordance with Article 272r of the Companies Act and the Company's adopted Remuneration Policy, includes information on the total remuneration of the Management Board and will be submitted to the General Assembly for approval.

In the course of 2025, the Management Board consisted of five male members:

- Gordan Kolak, President of the Management Board
- Petar Bobek, Member of the Management Board
- Miki Huljić, Member of the Management Board
- Mario Radaković, Member of the Management Board
- Ivan Paić, Member of the Management Board

Of the total of 14 members of the Management Board and the Supervisory Board, three are women, representing 21%, compared with 79% men.

The Supervisory Board will set targets for the representation of the underrepresented gender on the Management Board within the time limits and in the manner prescribed by the Companies Act.

In 2025, the Company's Management Board held 47 meetings. All meetings were attended by all Members. Where physical attendance was not possible, Members participated via video conferencing and remained actively involved in the decision-making process. Each Member brought to the role the requisite knowledge, capabilities, and professional expertise needed to effectively perform their duties. Individually, each Member made a meaningful contribution, demonstrated strong commitment to their role, and dedicated the necessary time and focus to the performance of their responsibilities.

## Internal Audit

The internal audit function of KONČAR Group is established as an independent and autonomous function within the parent company, with its mandate, scope of work, organisational position, and lines of responsibility and reporting defined by the Internal Audit Charter.

The mission of Internal Audit is to provide independent and objective assurance regarding the effectiveness of internal controls, risk management systems and corporate governance, to foster a culture of accountability and transparency, to improve business processes, and to support the Management Board and the Supervisory Board in the achievement of the Group's strategic objectives.

Internal audit activities are carried out in accordance with long-term and annual work plans approved by the Audit Committee, which are prepared on the basis of risk assessments and with due regard to the Group's business strategy. During 2025, in line with the annual work plan, audits were carried out in relation to the planning and monitoring of commercial project costs, the review of processes established for strategy monitoring and sustainability reporting, and matters relating to corporate governance.

Internal Audit reports regularly to the Audit Committee and the Management Board on the audits performed, the status of recommendations arising therefrom, and its other activities.

## Employees

A key strategic pillar of KONČAR is the development of a knowledge-based organisation founded on the full breadth of its intellectual capital. Against a backdrop of increasing competitive demands, the professional development of employees and effective human resources management remain among the Company's foremost priorities.

Through the regulation of employment relations and its internal organisational framework, the Company ensures compliance with applicable regulations, collective and individual agreements, while safeguarding the human and civil rights, dignity and reputation of every employee. The Company structures its operations so as to ensure adherence to, and application of, the Constitution, laws and other regulations, secondary legislation, the Company's internal acts and the Code of Conduct. Employees are continuously informed of all relevant provisions and rules concerning their rights and obligations at work; the Company actively addresses all forms of irregularity and seeks to prevent them wherever possible. The Company promotes equality among all employees, irrespective of gender, age, nationality, ethnic origin, race, religion, language, social and economic status, sexual orientation, or membership in political or other organisations.

During the reporting period, no cases of discrimination were recorded on the grounds of race, colour, gender, religion, political opinion, national origin or social background.

In accordance with the Collective Agreement, the employer is required to safeguard the dignity of employees in the performance of their work and to provide working conditions in which they are not exposed to harassment or sexual harassment by the employer, superiors, colleagues or other persons with whom they regularly interact in the course of their duties. Human capital management includes activities aimed at identifying and analysing employee motivation factors. Regular individual discussions with employees and employee satisfaction surveys are therefore conducted, providing insight into each employee's perceptions, needs and preferences, as well as areas for further development. On the basis of these insights, action plans are developed to foster a supportive working environment conducive to employee well-being.

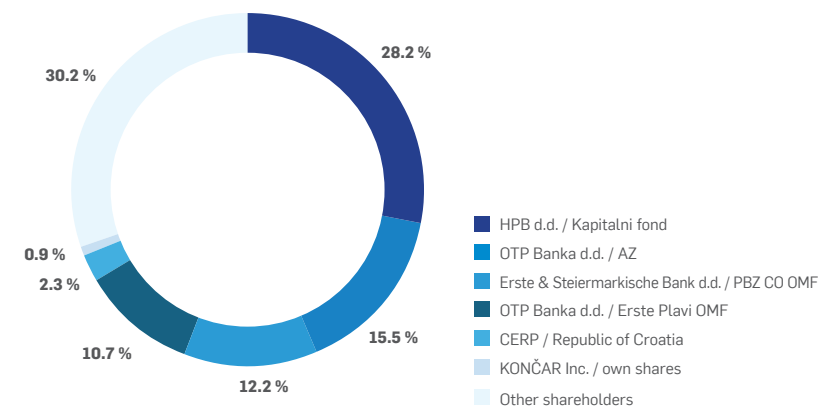
KONČAR is the holder of the Equal Pay Champion certificate, which confirms its commitment to building a fair remuneration system with the aim of strengthening a transparent, supportive and inclusive working environment.

As at 31 December 2025, the Company employed 609 employees.

## 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 2025, the share price of KONČAR Inc. recorded significant growth. The share price at the beginning of the year stood at EUR 464.0, while by year-end it had reached EUR 700.0. Market capitalisation at the end of December 2025 amounted to EUR 1.8 billion, representing an increase of 57.8% compared with market capitalisation as at 31 December 2024.

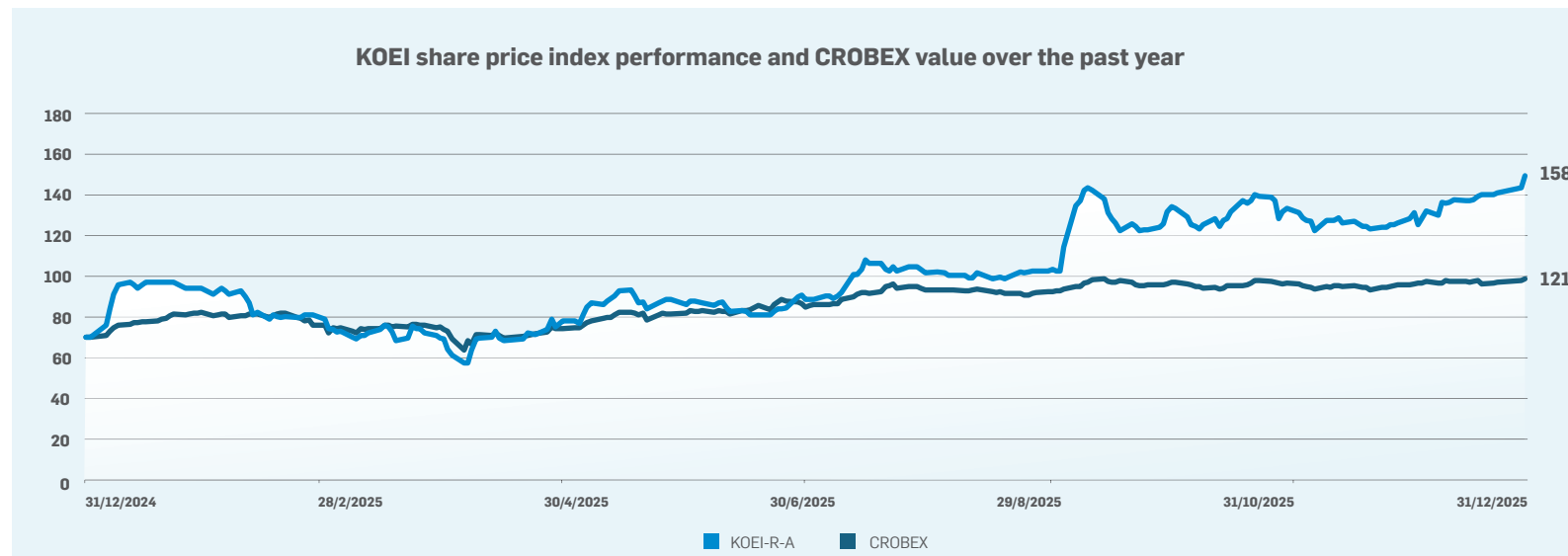
Earnings per share attributable to owners of the parent amounted to EUR 31.5, representing an increase of 154.7% compared to the corresponding period in 2024. The Annual General Meeting of KONČAR Inc. was held on 12 June 2025. A dividend of EUR 3.00 per share was distributed to shareholders from the profit generated in 2024.

As at 31 December 2025, KONČAR Inc. held 23,700 treasury shares, representing 0.92% of the total 2,572,119 shares outstanding. The nominal value of each individual share amounts to EUR 62.00.

KOEI-R-A	December 31, 2024	December 31, 2025	Index
Last price (EUR)	444.0	700.00	157.7
Highest price (EUR) *	462.0	720.00	155.8
Lowest price (EUR) *	184.0	391.00	212.5
Volume *	122,537	416,772	340.1
Turnover (EUR) *	39,110,412	240,933,080	616.0
Market capitalization (EUR)	1,130,784,972	1,783,893,300	157.8
EPS (Earnings per Share EUR)	12.35	31.46	254.7

