Consolidated Annual Report 2025

KONČAR D&ST

GROUP KONČAR – Distribution and Special Transformers Inc. for manufacturing

Consolidated Annual Report, 31 December 2025

Consolidated Annual Report
2025

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KONČAR D&ST

GROUP KONČAR – Distribution and Special Transformers Inc. for manufacturing

Consolidated Management Report for 2025

1. Introductory Word by the Management Board

2025 - A year of growth and the start of new strategic projects

The **KONČAR-D&ST Group** consists of **KONČAR-D&ST Inc.**, Josipa Mokrovića 8, Zagreb, Croatia; **Power Engineering Transformatory Sp. z o.o.** (PET), Gdynska 83, Czerwonak, Poznan, Poland; Ferokotao Ltd., Kolodvorska ulica 78/a, Donji Kraljevec, Croatia, and **Novi Feromont d.o.o.**, Kolodvorska ulica 80B, Donji Kraljevac, Croatia.

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

Despite these circumstances, the Končar D&ST Group showed exceptional resilience, readiness and agility in 2025, once again surpassing the set business plans.

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

Total sales in goods and services in 2025 was EUR 511.7 million, amounting to 9.5% growth year-on-year (EUR 467.5 million in 2024). Exports rang in at EUR 481 million (EUR 446.8 million in 2024), accounting for 94% of all sales, and up 7.7% over achieved exports one year earlier.

High global demand for transformers, and recognition of the quality and competitiveness of the KONČAR-D&ST Group products, resulted in new contracts valued at EUR 679.8 million, primarily on the demanding EU markets. Backlog at the end of 2025 was higher by 20% over one year earlier, amounting to EUR 987.5 million.

The exceptional sales results positively affected the profitability of operations. Profit before tax in 2025 was at EUR 173.4 million, up 20.5% over one year earlier when it was EUR 143.9 million.

During 2025, a total of EUR 29.9 million was invested. The majority of investments were part of the investment project "Sustainable SETup", which is set to be completed in the latter half of 2026, and will enable long-term stability of processes, and optimal flow of materials, raw materials, and finished products.

In 2026, activities are expected to intensify on the new factory project in Zaprešić, construction of new halls and increased production in PET Poland, and an increase in production capacities, raised efficiency and product quality in Ferokotao.

The number of employees in the Group on 31 December 2025 was 1625 people. Of the total employees, 871 work at KONČAR-D&ST, 128 at PET Poland, 341 at Ferokotao Ltd., and 285 at Novi Feromont Ltd.

The Group operates in compliance with internationally recognised standards and corporate social responsibility requirements.

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

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

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

Index 2025/2024

net profit
120.8

sales
109.5

exports
107.7

orders at year's end
120.1

in EUR 000

Indicators	2025	2024	2023	2022	Δ	Index 25/24
Operating income	**514,383**	**469,361**	**343,399**	**260,000**	**45,022**	**109.6**
Sales - total	511,708	467,479	342,033	254,050	44,229	109.5
Sales - exports	481,361	446,796	310,698	228,199	34,565	107.7
Operating expenses	**346,054**	**328,166**	**278,708**	**236,665**	**17,888**	**105.5**
Operating profit	168,329	141,195	64,691	23,335	27,134	119.2
Operating margin	32.9%	30.2%	18.9%	9.2%		+270 bps
Profit before tax	173,407	143,937	65,239	24,667	29,470	120.5
% profit before tax	33.9%	30.8%	19.1%	9.7%		+310 bps
Net profit (after tax)	142,236	117,712	54,007	23,147	24,524	120.8
% profit after tax	27.8%	25.2%	15.8%	9.1%		+260 bps
Depreciation and Amortisation	6,641	5,506	4,178	4,068	1,135	120.6
EBITDA	**174,970**	**146,701**	**68,869**	**27,403**	**28,269**	**119.3**
EBITDA margin	34.2%	31.4%	20.1%	10.8%		+280 bps
EBITDA normalised*	172,744	143,871	77,985	26,367	28,873	120.1
EBITDA margin normalised*	33.8%	30.8%	22.8%	10.4%		+300 bps
Contracts	**679,797**	**647,656**	**677,568**	**353,441**	**32,141**	**105.0**
Backlog on 31 Dec	987,499	822,423	622,998	288,008	165,076	120.1
Book to bill ratio	1.33	1.39	1.98	1.39		
Annual sales per employee	434	397	454	349	38	109.5
Investments	29,909	18,104	8,437	7,645	11,805	165.2
Employees (on 31 Dec)	1,625	1,212	1,142	815	413	134.1

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

Conversion rate (2022): 1EUR= 7.5345 HRK

3. General Position of the Group

The exceptional business results for 2025 confirm the strong market position and stable operations of the KONČAR-D&ST Group, with continuing growth of revenues, profits and contract values, confirming the competitiveness and long-term sustainability of the Group's business model. The high level of backlog further secures the full use of production capacities, supporting stable growth in the forthcoming years.

The Group continuously adjusts its organisational and operating processes to meet the new market demands, both in the transformer segment and in transformer tank segment. This approach has enabled the Group to retain its competitive edge and to sustain its high level of agility in the dynamic global circumstances.

The focus on development and sales, active recruitment and systematic inclusion of young experts, with the stimulation of professional development and engagement of employees has proven to be a key element in retaining high operating standards. Through ongoing investments in technology, business process modernisation, and product advancements, the Group is further strengthened to respond to complex business challenges of the future.

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

In 2026, activities will intensify on the new factory project in Zaprešić, including design, preparation of technical documentation, acquiring the necessary permits, and contracting key equipment with long delivery deadlines.

This project is of strategic importance for KONČAR-D&ST, and for the entire KONČAR Group, as it represents the most significant expansion of business capacities in the history of the KONČAR-D&ST Group, and in the long-term will ensure stable growth and technological superiority.

Activities are also underway in the remaining companies of the Group to prepare investments projects with the aim of increasing production capacities.

At PET Poland, the technical design of a project to construct new halls and a testing laboratory has been completed, with the architectural design, and the process to obtain environmental permits has been started.