\*for period January - December

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



## Investor Relations

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

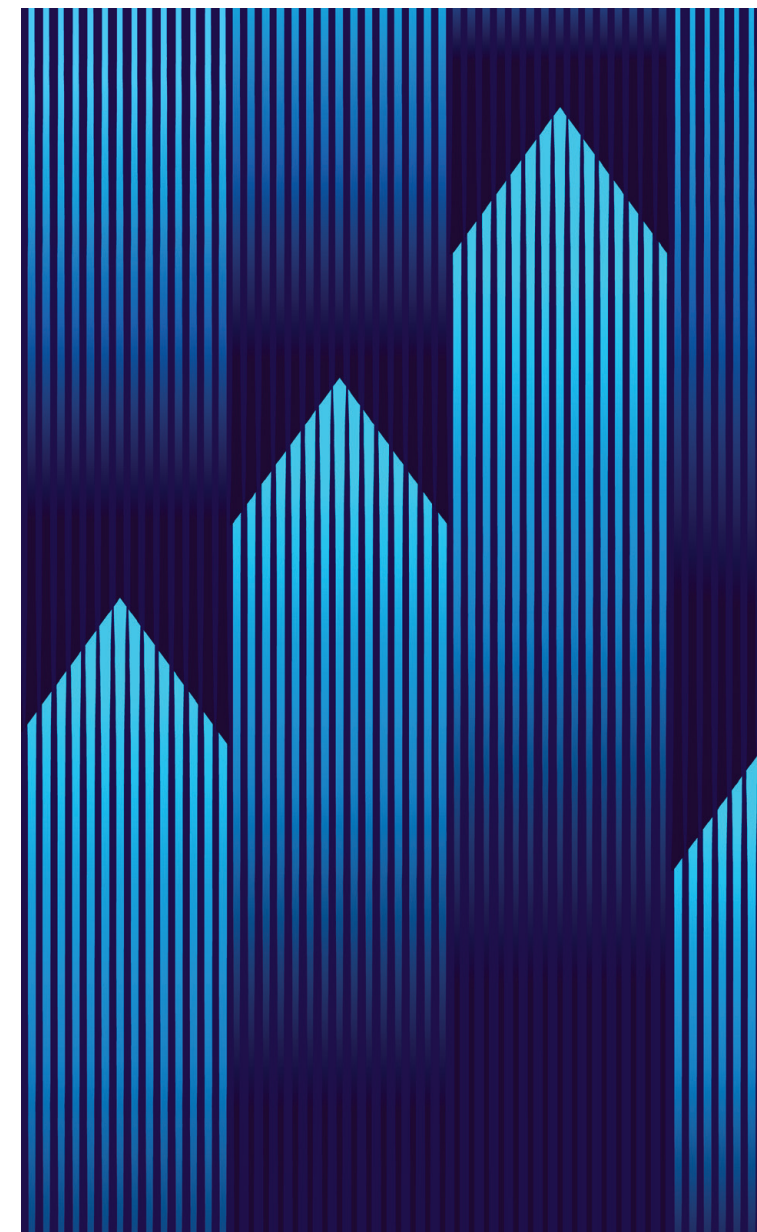
Active communication with financial analysts and investors contributes to a stronger understanding of the Company's and KONČAR Group's operations, supports high standards of transparency, and further strengthens investor confidence. All presentations delivered to analysts and investors are available on the Company's website at <https://www.koncar.hr/en/presentations>.

## ESG

Under the Accounting Act (Official Gazette Nos. 85/24, 145/24 and 151/25) and the legislative framework based on the CSRD Directive, KONČAR Inc., as the parent company of KONČAR Group, is not required to prepare a separate Sustainability Report.

Its sustainability-related disclosures are instead included in the consolidated Sustainability Report of KONČAR Group.

Sustainability reporting for KONČAR Group is prepared at the same level as the consolidated financial statements and encompasses KONČAR Inc. as the parent company together with its subsidiaries.



## Statement of Management's responsibilities

The Management Board of KONČAR Inc. (the "Company") is responsible for preparing, for each financial year, unconsolidated financial statements that present a true and fair view of the financial position of the Company, its results of operations and its cash flows, in accordance with the applicable accounting standards, and is also responsible for maintaining proper accounting records necessary to enable the preparation of such financial statements at any time. The Management Board further has a general responsibility to take all reasonably available steps to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting and consistently applying appropriate accounting policies in accordance with the applicable accounting standards, making judgements and estimates that are reasonable and prudent, and preparing the unconsolidated financial statements on a going concern basis, unless such assumption is inappropriate. Following appropriate consideration, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. On that basis, the Management Board continues to apply the going concern assumption in the preparation of the unconsolidated financial statements.

The Management Board is also responsible for the preparation and publication of the following documents, in accordance with the Accounting Act and other laws and regulations applicable in Croatia governing the preparation and publication of the Annual Report:

- the Management Report;
- the Statement on the Application of the Corporate Governance Code; and
- the annual unconsolidated financial statements in the single electronic reporting format.

The consolidated annual report of the Company and its subsidiaries (together, the "Group") was issued separately, at the same time as the unconsolidated annual report.

The Management Report, the Statement on the Application of the Corporate Governance Code, and the annual unconsolidated financial statements in the single electronic reporting format were approved and signed by the Management Board on 16 April 2026 for submission to the Supervisory Board.



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

# Independent Auditors' Report to the shareholders of KONČAR Inc.



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

## Independent Auditor's Report

To the shareholders of Končar d.d.  
Report on the Audit of the Financial Statements

### Opinion

We have audited the separate financial statements of KONČAR d.d. ("the Company"), which comprise:

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

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

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

and

- notes, comprising material accounting policies and other explanatory information (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 2025, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

### Basis for Opinion

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

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



### Key Audit Matters

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

#### Recoverability of investments in subsidiaries

As at 31 December 2025, investments in subsidiaries in the separate financial statements amounted to EUR 179,849 thousand (2024: EUR 151,271 thousand). During the year the Company did not recognize an impairment loss with respect to investments in subsidiaries (2024: impairment loss of EUR 1,698 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.

The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>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.</p>	<p>Our audit procedures addressing this matter included, among others:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• assessing the competence, capabilities and objectivity of the internal and external valuation experts engaged by the Company;</li> <li>• involving our valuation specialists to assist in evaluating the key assumptions used in the impairment models, including:                             <ul style="list-style-type: none"> <li>- comparing historical cash flow projections with actual outcomes to assess the reliability of management's forecasting process;</li> <li>- considering the discount rates and long-term growth rates applied, using publicly available market data and historical financial information;</li> <li>- 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;</li> </ul> </li> <li>• assessing whether disclosures in the financial statements in respect of the impairment testing were appropriate and complied with the applicable financial reporting requirements.</li> </ul>

# Independent Auditors' Report to the shareholders of KONČAR Inc.



## Revenue recognition

Revenue from customer contracts recognized in profit or loss in 2025 amounts to EUR 214,546 thousand (2024: EUR 98,095 thousand). Refer to: Material accounting policy information 2. a) *Revenue from contracts with customers*, key accounting estimate 3. e) *Revenue recognition* and note 4. *Sales revenue* in the financial statements.

### The key audit 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.

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.

### How the matter was addressed in our audit

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



## Other Information

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

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

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

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

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

# Independent Auditors' Report to the shareholders of KONČAR Inc.



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

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

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

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

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Audit Act, applicable in Croatia.



## Report on Other Legal and Regulatory Requirements

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

#### *Appointment of Auditor and Period of Engagement*

We have been appointed to audit the annual financial statements of the Company by resolution of those charged with governance dated 12 June 2025. Our period of total uninterrupted engagement as auditors for KPMG Croatia d.o.o. is six years, covering the periods ended 31 December 2020 to 31 December 2025 while the total uninterrupted period of engagement as auditors for TPA Audit d.o.o. is three years covering the periods ended 31 December 2023 to 31 December 2025.

#### *Consistency with Additional Report to Audit Committee*

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

#### *Non-audit Services*

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

### Auditor's Statement on Corporate Income Tax Information

For the financial year ended 31 December 2024, the Company was obliged to publish a report on Corporate Income Tax information pursuant to Article 44 of the Croatian Accounting Act and has published this report in accordance with Article 44 of the Accounting Act. Our audit opinion on the separate financial statements does not include the statement of corporate income tax information for the financial year preceding the financial year for which the separate financial statements were prepared, and we do not express any form of conclusion in relation to such statements.

### Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on whether the financial statements of the Company as at and for the year ended 31 December 2025, as included in the attached electronic file 74780000H0SHMRAW015-2025-12-31-1-en-Nekonsolidirano.zip, have been prepared, in all material respects, in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the RTS on ESEF").

#### *Responsibilities of Management and Those Charged with Governance*

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

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

# Independent Auditors' Report to the shareholders of KONČAR Inc.



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

#### *Auditor's Responsibilities*

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

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

Our procedure included, among others:

- obtaining an understanding of the Company's ESEF preparation process;
- evaluating the design and implementation of relevant controls over the iXBRL tagging process;
- assessing the XHTML structure and the completeness of tagging;
- evaluating the appropriate application of core taxonomy elements, the creation and anchoring of extension elements, and the application of block-tagging where required; and, where relevant,
- assessing consistency between machine-readable and human-readable versions and the signed audited financial statements.

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

#### *Opinion*

In our opinion, based on the procedures performed and evidence obtained, the financial statements of the Company as at and for the year ended 31 December 2025 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

16 April 2026

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

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

#### **TPA Audit d.o.o.**

Croatian Certified Auditors  
Slavonska avenija 6  
10000 Zagreb  
Croatia

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025.

	Note	2025 EUR' 000	2024 EUR' 000
Revenue	4	286,153	132,774
Other operating income	5	6,526	905
		<b>292,679</b>	<b>133,679</b>
Cost of materials, energy, goods sold and services	6	(167,499)	(73,794)
Staff costs	7	(29,017)	(16,614)
Depreciation and amortisation	8	(3,432)	(1,656)
Impairment	9	(1,386)	(3,988)
Provisions		688	(118)
Other operating expenses	10	(14,173)	(8,381)
		<b>(214,819)</b>	<b>(104,551)</b>
<b>Operating profit</b>		<b>77,860</b>	<b>29,128</b>
Finance income		1,070	2,319
Finance costs		(566)	(583)
<b>Net finance income</b>	11	<b>504</b>	<b>1,736</b>
		<b>78,364</b>	<b>30,864</b>
<b>Profit before tax</b>		<b>78,364</b>	<b>30,864</b>
Income tax	12	1,778	590
<b>PROFIT FOR THE YEAR</b>		<b>80,142</b>	<b>31,454</b>
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>80,142</b>	<b>31,454</b>
Basic and diluted earnings per share in EUR	13	31.46	12.35

The accompanying notes form an integral part of these financial statements



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 EUR' 000	2024 EUR' 000
<b>Cash flows from operating activities</b>			
Proceeds from trade receivables		195,110	84,492
Proceeds from insurance compensation		117	35
Proceeds from tax refunds		1,106	4,507
Payments to trade payables		(136,760)	(60,027)
Payments to employees		(28,524)	(16,190)
Payments for insurance compensation		(989)	(350)
Taxes paid		(4,103)	(1,319)
Other proceeds and payments		(526)	15
		<b>25,431</b>	<b>11,163</b>
Interest paid		(138)	(31)
Income tax paid		(111)	(387)
		<b>25,182</b>	<b>10,745</b>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of non-current intangible and tangible assets		2,808	849
Proceeds from sale of assets held for sale		1,180	-
Proceeds from the sale of equity and debt instruments		136	-
Cash acquired through mergers of subsidiaries	35	-	5,065
Proceeds from dividends and profit shares		49,646	21,084
Interest received		478	737
Proceeds from repayment of loans and borrowings granted	19, 23	16,580	10,370
Payments for purchase of non-current intangible and tangible assets		(15,119)	(9,219)
Payments for acquisition of equity and debt financial instruments		(24,479)	(7,344)
Payments for loans granted	19, 23	(35,530)	(42,590)
Outflows from other financial activities		-	(2)
		<b>(4,300)</b>	<b>(21,050)</b>
<b>Net cash flows (used in) / from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from principal of borrowings		23,000	5,000
Cash outflows for loan repayments		(5,000)	-
Dividend payments	26	(7,642)	(6,366)
Cash outflows related to supplier's factoring	29	(17,497)	(19,297)
Lease principal repayments		(366)	(9)
Other cash outflows from financing activities		261	(59)
		<b>(7,244)</b>	<b>(20,731)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	24	7,294	38,343
Effect of change in foreign exchange differences		(24)	(13)
	24	<b>20,908</b>	<b>7,294</b>