At Ferokotao, the project involves the construction of a new production plant and procurement of modern equipment and machinery, primarily in the segments of position preparation, MPT metalwork and welding processes, and anticorrosion protection processes.

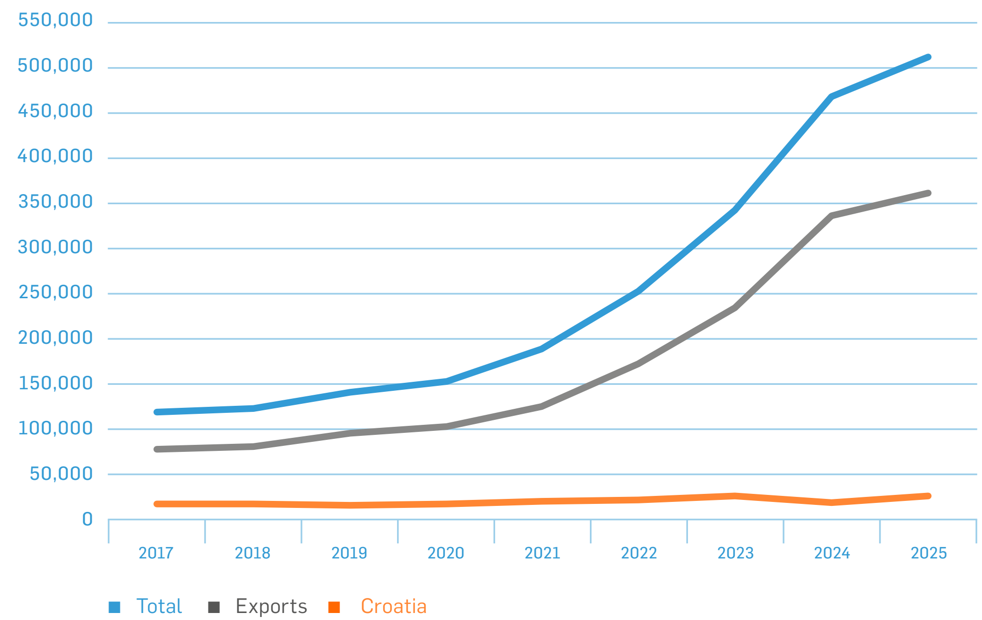
The planned investments are focused on expanding production capacities, improving the technological level of production, and further raising efficiency and quality of the production processes. It is expected that the implementation of these projects will significantly contribute to operational flexibility, reliability of delivery periods, and strengthen the competitiveness of the entire KONČAR-D&ST Group.

In line with the global guidelines for a sustainable and circular economy, and digital transformation, the KONČAR-D&ST Group remains an active participant in energy transition and decarbonisation processes.

Thereby, the Group is confirming its commitment to sustainable development and responsible governance.

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

Sales trends (in EUR 000)



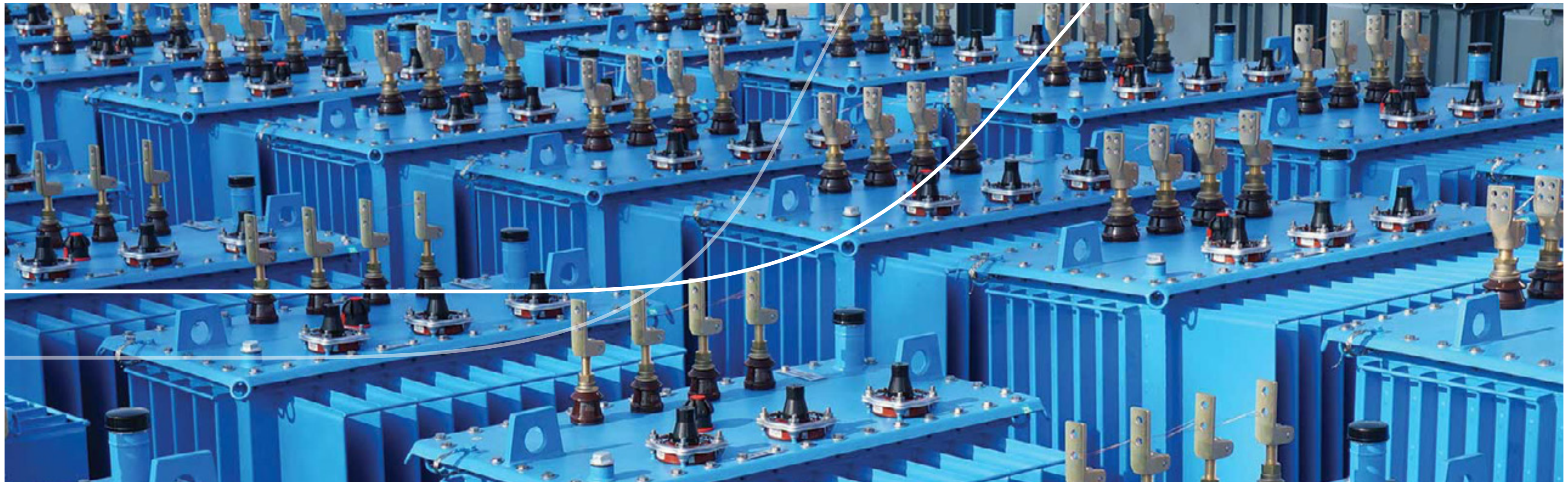
4. Group Organisation and Management in 2025

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

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

In 2025, the Supervisory Board of the company KONČAR-D&ST Inc. was comprised of:

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



The company PET Sp. z o.o. was managed by the Management Board in the following composition:

- Ivor Grubišić, President
- Boleszlaw Brodka, member
- Maciej Malolepszy, member

The Supervisory Board of the company PET Sp. z o.o. was:

- Vanja Burul, President
- Mate Biloš, member
- Kristina Dimitrov, member (as of 24 November 2025)
- Petar Vlaić, member (until 21 November 2025)

The company Ferokotao Ltd. was managed by the Management Board in the composition:

- Branimir Šopar, President
- Nenad Lesjak, member

The Supervisory Board of the company Ferokotao Ltd. was:

- Vanja Burul, President
- Kristina Dimitrov, member (from 14 November 2025)
- Željko Horvat, member
- Martina Pejić, member (from 14 November 2025)
- Dominik Trstoglavec, member (until 13 November 2025)
- Petar Vlaić, member (until 13 November 2025)
- Josip Vugrinec, member

The company Novi Feromont d.o.o. was managed by the Management Board in the composition:

- Tomislav Antonović, President
- Karlo Matković, member
- Sven Pošta, member

The Supervisory Board of Novi Feromont d.o.o. was:

- Ivan Klapan, President
- Vanja Burul, member
- Dražen Hranjec, member
- Vesna Pavličević, member
- Martina Pejić, member (from 5 December 2025)
- Saša Senčar, member (until 4 December 2025)

5. Market Position and Sales by Country and Product Group

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

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

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

In 2025, sales of goods and services recorded growth of 9.5% over 2024, and totalled EUR 511.7 million. Changes by product groups in 2025 in relation to 2024 were:

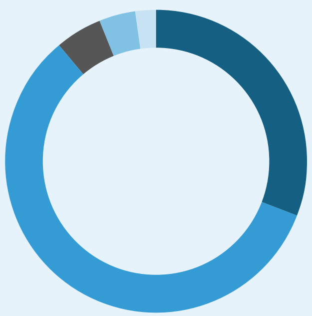
↘ DISTRIBUTION TRANSFORMERS: 2% decline

↗ MEDIUM POWER TRANSFORMERS: 15% growth

↗ DRY AND SPECIAL TRANSFORMERS: 18% growth.

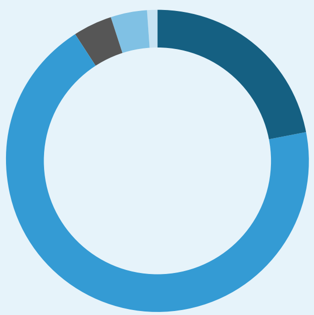
Sales structure by product line in 2025

- Distribution transformers 31 %
- Power transformers 58 %
- Materials and semi-finished products 5 %
- Dry and special transformers 4 %
- Services 2 %



Structure of new contracts in 2025

- Distribution transformers 22 %
- Power transformers 69 %
- Materials and semi-finished products 4 %
- Dry and special transformers 4 %
- Services 1 %



Sales by main markets were as follows:

↗ Croatia
in 2025, deliveries were values at EUR 30.7 million, or an increase of 48.7% compared to 2024 (EUR 20.6 million)

↘ Neighbouring European countries
deliveries in 2025 were valued at EUR 79.6 million, down 22.6% over 2024 (EUR 102.7 million)

↗ Other European countries
deliveries in 2025 were valued at EUR 386.4 million, up 14% over 2024 (EUR 338.6 million)

↗ Asia, Africa and the Americas
deliveries in 2025 were valued at EUR 15 million, an increase of 167.6% over 2024 (EUR 5.6 million).

Sales activities in 2025 resulted in a total contract value of EUR 679.8 million, up 5% compared to 2024. Total contract value at the end of the year was EUR 987.5 million, up 20% over the end of 2024.

Sales structure by markets in 2025

- Croatia 6 %
- Other European countries 75 %
- Asia, Africa and the Americas 3 %
- Neighbouring European countries 16 %

New contracts by markets in 2024

- Croatia 6 %
- Other European countries 78 %
- Asia, Africa and the Americas 4 %
- Neighbouring European countries 12 %

6. Company's Financial Position (Balance Sheet)

At the end of 2025, KONČAR-D&ST Inc. increased its ownership share in the company Novi Feromont Ltd. from 18.9% to 81.2% to acquire a majority stake. With that, the KONČAR- D&ST Group, alongside the parent company and the companies PET Poland and Ferokotao Ltd., was reinforced with another subsidiary company.

At the end of 2025, the assets of the KONČAR-D&ST Group totalled EUR 670.1 million, up EUR 179.7 million or 36.7% over one year earlier.

In the asset structure, 16% are non-current assets and 84% are current assets.

The value of non-current assets as of 31 December 2025 was EUR 106.4 million, which increased by EUR 36.5 million or 52.3%. The main reason for the increase in non-current assets were the investment projects implemented in Group companies, valued at EUR 29.9 million. The most significant CAPEX of EUR 23.1 million was achieved by KONČAR-D&ST Inc. to bring the ongoing investment project entitled "Sustainable SETup" into its final phases.

Current assets were increased in 2025 by EUR 143.2 million or 34.1% to total EUR 563.7 million on 31 December 2025. Within the current assets, the highest growth was achieved in the most liquid items: financial assets by EUR 69.6 million (87.0%) and cash by EUR 31.9 million (36.2%). These two items together totalled EUR 269.4 million and accounted for 40.2% of Group assets. Of the remaining current assets, the highest growth was recorded in inventories, which increased by 18.2% at the end of 2025 and totalled EUR 145.1 million or 21.7% of all assets.

On 31 December 2025, capital and reserves accounted for 52.3% and liabilities for 47.7% of total sources of financing assets. Capital and reserves totalled EUR 350.5 million, up 42.0% or EUR 103.7 million year-on-year. This increase in capital and reserves was due to the retention of part of net profits achieved in 2024 in the Group reserves. Also, the net profit of the Group increased by EUR 24.5 million or 21.0% to EUR 141.0 million.

Non-current liabilities on the reporting date totalled EUR 32.4 million, accounting for 4.8% of funding sources.

Current liabilities of the Group totalled EUR 287.2 million, marking an increase year-on-year of EUR 63.0 million or 28.1%. In the structure of current liabilities, the highest growth was seen in the line item contract liabilities - for received advances, which continues to grow. As of 31 December 2025, liabilities for received advances was up EUR 55.7 million to EUR 199.4 million, accounting for 29.8% of the total sources of Group financing.

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

Changes in the balance sheet of the KONČAR-D&ST Group as of 31 December 2025 in relation to the previous year indicate positive trends of liquidity indicators. The Group continues to have low indebtedness and the existing structure of assets, liabilities and capital ensures good financial stability.

7. Operating Results (Income Statement)

In 2025, the KONČAR-D&ST Group generated positive business results, with a significant increase in revenues and profitability in comparison with the previous business year.

In 2025, the KONČAR-D&ST Group generated positive business results, with a significant increase in revenues and profitability in comparison with the previous business year.

Revenues from sales achieved EUR 511.7 million, or growth of 9.5% or EUR 44.2 million over 2024 (EUR 467.5 million). This growth is the result of stable demand on export markets, particularly in the segment of medium power transformers for electricity companies and industrial customers.

In the consolidated sales revenues of the Group, the mother company KONČAR-D&ST accounted for 86% of sales, PET Poland with 9%, while Ferokotao gave the remaining 5% of sales. The results of the company Novi Feromont were not consolidated into this report, since control over this company by KONČAR-D&ST was not acquired until the very end of 2025.

Diversification of sales by geographic criteria show that the majority (89%) of sales were achieved within European Union Member States, with the Croatian market accounting for 6% of total sales.

Additionally, 2025 recorded bargain purchases gain in the amount of EUR 1.25 million, which is a one-time effect associated with the acquisition of majority ownership in the company Novi Feromont, and does not have the character of permanent sales revenue.

Total operating income were EUR 514.4 million, up 9.6% in relation to 2024 (EUR 469.4 million).

The expenditure side confirmed stable cost management.

Changes in inventories positively affected the result (EUR +15.9 million), which reflected the increased level of production activities for deliveries in the forthcoming period. Costs of materials, energy, goods and services, individually the most significant Group expenditures, grew by 5.5% year-on-year, though this growth was slower than revenue growth, thus having a positive effect on profitability indicators.

Personnel costs were increased by EUR 66.9 million (EUR 53.7 million in 2024), up 24.6%, which reflects the increase in the number of employees, investments in employee development, and increase in gross salaries. As of 31 December 2025, the parent company had 871 employees, Ferokotao 341 employees, and PET Poland had 128 employees. In total, at the end of the reporting period, the Group had 1340 employees (the 285 employees at Novi Feromont were not included in this figure for the purpose of comparison), which is up 128 employees or 10.6% year-on-year (1212 employees in 2024).

Depreciation costs also increased to EUR 6.6 million, up 20% over the year before, resulting from capital investments in the previous period.

Despite the growth in revenues, the Group achieved a significant increase in profitability from its core activities. Operating profit from core activities was EUR 168.3 million, which represents an increase of 19.2% in comparison with 2024 (EUR 141.2 million).

Profit from financial activities recorded growth of 84.9% and totalled EUR 4.8 million.

Profit before tax of the KONČAR-D&ST Group for the reporting period in 2025 totalled EUR 173.4 million, up 20.5% or EUR 29.5 million over 2024.

Corporate income tax totalled EUR 31.2 million, leaving a net profit of the Group of EUR 142.2 million. This marks a 20.8% in relation to 2024 (EUR 117.7 million). Profit attributed to the owner of the company was EUR 141.0 million.

The Group EBITDA indicator for 2025 was EUR 175.0 million, representing a margin on sales revenue of 34.2%, which is exceptional.

In 2025, the KONČAR-D&ST Group achieved exceptionally strong and sustainable growth of all key financial and operating indicators. Increasing revenues, improved profitability, growth in operational efficiency, and strong financial results confirm its stable market position.

On 31 December 2025, with EUR 987.5 million in the order books, continued investments into capacities and product development, and an active approach on export markets, there is a strong foundation for further growth in 2026.

8. Main Operating Risks in Group Operations

In 2025, the parent company of the KONČAR-D&ST Group reviewed its Rulebook on Risk Management and Risk Management Policy, which is in compliance with standard ISO 31000:2018 (Risk Management — Guidelines) and with the ERM (Enterprise Risk Management) principles, and assessed that they remain applicable for the identification and adequate management of risks. In accordance with this policy, risk management in the Group is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Technological and development risks. The Group currently uses modern technologies in the manufacture of transformers and offers appropriate technical solutions for most products in its programme, and therefore is able to keep up with technical and technological development at an enviable level.

In the future, it is not expected that the company will lag behind its main competitors in terms of technical and technological development.

Strategic investment and acquisition risks. In 2025, work intensified at KONČAR-D&ST Inc. on the strategic investment project “Sustainable SETup for the development of environmentally and socially responsible production”, and intensive support continued for the development of the company PET Poland and for the integration of the newly acquired company Ferokotao Ltd., Donji Kraljevec, that produces transformer tanks. Also in 2025, the company Novi Feromont d.o.o., also seated in Donji Kraljevec, and also with the core activity of producing transformer tanks was acquired. This acquisition further strengthened the position of the Group in this supply chain.

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

This group of risks is mitigated through appropriate analyses and evaluation of potential risks, taking adequate measures to mitigate risks, and active involvement of the Management Board and key managers and employees in the process.

In terms of **financial risks**, the most pronounced are the foreign exchange risk, credit risk, and liquidity risk.

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

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

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

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

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

9. Investments And Technology Modernisation

During 2025, the Group invested a total of EUR 29.9 million (in comparison with EUR 18.1 million in 2024).

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

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

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

The 1.1 MW solar plant produced 1260 MWh of electricity during 2025, resulting in the in-house generation of 20% of the company's energy needs. In mid-2025, following repairs to the roof, works began to instal additional solar plant capacities on the roof of the South hall and Cutting centre buildings with a capacity of 375 kW plant, which has been contracted with co-financing by the Modernisation fund. The new solar plant is currently in the test phase and the permit for its permanent operation is expected from Croatian Power Company (HEP).