The accompanying notes form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	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
<b>As at 1 January 2024</b>	<b>159,471</b>	<b>1,072</b>	<b>54,797</b>	<b>4,510</b>	<b>(2,035)</b>	<b>23,018</b>	<b>240,833</b>
Profit for the year	-	-	-	-	-	31,454	31,454
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,454</b>	<b>31,454</b>
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)
<b>Total transactions with the owners</b>	<b>-</b>	<b>1</b>	<b>9,877</b>	<b>1,489</b>	<b>36</b>	<b>(16,576)</b>	<b>(5,173)</b>
<b>As at 31 December 2024</b>	<b>159,471</b>	<b>1,073</b>	<b>64,674</b>	<b>5,999</b>	<b>(1,999)</b>	<b>37,896</b>	<b>267,114</b>
Profit for the year	-	-	-	-	-	80,142	80,142
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,142</b>	<b>80,142</b>
Transfer to reserves according to the annual schedule	-	-	1,573	-	-	(1,573)	-
Other changes in equity	-	1,102	-	(127)	127	858	1,960
Dividend payments	-	-	-	-	-	(7,642)	(7,642)
<b>Total transactions with the owners</b>	<b>-</b>	<b>1,102</b>	<b>1,573</b>	<b>(127)</b>	<b>127</b>	<b>71,785</b>	<b>74,460</b>
<b>As at 31 December 2025</b>	<b>159,471</b>	<b>2,175</b>	<b>66,247</b>	<b>5,872</b>	<b>(1,872)</b>	<b>109,681</b>	<b>341,574</b>

The accompanying notes form an integral part of these financial statement

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 1. General information on the Company

KONČAR Inc., (the "Company") is the parent company of the 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 separate 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 2024 are the result of the status change.

Additionally, during 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, Romania and Cyprus. During 2025, the Iceland branch was closed. The Company's financial statements include the financial data of its branches.

As at 31 December 2025 the Company had 609 employees, while as at 31 December 2024 the Company had 587 employees.

#### Members of the Supervisory Board:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Maja Martinović	Member of the Supervisory Board
Zdravko Kačić	Member of the Supervisory Board
Igor Filipović	Member of the Supervisory Board
Lovro Jurišić	Member of the Supervisory Board
Danko Škare	Member of the Supervisory Board since 31 July 2025
Rosa Marić	Member of the Supervisory Board since 12 June 2025
Dubravka Sinčić	Member of the Supervisory Board since 12 June 2025

#### Members of the Management Board:

Gordan Kolak	President of the Management Board
Miki Huljić	Member of the Management Board
Ivan Paić	Member of the Management Board
Petar Bobek	Member of the Management Board
Mario Radaković	Member of the Management Board since 1 January 2025

Auditors of the financial statements provided services amounting to EUR 187 thousand in 2025 (2024: EUR 154 thousand). Services in 2025 relate to the audit of statutory financial statements and other assurance services related to reports prepared for regulatory purposes. During 2025, as in 2024, the Company was not provided with any non-audit services by the auditor. 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 are 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 (EUR '000). Amounts are rounded to the nearest thousand EUR.

### 2. Material accounting policy information

The material 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 2025 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.

#### New standards and interpretations not yet adopted

##### Adoption of new and revised International Financial Reporting Standards

Several new standards, amendments to existing standards and interpretations have been issued by the International Accounting Standards Board but have not yet become effective for the reporting period ending 31 December 2025 and/or have not been adopted by the European Union, and therefore have not been applied in the preparation of these financial statements. Most of the new standards, amendments and interpretations adopted by the European Union that are not yet in use will not have a significant impact on the Company's financial statements.

Except for the changes listed below, the Company has consistently applied the accounting policies presented in the notes that follow for all periods shown in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### I. Current standards, amendments and improvements – adopted in 2025

From 1 January 2025, the following standards, amendments or interpretations became effective:

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

The amendments to IAS 21 introduce requirements for assessing when a currency is exchangeable for another currency and when it is not. If a currency is determined to be non-exchangeable, entities are required to estimate the spot exchange rate. The amendments also introduce additional disclosure requirements. These changes apply to annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

The adoption of these standards and amendments did not have a significant effect on the amounts recognised in the statement of financial position or the income statement, nor did it affect the disclosure of accounting policies.

#### II. Standards, amendments to issued standards and interpretations that have not yet become effective

Standards, amendments to issued standards and interpretations that have not yet become effective as at the date of issuance of the financial statements are presented below. The Company intends to adopt these standards, where applicable, when they become effective.

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (issued on 30 May 2024; effective date 1 January 2026);  
- Annual Improvements to IFRS Accounting Standards – Cycle 11 (issued on 18 July 2024; effective date 1 January 2026);  
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Nature-dependent Power Purchase Agreements (issued on 18 December 2024; effective date 1 January 2026);  
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024; effective date 1 January 2027);  
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024; effective date 1 January 2027);  
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Disclosures – Restatement into a Hyperinflationary Presentation Currency (issued on 13 November 2025; effective date 1 January 2027);  
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Disclosures – Sale or Contribution of Assets between an Investor and its Associate (issued on 11 September 2014; effective date not yet determined).

The Company is still in the process of assessing the impact of IFRS 18 and the related amendments, particularly with respect to the structure of the Company's income statement, statement of cash flows, other disclosures related to management performance measures (MPMs) and the grouping of financial information.

The remaining standards are not expected to have a significant impact on the Company's financial statements.

#### a) Income 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 the input method as 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, considering 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 services:** 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:** provides the right to access intellectual property, payment terms are 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### a) Income 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).

The Company adopted the standard on a partial retrospective basis with an application date of 1 January 2018, retaining the amounts related to prior periods, which were presented under the previous standards, and recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity at the date of first-time application. In accordance with this method, the Company elected to apply the standard to all contracts that were not completed at the date of initial application.

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### e) Income tax (continued)

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 2025 and 2024 has been disclosed separately.

#### 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 that the acquisition cost of each individual asset, except for assets under construction and advances, is written off over its estimated useful life using the straight-line method, as follows:

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

#### j) Property, plant and equipment

Property, plant and equipment are initially carried at cost. It includes the following types of assets: land, buildings, plant and equipment, tools, operating inventory, furniture and vehicles, advances and other property, plant and equipment.

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:

	<u>Amortisation and depreciation rates (from – to %)</u>
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 real estate (buildings) is calculated using the straight-line method for the purpose of allocating the cost of the asset, or its residual value, over its estimated useful life.

	<u>Amortisation and depreciation rates (from – to %)</u>
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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### 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).

#### 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) Receivables

Receivables are initially measured at fair value. At each balance sheet date, receivables expected to be collected in a period longer than one year are stated at amortised cost using the effective interest rate method, reduced by expected credit losses and impairment.

Loss allowances for impairment of trade receivables and contract assets 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 observations (covering a minimum of three years) on days past due, adjusted for estimated future expectations regarding the collection of receivables. Trade receivables are grouped into portfolios based on the credit rating of the customer's country of residence and by ageing profile.

The carrying amount of receivables is reduced and impairment losses arise when there is objective evidence of impairment resulting from one or more events occurring after the initial recognition of the asset, when that event affects the estimated

future cash flows from the receivable and those cash flows can be reliably measured.

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

- significant financial difficulties of the issuer or debtor and/or
- breach of contract, such as late payment or non-payment of interest or principal and/or
- the likelihood of bankruptcy or financial restructuring of the debtor

#### r) Cash and cash equivalents

Cash and cash equivalents include demand deposits held with banks, cash on hand, and deposits and securities that are redeemable on demand or within no more than three months.

#### s) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale when their carrying value will be recovered principally through a sale transaction rather than through continuing use.

This condition is satisfied only if the sale is highly probable and the asset is ready for sale in its current condition. Assets which are once classified as held for sale are no longer depreciated.

#### t) Trade payables

Trade payables are liabilities toward suppliers for delivered goods or services during normal course of business. Trade payables are presented as current if payments are due under one year or under normal course of business if longer than a year. If not, liabilities are presented as non-current. Trade payables are initially recognized at fair value and are recognized at amortized cost using the effective interest rate method in future periods.

#### u) 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.

#### v) Provisions

The Company recognizes the following categories of provisions: provisions for estimated costs of repairs during warranty (guarantee) periods, and provisions for severance pay and jubilee awards as described in Note y). Provisions are reviewed at the reporting date and adjusted to reflect estimates based on the best information currently available

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### w) 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.

#### x) 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.

#### y) 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.

##### *vi. Share-based payments*

Share-based payments include transactions in which the Company receives services from employees and members of management bodies in exchange for the Company's equity instruments or for cash amounts that are linked to the value of the Company's equity instruments.

Share-based payments include:

- variable compensation with a settlement choice in cash or shares ("settlement alternative"),
- additional shares granted as part of variable remuneration (without a cash-settlement alternative), and
- the Long-Term Share Incentive Plan (LTIP), which includes the base award, bonus shares, and loyalty shares.

The grant date is the date on which the Company and the service provider have a mutual understanding of the terms and conditions of the award. For share-based payments, the grant date is the date of execution of the relevant agreement, while the vesting period is determined based on the service period and/or conditions of remaining in the mandate until settlement, as well as other non-market conditions depending on the type of remuneration.

For variable remuneration with a settlement alternative, the recipient may choose to receive a portion of the remuneration in shares, which are delivered in tranches with a mandatory two-year holding period.

When determining the classification of such arrangements, the Company assesses whether the arrangement, in substance, contains an equity-settlement alternative. If, until the moment of the recipient's irrevocable choice, the Company has an existing obligation to settle in cash and the equity-settlement alternative is not substantive, the arrangement is classified as a cash-settled transaction until that moment. Otherwise, the arrangement is classified from the grant date as a compound instrument with a liability component and an equity component, in accordance with IFRS 2.