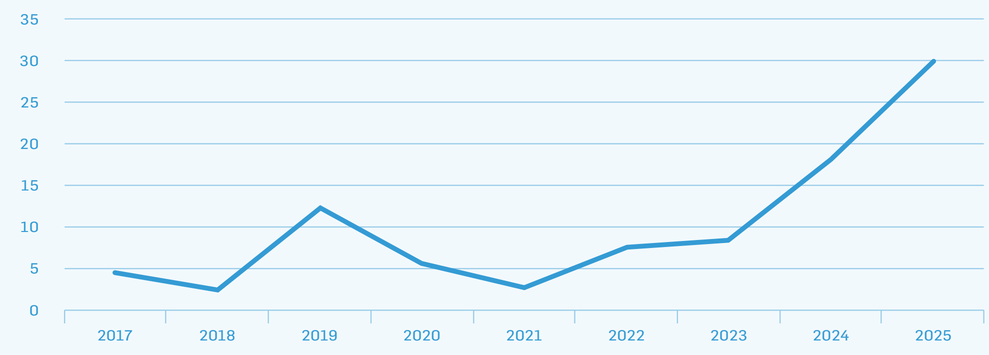
Construction of the new factory

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

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

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

Investments (EUR million)



In 2025, activities were continued in Power Engineering Trasnformatory Sp. z o.o. to modernise the production park and energy efficiency of the existing buildings. Significant investments include modernisation of the winding facility and preparation for a project to double the production capacity.

As part of this project to construct a new hall and test laboratory, the technical design has been completed with the architectural design, and procedures are underway to obtain environment permits.

During 2025, the company Ferokotao Ltd. undertook activities to prepare a major investment project that includes construction of new production plants and procurement of modern equipment and machinery in the segment of position preparation, MPT metalwork and welding processes, and anticorrosion protection.

Planned investments are focused on increasing production capacities, improving technological level of protection, and further raising efficiency and quality of the production processes. It is expected that the completion of the project will contribute to operational flexibility, reliability of delivery periods, and strengthening the competitiveness of Ferokotao.

Upon completion of the investment cycle, Ferokotao is expected to achieve its strategic goals, primarily nearly doubling the volume of production in the next 10-year period, while retaining the high level of quality, safety, and reliability of delivery.

10. Technical Development and Product Innovation

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

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

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

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

11. Human Resources in the KONČAR – D&ST Group

The number of employees in the Group as of 31 December 2025 was 1625 people. Of the total number of employees, 871 are employed at KONČAR-D&ST Inc., 128 at PET Poland, 341 at Ferokotao Ltd., and 285 at Novi Feromont Ltd.

In the area of employee development, ongoing training and development is implemented, including university and college study programmes. The Group supports the attendance of both post-graduate and graduate studies. The result is a growing number of employees enrolled at a range of faculties. This approach to rewarding and stimulating professional and scientific development significantly enriches the Group's knowledge base, and ensures active contacts with relevant university institutions.

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

In order to retain its market position and effectively achieve its business goals, the KONČAR-D&ST Group and all its companies are continuously focused on quality, environmental protection, and occupational health and safety.

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

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

During 2025, Ferokotao continued with the implementation and improvement of the management systems for quality, environment, and occupational health and safety, in line with the requirements of the internationally recognised standards ISO 9001 and ISO 14001. In the reporting period, supervisory audits were successful conducted on the management systems, in addition to a customer audit, including audits by the companies Siemens Energy, R&S Group, and J. Schneider Elektrotechnik.

Internal audits and supervisory processes are regularly conducted in all organisational segments of the Group, with the aim of ensuring timely identification of possible areas of improvement, strengthening system efficiency, and further improving business and production processes.

In the forthcoming period, the Group will continue with activities focused on permanent improvements to the quality management systems, increasing process efficiency, and maintaining high standards of quality, environmental protection, and employee safety.

13. Further Strategy Development

The KONČAR-D&ST Group will continue to focus its core business activities on the development, sales, and production of distribution, special and medium power transformers up to 160 MVA and 170 kV, and in the segment of transformer tanks.

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

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

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

The strategic direction of companies within the Group (PET, Ferokotao, Novi Feromont) in the forthcoming period is directed towards completing the current investment cycles, raising technological level of production capacities, and strengthening the market position in key operations segments. Completion of the planned investments in these companies will significantly advance production capabilities, operational efficiency and flexibility, thereby creating the conditions for a further growth in production volume, and increase in competitiveness, and securing a high level of product and service quality.

The focus will continue to be on strengthening relations with existing customers, developing new market opportunities, and ongoing advancements to the technological and organisational processes.

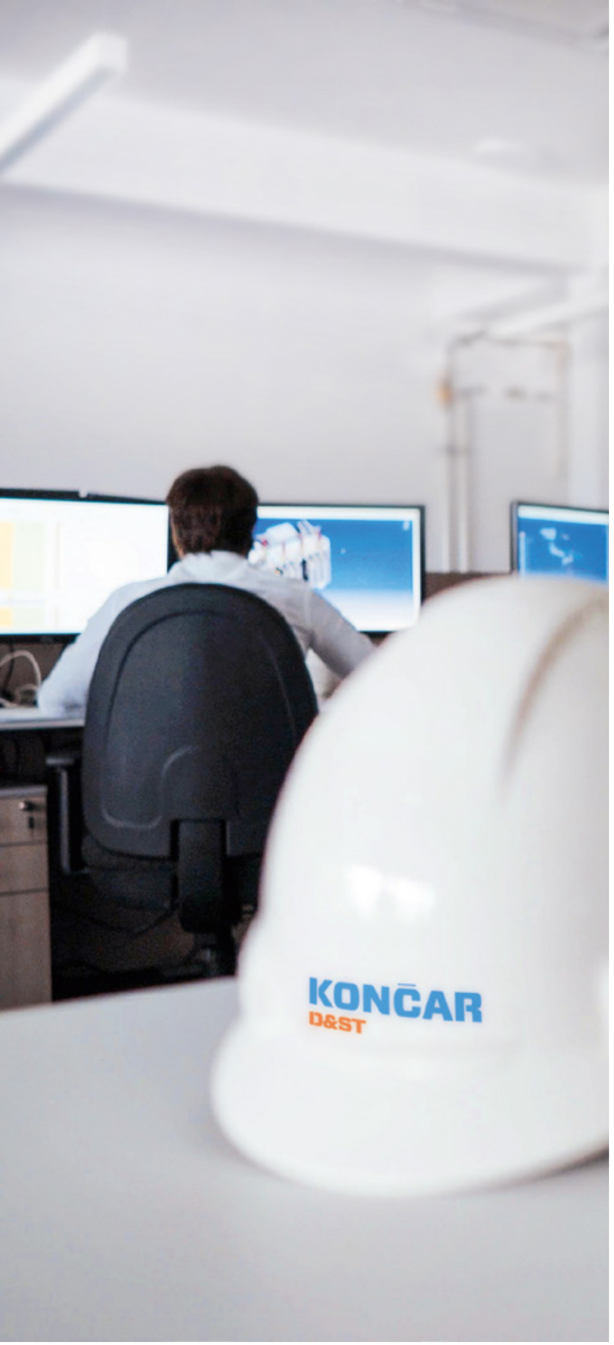
The companies will continue to base their development on quality, innovations in production processes, operational excellence, and continuous employee development and training, as the key drivers of future growth.