After the irrevocable choice of equity settlement, the previously recognised liability measured at fair value ceases to be recognised and an equal amount is recognised in equity. The reclassification has no impact on previously recognised expense.

Transactions settled by issuing equity instruments are classified as equity-settled transactions. The Company measures the services received at the fair value of the granted equity instruments at the grant date and recognises the related cost over the vesting period, with a corresponding increase in equity.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 2. Material accounting policy information (continued)

#### y) Employee benefits (continued)

##### vi. Share-based payments (continued)

Transactions settled in cash are classified as cash-settled transactions. For such transactions, the Company recognises a liability and an expense over the vesting period. The liability is remeasured at fair value at each reporting date until final settlement.

Market conditions are included in the fair value of equity instruments at the grant date using a Monte Carlo simulation method. Non-market conditions and service conditions are not included in the fair value, but are reflected through the estimation of the number of instruments expected to vest.

The Company uses its own (treasury) shares to settle part of the share-based payments. The difference between the fair value of services recognised and the carrying amount of treasury shares is recorded within equity. In the separate financial statements of the parent company, awards relating to employees of subsidiaries are recognised as an increase in investments in subsidiaries, in accordance with agreements between the subsidiaries and the parent.

Component	Settlement method (IFRS 2)	Fair value measurement	Recognition
Variable remuneration – base award (settlement alternative)	Cash settled until choice; after choice reclassified to equity settled	Fair value of the liability (fixed cash amount of the award); remeasured at each reporting date	Expense over the vesting period (generally during the financial year to which it relates)
Variable remuneration – additional shares	Equity-settled	Share fair value at grant date; non market conditions via expected number of shares	Expense over vesting period until the date of settlement of additional shares
LTIP – base award	Equity settled	Fair value at grant date (market conditions included; Monte Carlo simulation); non market conditions via expected number of shares	Expense over the relevant vesting period by tranches
LTIP – bonus shares; loyalty shares	Equity settled	Fair value at grant date (including probabilities/ conditions under plan policy; market conditions included)	Expense over vesting period until the settlement date

#### z) 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.

### 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 2025, as in 2024, the Company performed impairment tests on investments in subsidiaries for which indicators of impairment had been identified.

#### KONČAR – Metal Structures Ltd.

During the year, the subsidiary underwent a significant change in its business structure following the carve-out of the transformer programme, which represented the most significant share of its total sales revenue, into the newly established subsidiary KONČAR – Transformer Tanks Ltd., as part of a reorganisation transaction under common control. Considering these changes in the business model, the Company performed an impairment test of the investment as at the reporting date. The recoverable amount was determined based on projections of future cash flows reflecting the reorganised operating structure and the expected performance of the remaining production programmes. Key assumptions include a cost of equity of 10.5% and a terminal-period growth rate of 2.0%.

As a result of the impairment test, an amount of EUR 9,600 thousand was transferred from the investment in KONČAR – Metal Structures Ltd. to the investment in KONČAR – Transformer Tanks Ltd., to which part of the business was transferred in the reorganisation under common control.

#### KONČAR – Digital Ltd.

For the purpose of determining the recoverable amount of the investment in the subsidiary KONČAR – Digital Ltd., the subsidiary's business plans are based on its existing order book, the expected schedule of new contracts, and planned capital investments. The key assumptions applied include a cost of equity of 13.5% and a terminal period growth rate of 2.0%.

#### KONČAR – Generators and Motors Ltd.

In 2025, the Company performed an impairment test of its investment in the subsidiary KONČAR – Generators and Motors Ltd. The recoverable amount was determined based on the subsidiary's business plans, which rely on the existing order book and planned capital investments, applying a cost of equity of 10.30%. The average terminal period growth rate applied is 2.0%.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 3. Key accounting estimates and judgments (continued)

#### a) Recoverability of investments in subsidiaries (continued)

##### *KONČAR – Renewable Energy Sources Ltd. / Energetski park Pometeno brdo Ltd.*

During the year, the Company increased the share capital of the subsidiary KONČAR – Renewable Energy Sources Ltd. by contributing its 100% ownership interest in Energetski park Pometeno brdo Ltd. to the subsidiary's share capital. Following this transaction, KONČAR – Renewable Energy Sources Ltd. performed an impairment test of the transferred investment in Energetski park Pometeno brdo Ltd. as at the reporting date, with the recoverable amount determined based on projected future cash flows. Key assumptions used in the test include a cost of equity of 8.1% and projected electricity price trends over the remaining useful life of the wind farm. The results of the test indicated that the value of the investment is recoverable.

The same assessment was used for the purpose of testing the recoverability of the Company's investment in KONČAR – Renewable Energy Sources Ltd., given that the subsidiary's net assets predominantly consist of its investment in Energetski park Pometeno brdo Ltd.. Accordingly, the investment in KONČAR – Renewable Energy Sources Ltd. was assessed as recoverable.

##### *KONČAR – Electronics and Informatics Ltd.*

The recoverable amount of the investment in the subsidiary KONČAR – Electronics and Informatics Ltd. was determined based on the subsidiary's business plans, which are built upon the existing order book and planned activities aimed at implementing a number of strategic and operational initiatives.

These include increasing production volumes while preserving key technological know how, improving the operational efficiency of production processes, optimising the product portfolio, and strengthening in house development and innovation capacity. The model applies a cost of equity of 11.3% and an average terminal period growth rate of 2.0%.

The results of the impairment tests performed for the subsidiaries mentioned indicated that the recoverable amount of the investment exceeds its carrying amount or (with respect to KONČAR – Metal Structures Ltd.) reflects the recoverable value of the reorganised operations. Therefore, no impairment loss was recognised in profit or loss as at the reporting date.

The Company also performed a sensitivity analysis of the key assumptions applied. The sensitivity analysis indicates that a reasonably possible change in one of the key variables (a change in the weighted average cost of capital or the terminal growth rate), with the other variable held constant, would not result in an impairment of the investment in the subsidiary. Management considers a reasonably possible change in key variables to be a change of up to 50 basis points.

#### 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 2025 and 2024, who determined their fair market value and during 2025 it was determined that there were no indicators of impairment of the investment in real estate, while during 2024 the Company, in accordance with the valuation report, recognised an impairment of investment property in the amount of EUR 0.6 million.

#### c) Provisions for warranty costs

The Company provides warranties (guarantees) for its projects lasting from 2 to 5 years. Management estimates the provision for future guarantee fees based on historical information. Factors that may affect the estimated receivables include the success of the Company's product quality improvement initiatives and the costs of spare parts and labour. If the required level of provisions were to increase by 1% relative to active contracts under warranty, provisions would be higher by EUR 0.9 million (2024: EUR 1.3 million).

#### 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 method for measuring progress in providing services emphasises the importance of accuracy in estimating progress toward satisfying a performance obligation and may involve estimates of the scope of deliveries and services required to fulfil the contractually defined liabilities. 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 providing services, 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 progress measurement were to increase by 10%, the Company's income for 2025 would increase by EUR 46,341 thousand (2024: EUR 33,700 thousand), while a 10% decrease in progress measurement would result in lower income of EUR 53,700 thousand (2024: EUR 41,045 thousand).

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 4. Revenue

	2025 EUR' 000	2024 EUR' 000
Dividend income /i/	71,607	34,679
Revenue from contracts with customers /ii/	214,546	98,095
	<b>286,153</b>	<b>132,774</b>
<i>/i/ Dividend income</i>		
	<b>2025 EUR' 000</b>	<b>2024 EUR' 000</b>
Dividends from subsidiaries (note 32)	28,627	13,385
Dividends from associates (note 32)	42,980	21,294
	<b>71,607</b>	<b>34,679</b>
<i>/ii/ Revenue from contracts with customers</i>		
	<b>2025 EUR' 000</b>	<b>2024 EUR' 000</b>
<i>Type of service</i>		
Power Generation segment	63,599	35,567
Transmission and Distribution segment	103,571	39,526
Urban Mobility and Infrastructure segment	18,889	8,948
Brand usage fee (fee for the usage of company name, trademark and service mark)	18,928	7,885
Income from property management and administration	7,058	5,139
Income from other fees	2,501	1,030
<b>Total revenue from contracts with customers</b>	<b>214,546</b>	<b>98,095</b>
Related parties (note 32)	43,134	17,747
Unrelated parties	171,412	80,348
<b>Total revenue from contracts with customers</b>	<b>214,546</b>	<b>98,095</b>
<i>Timing of revenue recognition</i>		
Croatia	165,358	75,968
Asia	8,890	8,253
Africa	5,766	3,608
European Union countries	28,690	8,125
Southeast Europe	5,695	2,141
Other countries	147	-
<b>Total revenue from contracts with customers</b>	<b>214,546</b>	<b>98,095</b>
<i>Timing of revenue recognition</i>		
At a point in time	76,620	15,974
Over time	137,926	82,121
<b>Total revenue from contracts with customers</b>	<b>214,546</b>	<b>98,095</b>

### 5. Other operating income

	2025 EUR' 000	2024 EUR' 000
Gain on sale of assets /i/	3,093	181
Unrealised gains from financial assets	136	390
Income arising from the settlement of a legal dispute	900	-
Gain on disposal of shares /ii/	1,007	-
Income from damage compensations	149	133
Other income /iii/	1,241	201
	<b>6,526</b>	<b>905</b>

*/i/* The gain on disposal of assets in 2025 mainly relates to the sale of land and real estate at the Jankomir site and the sale of real estate at the Siget site, while in 2024 it mainly relates to the sale of land at the Jankomir site and the remaining part of the Labin site.

*/ii/* The gain on disposal of shares relates to the sale of the share in Energetski park Pometeno Brdo Ltd.

*/iii/* Other income in 2025 mainly relates to income from the collection of previously impaired receivables, and non-recurring income from prior periods.

### 6. Cost of materials, energy, goods sold and services

	2025 EUR' 000	2024 EUR' 000
Cost of goods sold	160,526	69,465
Strategy costs	1,678	50
Cost of materials and energy	1,212	833
Maintenance services (servicing)	947	997
Utility and water protection fee	651	482
Costs of advertising and fairs	653	408
Telephone, post and transport	696	388
Company vehicle expenses	435	133
Rental costs	210	133
Supervisory services and property management services	169	321
Cleaning services	144	276
Other services	178	308
	<b>167,499</b>	<b>73,794</b>

As part of the cost of goods sold, an amount of EUR 73,309 thousand relates to services provided by subcontractors and project participants (2024: EUR 34,569 thousand).

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 7. Staff costs

	2025 EUR' 000	2024 EUR' 000
Net salaries and wages	14,988	9,129
Taxes and contributions	7,318	4,206
Contributions on salaries	3,591	1,947
Share-based payment costs (Note 34)	992	-
Reimbursements of costs to employees	1,948	1,332
Accrued annual leave	180	-
	<b>29,017</b>	<b>16,614</b>

Pension fund contributions in 2025 amounted to EUR 3,854 thousand (2024: EUR 2,125 thousand). The average number of employees during 2025 was 584 (2024: 332 employees).

The total share-based payment cost in 2025, amounting to EUR 992 thousand, relates entirely to share based remuneration of the Management Board and key management personnel. In addition, the payroll cost includes variable compensation of EUR 2,552 thousand. Of this amount, Management and key management personnel who earned the compensation are entitled, at the grant date, to elect to receive 50% of the total variable compensation in the Company's shares.

### 8. Depreciation and Amortisation

	2025 EUR' 000	2024 EUR' 000
Amortisation of intangible assets (Note 14)	194	58
Depreciation of property, plant and equipment (Note 15)	2,017	601
Depreciation of right-of-use assets	246	66
Depreciation of investment property (Note 16)	975	931
	<b>3,432</b>	<b>1,656</b>

### 9. Impairment losses

	2025 EUR' 000	2024 EUR' 000
Impairment losses on investment in subsidiaries (note 17)	-	1,698
Impairment losses on investment property (note 16)	-	775
Impairment losses /(gains) on financial assets	1,386	1,515
	<b>1,386</b>	<b>3,988</b>

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

	2025 EUR' 000	2024 EUR' 000
Intellectual services	6,017	3,936
Daily allowances and travel expenses	2,638	1,242
Entertainment costs	1,026	496
Sponsorships and donations	818	436
Cost of insurance	796	448
Bank fees and payment transaction costs	604	426
Service agreements	568	689
Insurance recoveries	530	-
Professional training	417	200
Memberships and other fees	161	90
Administrative fees and similar expenses	74	65
Other	524	353
	<b>14,173</b>	<b>8,381</b>

### 11. Finance income and costs

	2025 EUR' 000	2024 EUR' 000
<b>Finance income</b>		
Interest income	917	2,280
Foreign exchange gains	112	-
Income from dividends and shares in profit	41	39
	<b>1,070</b>	<b>2,319</b>
<b>Finance cost</b>		
Foreign exchange losses	-	84
Interest expense on lease liabilities	43	11
Other interest expenses	523	488
	<b>566</b>	<b>583</b>
<b>Net finance income</b>	<b>504</b>	<b>1,736</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 12. Income tax

	2025 EUR' 000	2024 EUR' 000
Current tax	-	-
Income tax	-	-
Deferred tax	1,778	590
Deferred income tax	1,778	590
<b>Income tax</b>	<b>1,778</b>	<b>590</b>

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

	2025 EUR' 000	2024 EUR' 000
Profit before tax	78,364	30,864
<b>Income tax at the rate of 18%</b>	<b>14,106</b>	<b>5,555</b>
<i>Tax effects of:</i>		
Non-deductible expenses	250	72
Non-taxable income	(12,919)	(6,258)
Temporary differences for which no deferred tax asset was recognised	106	540
Release of temporary differences for which no deferred tax assets was recognised	(3,328)	(67)
Recognised deferred tax asset / liability on leases	7	(7)
Recognised deferred tax asset acquired through merger	-	(425)
<b>Income tax</b>	<b>(1,778)</b>	<b>(590)</b>

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:

	2025 EUR'000	2024 EUR'000
Within 5 years	9,148	3,012
Within 4 years	3,012	1,962
Within 3 years	1,962	-
	<b>14,122</b>	<b>4,974</b>

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 3,139 thousand in future periods (2024: EUR 1,227 thousand). In respect of leases, the Company recognised a deferred tax liability in the amount of EUR 200 thousand (2024: EUR 66 thousand).

As at 31 December 2025, the Company did not recognise a deferred tax asset in the amount of EUR 106 thousand, which relates to temporary differences that are not expected to be realised in the foreseeable future (31 December 2024: EUR 540 thousand).

	31 December 2024 EUR' 000	Recognised in P&L EUR' 000	Utilised EUR' 000	31 December 2025 EUR' 000
<b>Deferred tax assets</b>				
Tax losses carried forward	895	1,647	-	2,542
Temporary differences	268	139	-	407
Leases	64	126	-	190
<b>Total deferred tax assets</b>	<b>1,227</b>	<b>1,912</b>	<b>-</b>	<b>3,139</b>
<b>Deferred tax liabilities</b>				
Leases	66	134	-	200
<b>Total deferred tax liabilities</b>	<b>66</b>	<b>134</b>	<b>-</b>	<b>200</b>
<b>TOTAL</b>	<b>1,161</b>	<b>1,778</b>	<b>-</b>	<b>2,939</b>

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 2025 amounts to EUR 38 thousand (2024: EUR 30 thousand).

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 13. Earnings per share

	2025 EUR	2024 EUR
Basic and diluted earnings per share		
Profit for the year	80,142,080	31,453,933
Weighted average number of shares	2,547,777	2,546,603
<b>Earnings per share in EUR</b>	<b>31.46</b>	<b>12.35</b>

Diluted earnings per share for 2025 and 2024 is equal to basic earnings per share, since the Company did not have any convertible instruments or share options outstanding during either period.

The weighted average number of shares is as follows:

	2025 EUR	2024 EUR
Issued shares as at 1 January	2,572,119	2,572,119
Treasury shares effect	(24,342)	(25,516)
<b>Weighted number</b>	<b>2,547,777</b>	<b>2,546,603</b>

### 14. Intangible assets

	Concessions, patents, licences, software and other rights EUR' 000	Development projects EUR' 000	Intangible assets under construction EUR' 000	Total EUR' 000
<b>Cost</b>				
<b>As at 1 January 2024</b>	<b>310</b>	<b>-</b>	<b>207</b>	<b>517</b>
Effect of merger	10	99	268	377
Increases	-	-	11	11
Reclassifications	-	-	605	605
Transfer from assets under construction	433	-	(433)	-
<b>As at 31 December 2024</b>	<b>753</b>	<b>99</b>	<b>658</b>	<b>1,510</b>
Increases	-	-	1,255	1,255
Reclassifications	-	-	(289)	(289)
Transfer from assets under construction	344	-	(344)	-
Disposals	-	-	(207)	(207)
<b>As at 31 December 2025</b>	<b>1,097</b>	<b>99</b>	<b>1,073</b>	<b>2,269</b>
<b>Accumulated depreciation</b>				
<b>As at 1 January 2024</b>	<b>249</b>	<b>-</b>	<b>207</b>	<b>456</b>
Depreciation for the year	25	33	-	58
<b>As at 31 December 2024</b>	<b>274</b>	<b>33</b>	<b>207</b>	<b>514</b>
Depreciation for the year	128	66	-	194
Disposals	-	-	(207)	(207)
<b>As at 31 December 2025</b>	<b>402</b>	<b>99</b>	<b>-</b>	<b>501</b>
<b>Net carrying amount</b>				
As at 31 December 2024	479	66	451	996
<b>As at 31 December 2025</b>	<b>695</b>	<b>-</b>	<b>1,073</b>	<b>1,768</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 15. Property, plant and equipment

	Land EUR' 000	Buildings EUR' 000	Plant and equipment EUR' 000	Tools, plant inventory and vehicles EUR' 000	Other EUR' 000	Assets under construction EUR' 000	Total EUR' 000
<b>Cost</b>							
<b>As at 1 January 2024</b>	<b>442</b>	<b>5,311</b>	<b>3,683</b>	<b>497</b>	<b>7</b>	<b>3,599</b>	<b>13,539</b>
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)
<b>As at 31 December 2024</b>	<b>1,360</b>	<b>8,031</b>	<b>7,385</b>	<b>3,026</b>	<b>619</b>	<b>666</b>	<b>21,087</b>
Additions	878	-	-	3	-	1,730	2,611
Reclassifications	-	346	290	-	-	(328)	308
Reclassifications within property, plant and equipment	-	(476)	476	-	-	-	-
Reclassification to Assets held for sale	(152)	(923)	(31)	(24)	(153)	-	(1,283)
Transfer from assets under construction	-	-	566	235	46	(847)	-
Disposals	(920)	(25)	(73)	(503)	(26)	-	(1,547)
<b>As at 31 December 2025</b>	<b>1,166</b>	<b>6,953</b>	<b>8,613</b>	<b>2,737</b>	<b>486</b>	<b>1,221</b>	<b>21,176</b>
	Land EUR' 000	Buildings EUR' 000	Plant and equipment EUR' 000	Tools, plant inventory and vehicles EUR' 000	Other EUR' 000	Assets under construction EUR' 000	Total EUR' 000
<b>Accumulated depreciation</b>							
<b>As at 1 January 2024</b>	<b>-</b>	<b>2,875</b>	<b>3,040</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>6,406</b>
Amortisation for the year	-	97	250	178	76	-	601
Reclassifications	-	-	(1,588)	1,369	219	-	-
Disposals	-	(187)	(40)	(116)	(8)	-	(351)
<b>As at 31 December 2024</b>	<b>-</b>	<b>2,785</b>	<b>1,662</b>	<b>1,922</b>	<b>287</b>	<b>-</b>	<b>6,656</b>
Amortisation for the year	-	149	1,429	312	127	-	2,017
Reclassification from Investment property	-	-	119	-	-	-	119
Reclassification to Assets held for sale	-	(662)	(23)	(2)	(34)	-	(721)
Disposals	-	(24)	(63)	(500)	(22)	-	(609)
<b>As at 31 December 2025</b>	<b>-</b>	<b>2,248</b>	<b>3,124</b>	<b>1,732</b>	<b>358</b>	<b>-</b>	<b>7,462</b>
<b>Net carrying amount</b>							
As at 31 December 2024	1,360	5,246	5,723	1,104	332	666	14,431
<b>As at 31 December 2025</b>	<b>1,166</b>	<b>4,705</b>	<b>5,489</b>	<b>1,005</b>	<b>128</b>	<b>1,221</b>	<b>13,714</b>

During 2025 and 2024, 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 16. Investment property