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

Final remark: After the end of the 2025 business year, and up to the preparation of this report, negative implications are possible due to the instability of the supply chain, which is reflected in lengthened delivery periods for procurement of certain components. Other than this, there were no other unusual or significant business events that would significantly alter the overall operations and state of the Group as outlined in this report.

CONSOLIDATED SUSTAINABILITY REPORT

Contents



ESRS 2 General disclosures

Basis for preparation of the Sustainability Report

ESRS 2, BP-1

The **KONČAR–Distribution and Special Transformers Inc. Group** (hereinafter: Group or KONČAR – D&ST Group) issues this **Sustainability Report**, prepared in accordance with the **Corporate Sustainability Reporting Directive (CSRD)** and the **European Sustainability Reporting Standards (ESRS)**, as set out in the Commission Delegated Regulation (EU) 2023/2772, and with the **Croatian Accounting Act**.

The report is prepared on a **consolidated basis** for the Group companies for the period from **1st January to 31st December 2025** for the parent company, **KONČAR – D&ST Inc.** and its subsidiaries (together: Group).

The **scope of the consolidation** in the Sustainability report is equal in scope to the consolidation applied in the consolidated Group financial statements. Detailed information on ownership shares, manner of consolidations, Group structure are given in **Notes 2a) – Consolidation basis** in the consolidated financial statements.

The KONČAR – D&ST Group includes the following companies that are included in the consolidation:

KONČAR – Distribution and Special Transformers Inc.
parent company, Croatia

Power Engineering Transformatory Sp. z o.o. Czerwonak - subsidiary, Poland (100% ownership)

Ferokotao Ltd. - subsidiary, Croatia (majority stake)

Novi Feromont Ltd. - subsidiary since December 2025, Croatia (majority stake)

Upstream and downstream value chains

The Sustainability Report includes information associated with both **upstream and downstream** value chains, including direct and indirect business relations of the Group. Data on value chains are included in the extent to which they are relevant for understanding significant impacts, risks and opportunities (IRO) associated with the Group business model and activities.

The entire value chain was taken into consideration within the framework of the conducted **double materiality assessment**, in which the real and potential impacts, risks and opportunities in company operations and in the upstream and downstream values chains were identified and evaluated. The results of this assessment are given in the statement on material IROs.

Omission of information

The KONČAR – D&ST Group did not use the option of omitting information that could influence the understanding of significant impacts, risks and opportunities associated with sustainability, in line with the relevant provisions of the ESRS.

Gradual introduction of disclosure requirements

The Group has decided to **apply the provisions on gradual introduction** for the following requirements:

• Separation of total revenues by significant ESRS sectors

• List of additional significant ESRS sectors in line with **Appendix C of ESRS 1 – List of disclosure requirements for gradual introduction**, taking into account the adopted amendments of the regulatory framework (quick fix) of **11th July 2025**.

Statement of special circumstances

ESRS 2, BP-2

The time frames used in reporting are defined as follows: short-term (one year), mid-term (up to five years following the end of the short-term reporting period), and long-term (more than five years). Exceptionally, for the purposes of analysing resilience to climate changes and scenario analyses, longer time frames are applied, in accordance with the relevant climate scenarios defined by the Intergovernmental Panel on Climate Change (IPCC).

Assessments in the value chains, and sources of assessments and associated uncertainty of outcomes are described in each relevant section of this Sustainability Report, with references to the details of their application, use of assumptions, and calculation methods. Certain data disclosed as part of the disclosure requirements ESRS E1-6 are based on assessments and modelled data and therefore may be subject to uncertainty in measurement and limitations of available data, particularly in relation to information from the upstream and downstream parts of the value chain.

Further, information pertaining to the future, including goals, plans, expected effects of measures and scenario analyses, are by nature exposed to uncertainty. Real results may differ from expected due to changes in the regulatory framework, market conditions, technological development, availability of data, and other external factors.

All data was collected and analysed through internal systems for management and reporting, with details on methodology, data sources, and responsibility provided within the information related to each material topic presented herein. Each department that owns specific data is responsible for the accuracy, completeness, and timeliness of that data.

In the relevant sections of this report, data subject to limitations in the reporting scope is clearly marked, including the reasons why such information is not available in this reporting period and the actions initiated to enable its collection and full consolidation in future periods.

All indicators, except for greenhouse gas (GHG) emissions, relate to own operations of companies. The calculation of GHG emissions covers own operations, the upstream and downstream parts of the value chain, in compliance with the GHG Protocol and ESRS requirements.

Scope 3 GHG emissions were calculated based on estimates based on financial expenditure or actual quantity data, with the application of the appropriate emission factors. The quantification of GHG emissions, particularly in Scope 3, involved a degree of inherent uncertainty due to scientific and methodology limitations ensuing from limited availability of primary data, the variability of emission factors, and the complexity of the value chain.

The reporting scope has been expanded to include the company Novi Feromont within the section S1 – Company work force.