	Land EUR' 000	Buildings EUR' 000	Assets under construction and advances EUR' 000	Total EUR' 000
<b>Cost</b>				
<b>As at 1 January 2024</b>	<b>20,175</b>	<b>57,975</b>	<b>2,023</b>	<b>80,173</b>
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)	-	(78)
<b>As at 31 December 2024</b>	<b>20,325</b>	<b>59,013</b>	<b>1,947</b>	<b>81,285</b>
Additions	-	-	15,676	15,676
Reclassifications	-	-	(351)	(351)
Transfer from assets under construction	5,995	7,366	(13,361)	-
Disposals	(101)	(626)	-	(727)
<b>As at 31 December 2025</b>	<b>26,219</b>	<b>65,753</b>	<b>3,911</b>	<b>95,883</b>
<b>Accumulated depreciation</b>				
<b>As at 1 January 2024</b>	<b>1,891</b>	<b>32,586</b>	<b>-</b>	<b>34,477</b>
Impairment	577	-	-	577
Depreciation	-	931	-	931
Disposals	-	(56)	-	(56)
<b>As at 31 December 2024</b>	<b>2,468</b>	<b>33,461</b>	<b>-</b>	<b>35,929</b>
Depreciation	-	975	-	975
Reclassifications to Property, plant and equipment	-	(119)	-	(119)
Disposals	-	(625)	-	(625)
<b>As at 31 December 2025</b>	<b>2,468</b>	<b>33,692</b>	<b>-</b>	<b>36,160</b>
<b>Net carrying amount</b>				
As at 31 December 2024	17,857	25,552	1,947	45,356
<b>As at 31 December 2025</b>	<b>23,751</b>	<b>32,061</b>	<b>3,911</b>	<b>59,723</b>

The Company acquired land and real estate in November 2025 from the related party KONČAR – Generators and Motors Ltd., over which mortgages held by a commercial bank are registered.

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 117.2 million (31 December 2024: EUR 109.3 million), of which:

- EUR 68.6 million relates to land (31 December 2024: EUR 63.9 million),
- EUR 48.6 million relates to buildings (31 December 2024: EUR 45.4 million).

The cost of fully depreciated investment property still in use as at 31 December 2025 amounts to EUR 10,073 thousand (31 December 2024: EUR 6,876 thousand).

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 17. Investments in subsidiaries

	Country	31 December 2025 EUR' 000	31 December 2024 EUR' 000	31 December 2025 ownership share %	31 December 2024 ownership share %
<b>Domestic and foreign subsidiaries</b>					
KONČAR – Switchgear Ltd., Zagreb	Croatia	11,198	11,197	100.00	100.00
KONČAR – Metal Structures Ltd., Zagreb	Croatia	5,302	16,779	100.00	100.00
KONČAR – Generators and Motors Ltd., Zagreb	Croatia	7,946	7,902	100.00	100.00
KONČAR – Distribution and Special Transformers, Inc., Zagreb	Croatia	8,437	8,245	52.73	52.73
KONČAR – Electrical Engineering Institute Ltd., Zagreb	Croatia	8,108	8,088	100.00	100.00
KONČAR – Electronics and Informatics Ltd., Zagreb	Croatia	8,353	8,353	100.00	100.00
KONČAR – Renewable Energy Sources Ltd., Zagreb	Croatia	7,290	221	100.00	100.00
KONČAR – Motors and Electrical Systems Ltd., Zagreb	Croatia	6,451	6,450	100.00	100.00
KONČAR – Electric Vehicles Inc., Zagreb	Croatia	5,776	5,642	85.73	84.73
KONČAR – Instrument Transformers Inc., Zagreb	Croatia	4,089	4,041	61.97	61.97
KONČAR – Digital Ltd., Zagreb	Croatia	24,703	14,684	100.00	100.00
KONČAR – Transformers Tanks Ltd., Zagreb	Croatia	23,978	1,102	60.00	100.00
Energetski park Pometeno brdo Ltd., Zagreb	Croatia	-	6,061	-	100.00
INK PROJEKT Ltd., Zagreb	Croatia	206	126	100.00	100.00
TELENERG-ENGINEERING Ltd., Zagreb	Croatia	1,008	1,008	100.00	100.00
Dalekovod Inc., Zagreb	Croatia	51,451	51,370	75.16	75.16
KONČAR – Hydro Turbine Ltd., Zagreb	Croatia	2	2	100.00	100.00
HELB Ltd., Zagreb	Croatia	5,529	-	75.00	-
KONČAR – Switzerland GmbH	Switzerland	22	-	100.00	.-
		<b>179,849</b>	<b>151,271</b>		

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 17. Investments in subsidiaries (continued)

	2025 EUR	2024 EUR
As at 1 January	151,271	109,561
Effect of merger – increase /i/	-	1,684
Effect of merger – elimination of ownership interest	-	(16,860)
Increases /ii/	34,181	58,584
Sales /iii/	(6,062)	-
Increases arising from recognition of share-based payments (note 34)	459	-
Value adjustment /iv/	-	(1,698)
<b>As at 31 December</b>	<b>179,849</b>	<b>151,271</b>

/i/ Through the merger of KONČAR – Engineering Ltd. as at 30 June 2024, the Company acquired ownership interests in TELENERG-ENGINEERING Ltd. and INK PROJEKT Ltd.

/ii/ Increases in 2025 relate to the capital increases of KONČAR – Renewable Energy Sources Ltd., KONČAR – Metal Structures Ltd. and KONČAR – Digital Ltd., the purchase of a portion of the shares of KONČAR – Electric Vehicles Inc., the purchase of the ownership interest in INK – PROJEKT Ltd, investments in the capital reserves of KONČAR – Transformer Tanks Ltd., and the establishment of KONČAR – Switzerland GmbH. In addition, during the year, interests in HELB Ltd. were acquired through an acquisition.

In 2024, the increases relate to the acquisition of direct shares in Dalekovod Inc., capital investments 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 Turbines Ltd.

/iii/ During 2025, the Company sold its ownership interest in Energetski park Pometeno Brdo Ltd. to its subsidiary KONČAR – Renewable Energy Sources Ltd., after which the Company subsequently increased the share capital of that subsidiary by contributing the receivable arising from the sale as a capital contribution. The Company also sold a 40% ownership interest in KONČAR – Transformers Tanks Inc. to Siemens Energy.

/iv/ During 2025, there were no impairment adjustments to the ownership interests in subsidiaries. Impairment of investment in 2024 relates to the investment in KONČAR – Generators and Motors Ltd.

During 2024, the Company merged with its subsidiaries KONČAR – Engineering Ltd. (production and services) and KONČAR – Infrastructure and Services Ltd. In addition, during 2024, the Company was merged with KONČAR – Investments Ltd. (business services) (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 2024: 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.

### 19. Financial assets at amortised cost

	2025 EUR' 000	2024 EUR' 000
Loan granted /ii/	6,420	7,225
Receivables for shares sold /i/	583	913
Receivables for deposits given	30	28
Receivables for sold flats	5	12
<i>Total receivables</i>	<i>618</i>	<i>953</i>
	<b>7,038</b>	<b>8,178</b>

/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 4.0% p.a.

Changed in loans granted to subsidiaries:

	EUR' 000
<b>1 January 2024</b>	<b>20,618</b>
Loans granted	7,225
Reclassification to current	(20,618)
Loan repayments	-
<b>31 December 2024</b>	<b>7,225</b>
Loans granted	18,100
Reclassification to current	(7,225)
Loans repaid	(11,680)
<b>31 December 2025</b>	<b>6,420</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 20. Inventories

As at 31 December 2025, the total value of inventories amounted to EUR 3,461 thousand (31 December 2024: 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 3,090 thousand (31 December 2024: EUR 1,315 thousand).

### 21. Trade and other receivables

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Receivables from related customers	54,669	33,209
Receivables from unrelated customers	61,833	35,087
Advances to unrelated parties	12,952	10,410
VAT receivable	5,795	2,540
Advances to related parties	5,243	6,551
Prepaid expenses	1,847	1,754
Accrued income	781	-
Receivable for sold shares	206	246
Other receivables	982	127
	<b>144,308</b>	<b>89,924</b>

Trade receivables are as follows:

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Related party receivables	56,182	35,146
Expected credit loss	(1,513)	(1,937)
<i>Related party receivables, net</i>	<i>54,669</i>	<i>33,209</i>
Domestic customers	28,992	29,593
Less: Impairment	(510)	(572)
Expected credit loss	(1,736)	(541)
<i>Domestic customers, net</i>	<i>26,746</i>	<i>28,480</i>
Foreign customers	35,087	6,607
Less: Impairment	-	-
<i>Foreign customers, net</i>	<i>35,087</i>	<i>6,607</i>
	<b>116,502</b>	<b>68,296</b>

The ageing structure of the Company's trade receivables as at the reporting dates was as follows:

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Not yet due	101,550	58,680
< 60 days	10,952	5,744
60 – 90 days	1,984	256
90 – 180 days	1,478	1,887
180 – 365 days	74	601
Over 365 days	464	1,128
	<b>116,502</b>	<b>68,296</b>

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:

	2025 EUR' 000	2024 EUR' 000
<b>Balance at 1 January</b>	<b>(3,050)</b>	<b>-</b>
Effect of merger	-	(2,614)
Increase in ECL during the year	(1,251)	(1,514)
Decrease in ECL due to derecognition of financial assets	424	14
Collected impaired receivables	31	-
Reclassification to related party receivables	-	900
Write-off of impaired receivables	87	164
<b>Balance at 31 December</b>	<b>(3,759)</b>	<b>(3,050)</b>

### 22. Contract assets and liabilities

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

	2025 EUR' 000	2024 EUR' 000
Contract assets – with customers	16,381	26,414
Contract assets – with related parties	1,167	1,126
Contract assets – with associates	493	200
<b>Total current contract assets</b>	<b>18,041</b>	<b>27,740</b>
Contract liability – with customers	35,466	27,078
Contract liability – with related parties	60	48
<b>Total contract liabilities</b>	<b>35,526</b>	<b>27,126</b>

#### Revenue recognised related to contract liabilities:

The total transaction price allocated to performance obligations that are unfulfilled (or partially unfulfilled) at the end of the reporting period amounts to EUR 309,644 thousand (2024: EUR 239,481 thousand).

Management expects that 51% of the transaction price allocated to performance obligations that remain unfulfilled as at 31 December 2025 will be recognised as revenue in the next reporting period (EUR 157,711 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 23. Loans granted

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Loans granted	19,755	-
Interest receivable	708	321
	<b>20,463</b>	<b>321</b>

Loans to subsidiaries are granted with a maturity of up to one year, at an annual interest rate ranging from 3.8% to 4.0% (2024: 3.6%–4.4%), and are secured by promissory notes and blank bills of exchange issued by the borrowers. Loan maturities are up to 12 months.