Changes in preparation or presentation of sustainability information

In relation to the previous reporting period, following the review of the assessment of double materiality conducted in 2025, the topic of soil pollution is no longer identified as material. This change ensues from the updated assessment methodology, inclusion of additional stakeholder input, and the revised assessment of impacts and risks.

The remaining methodology and reporting structure has remained consistent for the most part, thereby ensuring comparability of disclosed information between reporting periods.

An exception is the **improved methodological approach to assessing double materiality**, in which a more structured and detailed method has been applied to identify and evaluate the material impacts, risks and opportunities, in line with the development of ERSR guidelines and regulatory expectations.

This change in methodology was not intended to significantly alter the scope of reporting, but to increase the robustness and transparency of the assessment. After revision of the assessment of double materiality, one topic identified in the previous report is no longer classified as material.

Further, in the reporting period, the **methodology approach to calculating the indicator according to the EU Taxonomy**, in which the previous process approach was replaced with a **more sectoral approach to identification and distribution of economic activities**, to achieve a more precise link between individual business activities and the appropriate Taxonomy activity.

Also, in this reporting period, **Novi Feromont** was included in the consolidated data as the result of an **acquisition of the asset**. Accordingly, the company is included in the calculation of the **Taxonomy KPIs of the Group**, while in the disclosure according to the standard **ESRS S1**, the **consolidated data on the number of employees** was included. These changes have an impact on the scope of the consolidation, certain indicators, but do not alter the fundamental approach to reporting.

Methodology changes and limitations of data comparability in relation to the previous period

In relation to the previous reporting period, no significant changes were made in the general approach to preparation and presentation of the sustainability information.

Disclosure ensuing from other regulations or generally-accepted statements within the framework of sustainability reporting

In cases in which additional regulatory frameworks, standards or guidelines that are not part of the compulsory framework of the ESRS were used in drafting this report, such use is explicitly and transparently stated in the relevant topics and sections of the report. For each such disclosure, it is clearly listed to which additional framework or regulation they pertain, with an explanation of their application and purpose.

Certain indicators are based on assessments or available secondary data, particularly in the sections that pertain to the value chains.

The application of these additional frameworks is exclusively for supplemental and informational purposes, and has no impact on the scope, structure, content, or interpretation of the compulsory disclosure pursuant to the ESRS requirements. All information considered material in the sense of the ESRS are identified, prepared, and disclosed in line with the ESRS, regardless of any parallel association to other frameworks.

Inclusion by referral

During the reporting period, the Company did not use the option of including information by referral to other documents or sources in the sense of the ESRS requirements. All information required by the ESRS are included directly in this Sustainability Report.

The role of the administrative, management and supervisory bodies

GOV-1

The companies within the KONČAR – D&ST Group are legally independent, while the parent company, i.e., KONČAR – D&ST oversees, strategically directs, and manages them through the company bodies, particularly the general assemblies and supervisory boards, pursuant to the Companies Act, and through the Corporate Governance Code and the articles of associations of the companies.

Members of the KONČAR – D&ST Management Board are appointed into supervisory boards of the companies of the KONČAR – D&ST Group, thereby ensuring an integral system of management, systematic alignment, and uniform oversight over the management of material impacts, risks and opportunities at the level of the KONČAR – D&ST Group.

The parent company, KONČAR – D&ST, is responsible for the management and oversight of sustainability matters at the Group level. The key bodies within KONČAR – D&ST include the Supervisory Board and the Management Board, whose authorities and responsibilities are clearly defined according to national legislation, Company statute, and all relevant internal regulations. The Rules of Procedure for the Management Board and the Supervisory Board are publicly available documents.

Role of the Management Board

The Management Board is the executive body of the company responsible for leading the operations of each company of the Group, implementing strategy, and achieving the business objectives, including the integration of environment, social and governance (ESG) factors into business strategies, policies and processes.

The Management Board plays a key role in identifying and managing impacts, risks, and opportunities, including those associated with sustainability, and monitors the implementation of sustainability goals and their impacts on the operations of each Group company.

Company Management Boards

The company KONČAR – D&ST Inc. was managed by the Management Board in the following composition:

- Vanja Burul, President
- Mario Ljubić, member, director of the MPT profit centre (PC)
- Martina Mikulić, member, director of the DT PC
- Dominik Trstoglavec, member, director of Technical and Business Development
- Kristina Dimitrov, member, director of Finance, Accounting and Procurement, Chief Sustainability Officer

The company Ferokotao Ltd. was managed by the Management Board in the following composition:

- Branimir Šopar, president
- Nenad Lesjak, member

Links with the parent company:

- Vanja Burul, President of the Supervisory Board
- Kristina Dimitrov, member of the Supervisory Board
- Dominik Trstoglavec, member of the Supervisory Board

The company PET Sp. z o.o. was managed by the Management Board in the composition:

- Ivor Grubišić, president
- Maciej Malolepszy, member
- Boleszlaw Brodka, member

Links with the parent company:

- Vanja Burul, president of the Supervisory Board
- Mate Biloš, member of the Supervisory Board
- Kristina Dimitrov, member of the Supervisory Board
- Petar Vlaić, member of the Supervisory Board (till 21st November 2025)

The company Novi Feromont Ltd. was managed by the Management Board in the composition:

- Tomislav Antonović, president
- Karlo Matković, member
- Sven Pošta, member

Links with the parent company:

- Vanja Burul, member of the Supervisory Board

Management Board of KONČAR – D&ST

In 2025, the Management Board of KONČAR – D&ST consisted of five executive members (40% women and 60% men), with no independent members. During the reporting period, 47 Management Board meetings were held.

One member was appointed as responsible for sustainability matters (Chief Sustainability Officer – CSO), thereby ensuring oversight of sustainability at the highest management level and regular reporting to the Management Board on relevant ESG topics.

The work of the Management Board is supported by specialised committees (ESG Committee, HSE Committee, Workplace Safety Committee, Quality Committee, and other relevant committees). At least once every six months, the Management Board assesses the effectiveness of the environmental management and occupational health and safety systems in accordance with ISO 14001:2015 and ISO 45001:2018, and in 2025 the introduction of the ISO 50001 management system was started.