Movements in loans granted to related parties are as follows:

	EUR' 000
<b>1 January 2024</b>	<b>5,027</b>
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)
<b>31 December 2024</b>	<b>-</b>
Loans granted	17,430
Reclassified from non-current	7,225
Loan repayments	(4,900)
<b>31 December 2025</b>	<b>19,755</b>

### 24. Cash and cash equivalents

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Deposit	16,863	1,693
Cash on gyro accounts	4,045	5,601
	<b>20,908</b>	<b>7,294</b>

Interest rates on term deposits range from 1.84% to 2.55% (2024: 3% to 3.75%).

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

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
A+	40	113
A-	1,238	264
AAA	153	305
B+	702	1,056
B	4	-
B-	-	2
BB	34	-
BB-	158	699
BBB+	16,881	-
BBB	82	4,552
BBB-	1,570	271
Not rated	46	32
	<b>20,908</b>	<b>7,294</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 25. 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 2026. During 2025, the Jankomir location was reclassified to Assets held for sale.

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Land	152	180
Buildings	261	577
Plant, equipment and other assets	149	-
	<b>562</b>	<b>757</b>

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 2,752 thousand (31 December 2024: EUR 1,180 thousand).

### 26. Equity and reserves

The Company's share capital is stated at a nominal amount of EUR 159,471,378 (31 December 2024: EUR 159,471,378) and consists of 2,572,119 shares with a nominal value of EUR 62 each.

The ownership structure of the Company is as follows:

Shareholder	31 December 2025		31 December 2024	
	Number of shares	Ownership share %	Number of shares	Ownership share %
HPB d.d. (Kapitalni fond d.d.)	724,515	28,17	724,515	28,17
Erste & Steiermarkische bank D.D./ PBZ CO OMF - Category B	313,890	12,20	463,067	18,00
OTP Banka d.d. / Erste Plavi obligatory pension fund	276,385	10,75	381,660	14,84
OTP Banka d.d. / AZ OMF	398,065	15,48	373,065	14,50
Restructuring and Sale Center / RH	60,000	2,33	60,000	2,33
Privredna banka Zagreb d.d. / Raiffeisen OMF Kategorije B	47,636	1,85	47,636	1,85
Zagrebačka banka d.d. / AZ Profit DMF	26,900	1,05	35,817	1,39
Privredna banka Zagreb d.d..	34,158	1,33	-	-
Erste & Steiermarkische bank D.D. / PBZ CO OMF - Category A	29,084	1,13	20,284	0,79
Other shareholders	637,786	24,80	440,769	17,14
KONČAR Inc. (treasury shares)	23,700	0,92	25,306	1,00
	<b>2,572,119</b>	<b>100</b>	<b>2,572,119</b>	<b>100</b>

Ordinary shares of the Company are listed on the Official market at the Zagreb Stock Exchange under the name KOEI-R-A from 21 December 2010, in accordance with the resolution of the Zagreb Stock Exchange Management from 20 December 2010.

In 2024, 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 4,000 thousand 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 2025 and 2024, no treasury shares were repurchased. As at 31 December 2025, the Company held 23,700 treasury shares (31 December 2024: 25,306 shares).

In 2025, the General Assembly adopted a decision on the distribution of dividends to shareholders in the amount of EUR 7,642 thousand (2024: EUR 6,366 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. During 2025, capital reserves increased by EUR 1,102 thousand as a result of recognising share based payment transactions relating to the remuneration of the Company's Management Board and key management personnel of the Company and its subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 27. Provisions

	Warranty repair costs EUR' 000	Jubilee awards and severance payments EUR' 000	Total EUR' 000
<b>1 January 2024</b>	-	<b>1.449</b>	<b>1.449</b>
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)
<b>31 December 2024</b>	<b>2.242</b>	<b>1.578</b>	<b>3.820</b>
<i>Out of which current</i>	<i>(424)</i>	<i>(27)</i>	<i>(451)</i>
Additional provisions	-	2	2
Release of provisions	(424)	(266)	(690)
Utilised	-	(40)	(40)
<b>31 December 2025</b>	<b>1.818</b>	<b>1.274</b>	<b>3.092</b>
<i>Out of which current</i>	<i>(602)</i>	<i>(37)</i>	<i>(639)</i>

#### 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 1,274 thousand (2024: EUR 1,578 thousand), of which the largest part refers to provisions for Management Board members' severance in the amount of EUR 916 thousand (2024: EUR 1,159 thousand).

The remaining amount of EUR 358 thousand (2024: EUR 417 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 2.87% (2024: 2.94%).

### 28. Loans and borrowings

During the year, the Company received a loan in amount of EUR 23,000 thousand from a related party with a maturity of one year and an interest rate of 3.60% p.a. The balance as at 31 December 2025 represents the loan liability and related accrued interest. During 2025, EUR 5,000 thousand of the principal of the loan outstanding as at 31 December 2024 was repaid.

### 29. Lease liabilities and other financial liabilities

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
<b>Lease liabilities</b>	<b>1,113</b>	<b>366</b>
<i>Non-current portion</i>	<i>799</i>	<i>250</i>
Unrelated parties	799	250
<i>Current portion</i>	<i>314</i>	<i>116</i>
Unrelated parties	314	116
<b>Other current financial liabilities</b>	<b>14,133</b>	<b>10,439</b>
Supplier's factoring	14,097	10,378
Other	36	61
	<b>15,246</b>	<b>10,805</b>

Other current financial liabilities relate to supplier factoring. Interest rates for factoring arrangements during 2025 ranged from 2.46% to 5.64% (2024: 3.82% to 6.49) p.a. All related liabilities are due within one year.

Movements in supplier factoring were as follows:

	EUR' 000
<b>31 December 2024</b>	<b>10,378</b>
New agreements	21,216
Cash outflows (repayments)	(17,497)
<b>31 December 2025</b>	<b>14,097</b>

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 2025, the Company utilised supplier factoring in the amount of EUR 21,216 thousand (2024: EUR 7,100 thousand).

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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 30. Trade and other payables

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Trade payables	28,374	23,215
Related party payables	24,602	15,592
Liabilities for performance-based salary rights for the current year	1,869	1,874
Liabilities for taxes, contributions and similar charges	2,949	1,922
Accrued expenses	1,753	812
Liabilities for net salaries	1,353	1,247
Deferred income	1,314	-
Other employees related liabilities	1,075	845
Other liabilities	2,093	372
	<b>65,382</b>	<b>45,879</b>

#### Breakdown of trade payables:

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Domestic suppliers	18,714	15,675
Foreign suppliers	9,660	7,540
	<b>28,374</b>	<b>23,215</b>

### 31. Contingent liabilities and off - balance sheet items

As at 31 December 2025, 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 297,888 thousand (31 December 2024: EUR 163,077 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.

### 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 32. Related party transactions (continued)

	2025	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
<b>Operating activities</b>								
Subsidiaries		-	11,929	5,243	19,997	120	62,907	38,426
Associates		-	44,253	-	4,605	23	56,434	1,965
<i>Impairment (expected credit losses)</i>		-	(1,513)	-	-	-	-	-
<b>Total – Operating</b>		-	<b>54,669</b>	<b>5,243</b>	<b>24,602</b>	<b>143</b>	<b>119,341</b>	<b>40,391</b>
<b>Financing activities</b>								
Subsidiaries		6,420	18,451	-	23,070	-	628	224
Associates		-	-	-	-	-	67	-
<b>Total – Financing</b>		<b>6,420</b>	<b>18,451</b>	<b>-</b>	<b>23,070</b>	<b>-</b>	<b>695</b>	<b>224</b>
	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
<b>Operating activities</b>								
Subsidiaries		900	12,171	6,551	10,408	808	28,443	20,339
Associates		-	22,976	-	5,184	-	24,006	2,369
<i>Impairment (expected credit losses)</i>		(900)	(1,938)	-	-	-	-	-
<b>Total – Operating</b>		-	<b>33,209</b>	<b>6,551</b>	<b>15,592</b>	<b>808</b>	<b>52,449</b>	<b>22,708</b>
<b>Financing activities</b>								
Subsidiaries		-	7,546	-	5,032	-	1,552	111
<b>Total – Financing</b>		-	<b>7,546</b>	<b>-</b>	<b>5,032</b>	<b>-</b>	<b>1,552</b>	<b>111</b>

Profit on disposal of assets to subsidiaries in 2025 amounts to EUR 16 thousand, and in 2024 EUR 21 thousand, while the profit on disposal of assets to associates amounts to EUR 2,572 thousand (2024: EUR 0).

Dividend receivables from associates amount to EUR 42,980 thousand as at 31 December 2025 (31 December 2024: EUR 21,294 thousand). Dividend income, i.e. share of profit from subsidiaries and associates, is presented in Note 4.

/i/ Transactions with key management and members of the Supervisory Board:

During 2025, total compensation (fixed and variable gross I part) paid to the Company's Management amounted to EUR 1,470 thousand (31 December 2024: EUR 1,382 thousand), which includes EUR 570 thousand of variable compensation for 2024 for the active Management Board members in 2024 whose mandates continued after 2024 (during 2024, EUR 344 thousand of variable compensation for 2023 was paid).

As at the reporting date, accrued gross II variable compensation for management amounts to EUR 1,197 thousand (2024: EUR 832 thousand), while the accrued expense for share-based payments to management amounts to EUR 803 thousand. During 2025, there was no additional severance provision expense for the Management (2024: EUR 255 thousand).

The Management Board consists of five members (2024: five members).

Total compensation to the members of the Supervisory Board in 2025 amounted to EUR 316 thousand for ten members of the Supervisory Board (2024: EUR 357 thousand for nine members of the Supervisory Board).

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 33. Financial risk management and financial instruments

#### Capital risk management

Financial leverage ratio

	31 December 2025 EUR' 000	31 December 2024 EUR' 000
Debt (current and non-current) = D	(38,316)	(15,837)
Bank deposits (current)	-	-
Cash and cash equivalents	20,908	7,294
Net cash/(debt)	(17,408)	(8,543)
Equity = E	(341,574)	(267,114)
Financial leverage ratio = D/(D+E)	<b>10.90%</b>	<b>5.60%</b>

#### 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 2025 EUR' 000	31 December 2024 EUR' 000
Equity instruments at FVTPL	Level 1	3,016	847
<b>Total financial assets at FVTPL</b>		<b>3,016</b>	<b>847</b>
Trade receivables	n/p	116,502	68,296
Receivables for sold shares	n/p	789	246
Receivables for flats sold	n/p	12	38
Interest receivable	n/p	708	321
Loans granted and interest	n/p	26,175	7,225
Other receivables	n/p	27,623	21,356
Cash and cash equivalents	n/p	20,908	7,294
<b>Total financial assets at amortised cost</b>		<b>192,717</b>	<b>104,776</b>
<b>Total financial assets</b>		<b>195,733</b>	<b>105,623</b>
Loans	n/p	23,070	5,032
Lease liabilities and other financial liabilities	n/p	15,246	10,805
Trade payables	n/p	52,976	38,807
<b>Total financial liabilities at amortised cost</b>		<b>91,292</b>	<b>54,644</b>
<b>Total financial liabilities</b>		<b>91,292</b>	<b>54,644</b>

#### A) Fair value of financial assets and liabilities

Fair value of a financial instrument is the amount at which it could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 33 Financial risk management and financial instruments (continued)

#### B) Financial instrument risks (continued)

##### 1. Market risk (continued)

###### a) Foreign currency risk

The Company's functional currency is the euro. During both 2025 and 2024, 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 2025 were primarily USD and SEK.

Exposure of the Company to foreign currency risk is as follows:

	Spot exchange rate		Average exchange rate	
	31 December 2025 EUR'000	31 December 2024 EUR'000	2025 EUR	2024 EUR
USD	1.1757	1.0444	1.1300	1.0824
SEK	10.8180	11.4865	11.0663	11.4325

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

31 December 2025	USD EUR' 000	SEK EUR' 000	MKD EUR' 000	RON EUR' 000	Other curren- cies EUR' 000	Total foreign curren- cies EUR' 000
Trade receivables – unrelated parties	562	5,894	1,547	4,447	362	12,812
Trade receivables – related parties	-	-	-	-	-	-
Deposits (3 to 12 months)	-	-	-	-	9	9
Cash and cash equivalents	6	179	158	1,561	800	2,704
Trade payables	(534)	(2,202)	(1,091)	(2,037)	(221)	(6,085)
	<b>34</b>	<b>3,871</b>	<b>614</b>	<b>3,971</b>	<b>950</b>	<b>9,440</b>
<b>Effect of 1% exchange rate movement on profit</b>	<b>0.34</b>	<b>38.71</b>	<b>6.14</b>	<b>39.71</b>	<b>9.5</b>	<b>94.40</b>

31 December 2024	USD EUR' 000	SEK EUR' 000	MKD EUR' 000	RON EUR' 000	Other curren- cies EUR' 000	Total foreign curren- cies 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)
	<b>39</b>	<b>(69)</b>	<b>467</b>	<b>-</b>	<b>(350)</b>	<b>87</b>
<b>Effect of 1% exchange rate movement on profit</b>	<b>0,39</b>	<b>(0,69)</b>	<b>4,67</b>	<b>-</b>	<b>(3,5)</b>	<b>0,87</b>

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

###### b) Interest rate risk

In 2025, 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 December 2025 EUR' 000	31 December 2024 EUR' 000
Loans with fixed interest rate	23,000	5,000
Bank loans with variable interest rate	14,097	10,378
Leases with fixed interest rate	1,113	366
	<b>38,210</b>	<b>15,744</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 33 Financial risk management and financial instruments (continued)

#### B) Financial instrument risks (continued)

##### 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 from 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's financial activities, including deposits with banks and financial institutions.

As at 31 December 2025 and 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

##### 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 31 December 2025, 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 2025 and 31 December 2024 for trade receivables and contract assets is as follows:

	Total	Not due	1–90	91–180	181–365	More
	EUR' 000	EUR' 000	days past due	days past due	days past due	than 365
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	days past due
<b>31 December 2025</b>						
Trade receivables	120,261	101,854	13,157	1,604	172	3,474
Contract assets	18,041	18,041	-	-	-	-
Loss rate		0,30	1,1 – 4,04	7,84	36,98	100
<b>Expected credit loss</b>	<b>3,249</b>	305	220	126	98	2,500
Individual impairment	510					
<b>31 December 2024</b>						
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
<b>Expected credit loss</b>	<b>2,478</b>	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 fulfill contractual payment obligations for a period exceeding one year.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 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 2025 in accordance with contracted undiscounted payments:

	Net book value	Contractual cash flows	up to 1 year	1 – 2 years	2 – 5 years	over 5 years
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000
<b>31 December 2025</b>						
<i>Non-interest-bearing liabilities</i>	52,976	52,976	52,668	308	-	-
Trade payables	52,976	52,976	52,668	308	-	-
<i>Interest-bearing liabilities</i>	38,316	38,593	37,793	273	527	-
Loans	23,070	23,208	23,208	-	-	-
Lease and other financial liabilities	15,246	15,385	14,585	273	527	-
	<b>91,292</b>	<b>91,569</b>	<b>90,461</b>	<b>581</b>	<b>527</b>	<b>-</b>

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	Contractual cash flows	up to 1 year	1 – 2 years	2 – 5 years	over 5 years
	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000	EUR' 000
<b>31 December 2024</b>						
<i>Non-interest-bearing liabilities</i>	38,807	38,807	38,233	574	-	-
Trade payables	38,807	38,807	38,233	574	-	-
<i>Interest-bearing liabilities</i>	15,837	16,043	15,793	116	134	-
Loans	5,032	5,032	5,032	-	-	-
Lease and other financial liabilities	10,805	11,011	10,761	116	134	-
	<b>54,644</b>	<b>54,850</b>	<b>54,026</b>	<b>690</b>	<b>134</b>	<b>-</b>

### 34. Share-based payments

During 2025, a new Remuneration Policy and Incentive Rules were adopted, defining the rules and procedures for determining the remuneration of Management Board members and key management personnel. Under the said policy/rules, total remuneration is divided into fixed and variable remuneration, as well as a long-term incentive plan

In 2025, the Company recognised expenses relating to variable remuneration as well as share-based awards:

	2025 EUR' 000
<b>Variable remuneration (cash-settled)</b>	<b>2,552</b>
• Net	1,330
• Personal income tax	611
• Social security contributions (Pension Pillar I, II, Helath Insurance)	611
<b>Share-based awards (equity-settled)</b>	<b>992</b>
<b>Total expense related to share-based payments</b>	<b>3,544</b>

In accordance with the adopted Remuneration Policies, shares of the parent company are granted to members of management boards and key management personnel of subsidiaries who have acquired the respective rights. Amounts related to such awards are recognised during the vesting period as an increase in investments in subsidiaries until the moment the total cost is invoiced to the subsidiary in accordance with agreed terms. As at 31 December 2025, the increase in investments in subsidiaries arising from share-based payments amounted to EUR 459 thousand.

#### Measurement of the fair value of shares at grant date

Variables used in the measurement include the share price at the measurement date, expected volatility (based on an assessment of historical share price volatility), expected dividend yield, and the risk-free interest rate (based on relevant government bonds).

The grant date is the date on which the Company and the service provider have a mutual understanding of the key terms and conditions of the award. In the context of share-based payments, the grant date is the date of execution of the relevant agreement.

Grant date >	25.6.2025	30.6.2025	7.7.2025	19.9.2025	28.10.2025
Selected valuation model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Share price at grant date	510.0	530.0	532.0	640.0	690.0
Expected volatility (annual)	29.29 %	29.36 %	29.32 %	28.84 %	28.03 %
Risk-free interest rate (annual)	1.83 %	1.84 %	1.84 %	1.94 %	1.91 %
<b>Grant date &gt;</b>	<b>30.10.2025</b>	<b>31.10.2025</b>	<b>3.11.2025</b>	<b>6.11.2025</b>	
Selected valuation model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	
Share price at grant date	672.0	678.0	670.0	656.0	
Expected volatility (annual)	28.38 %	28.38 %	28.19 %	28.13 %	
Risk-free interest rate (annual)	1.90 %	1.90 %	1.91 %	1.92 %	

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2025

### 35. 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 limited liability company for investment on 31 December 2024.

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

	KONČAR - Engineer- ing Co. Ltd. 1 July 2024 EUR' 000	KONČAR - Infrastruc- ture and Services Ltd. 1 July 2024 EUR' 000	KONČAR - Invest- ments Ltd. 11 Novem- ber 2024 EUR' 000	Advanced energy solutions Llc. 31 Decem- ber 2024 EUR' 000	TOTAL EUR' 000
<b>ASSETS</b>					
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
	<b>72,462</b>	<b>12,124</b>	<b>54,204</b>	<b>41,146</b>	<b>179,936</b>
<b>LIABILITIES</b>					
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	2,179	54,703	44,122	126,309
Contract liabilities	8,081	-	-	-	8,081
	<b>60,927</b>	<b>2,283</b>	<b>54,703</b>	<b>44,122</b>	<b>162,035</b>
<b>NET ASSETS BEFORE ADJUSTMENTS</b>	<b>11,535</b>	<b>9,841</b>	<b>(499)</b>	<b>(2,976)</b>	<b>17,901</b>
<b>Merger adjustments</b>	<b>(9,304)</b>	<b>(7,523)</b>	<b>(31)</b>	<b>(3)</b>	<b>(16,861)</b>
<b>NET ASSETS MERGED</b>	<b>2,231</b>	<b>2,318</b>	<b>(530)</b>	<b>(2,979)</b>	<b>1,040</b>

### 36. Events after the reporting date

The Commercial Court in Zagreb issued decisions no. Tt-25/71794-2 and Tt-25/71797-2 on 31 December 2025, on the basis of which, in 2026, the merger of INK PROJEKT Ltd. as the merged entity into KONČAR Inc. as the acquiring entity will be carried out.

On 23 January 2026, KONČAR and Siemens Energy commissioned the KONČAR – Transformer Tanks Ltd. factory at the site in Sesvetski Kraljevec. This is a modern and fully equipped production facility of KONČAR – Transformer Tanks Ltd., company in which KONČAR holds a majority stake of 60% and Siemens Energy a 40% stake.

On 7 April 2026 KONČAR Inc. signed a Share Purchase Agreement for the purchase of a 25% ownership share in HELB Ltd., with its registered office at Industrijska ulica 1, Božjakovina, Republic of Croatia. On 8 April 2026, the transaction was successfully closed, whereby all contractual conditions were fulfilled. Pursuant to the aforementioned agreement, KONČAR Inc. acquired the remaining 25% of ownership share and thereby became the holder of 100% of the ownership shares in the Company.

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 2025, and that would require disclosure.

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