Management Board of the company KONČAR – D&ST

Vanja Burul

President of the Management Board

Born in 1976

Experience and responsibilities at KONČAR – D&ST

2021 (April) Appointed as President of the Management Board

Functions in companies of the KONČAR – D&ST Group

Ferokotao – President of the Supervisory Board

PET - President of the Supervisory Board

NOVI FEROMONT – member of the Supervisory Board

Competences

Design and development of power and distribution transformers, strategic management of technical development and innovation, quality control, integration of technical solutions with ESG requirements and regulations.

Martina Mikulić

Member of the Management Board

Director of the Distribution Transformers Profit Centre

Born in 1975

Experience and responsibilities at KONČAR – D&ST

2016 Appointed Member of the Management Board and Director of the Distribution Transformer Profit Centre

Competences

Design and development of power and distribution transformers, scientific research in the field of transformers, strategic management of technical development and innovation, development and implementation of energy-efficient, low-loss transformers, quality control, and integration of technical solutions with ESG requirements and regulations.

Dominik Trstoglavec

Member of the Management Board

Director of Technical and Business Development

Born in 1981

Experience and responsibilities at KONČAR – D&ST

2021 (April) Appointed Member of the Management Board responsible for Business Development, Product Development, Production Development, Investments, Maintenance, and Sustainability

Functions in companies of the KONČAR – D&ST Group

Ferokotao - Member of the Supervisory Board

Competences

Design and development of transformers, strategic management of technical development and innovation, integration of technical solutions with ESG requirements and regulations, ESG management.

Kristina Dimitrov

Member of the Management Board

Director of Finance, Accounting, and Procurement

Chief Sustainability Officer

Born in 1974

Experience and responsibilities at KONČAR – D&ST

2024 (May): Appointed as the new Member of the Management Board for Finance and Procurement

Functions in companies of the KONČAR – D&ST Group

Ferokotao – member of the Supervisory Board

Competences

Extensive multi-sectoral exper-tise in auditing, accounting, and taxation, including leadership of audit teams for both international and domestic companies across various sectors, in a director-level role. Certified Auditor and member of the Croatian Chamber of Audi-tors, as well as a Fellow Member of the Association of Chartered Certified Accountants (UK).

Mario Ljubić

Member of the Management Board

Director of the Medium Power Transformer Profit Centre

Born in 1978

Experience and responsibilities at KONČAR – D&ST

2024 (April): Appointed Member of the Management Board and Director of the Medium Power Transformers Profit Centre

Competences

Trained as an internal auditor for ISO 9001 and ISO 14001 management systems; extensive knowledge of supply chain and market operations; management of sales processes, team leadership and organisational development, integration of technical solutions with ESG requirements and regulations.

Committees established to support oversight of the KONČAR – D&ST Management Board

For more effective supervision over the work of the Management Board and for support in decision-making, committees with clearly defined responsibilities were established. Each committee acts in accordance with its own rules of procedure, which determine its composition, scope of responsibilities, authorities, decision-making, and manner of working. Detailed descriptions of the roles and responsibilities of individual committees are outlined below.

ESG Committee of KONČAR – D&ST

To ensure intersectoral cooperation in the area of sustainability, the ESG Committee was established in the Group's parent company. The ESG Committee consists of members of the Management Board of the parent company KONČAR – D&ST (including the Chief Sustainability Officer), advisors to the management board, profit centre directors, and managers with key functions in shared services, with the support of sustainability experts.

The ESG Committee considers topics relating to sustainability at regular meetings held twice a month. Minutes of meeting record the discussions and conclusions and are sent to all members of the Committee. Organisational units are responsible for the timely identification and reporting on significant impacts, risks and opportunities within the scope of their activities, while the Management Board is responsible for decision-making and taking appropriate actions.

Business Committees of the company KONČAR – D&ST

For more efficient management of key business, operating, and ESG topics, the following business committees operated within the company KONČAR – D&ST and support the work of the Management Board:

- HSE Committee (Health, Safety and Environment)
- ESG Committee
- Workplace Safety Committee

Quality Committee:

- Quality Committee PC MPT
- Quality Committee PC DT

Expert-commercial committees:

- Committee for insulating oils, drying and filling processes
- Copper and Aluminium Committee
- Electrical steel Committee
- Solid Insulation and Sealing Materials Committee
- Transformer Tanks, Coolers, and Corrosion Protection Committee
- Marketing Committee
- Agent Contracts Committee

The above committees act as advisory and coordination bodies within the scope of their competencies, and contribute to monitoring risks, quality, compliance and operating efficiency, with regular reporting to the Management Board as necessary.

Role of the Supervisory Board of the KONČAR – D&ST Group

The Supervisory Board is the body that oversees the work of the Management Board, evaluates the implementation of business policies and plans, and makes decisions on key business matters of KONČAR – D&ST. Within its authorities, it oversees financial operations, manages impacts, risks, and opportunities, ensures compliance with regulations, and appoints and dismisses members of the Management Board.

The Supervisory Board consists of five members (20% women and 80% men), of which four are elected by shareholders at the General Assembly, and one member is a worker representative in the Supervisory Board. The Supervisory Board usually meets once a quarter.

Information on the composition of the Management and Supervisory Boards of individual companies are listed in the chapter on Organisation and Management of the Group.

Committees of the Supervisory Board

The **Audit Committee** is responsible for auditing financial statements, overseeing internal controls, assessing business risks, and evaluating the independence of the audit process. Its role is to ensure the transparency, reliability and integrity of financial reports and to monitor compliance with regulations and internal rules. The committee also evaluates the effectiveness of internal audits and communicates with external auditors to ensure an independent assessment of financial statements.

The **Remuneration Committee** is responsible for managing the rights and remuneration of the Management Board members and other senior employees. The Committee reviews employment contracts, rights, and reward systems and other benefits, and ensures their compliance with the regulations and internal rules. The role of the committee is focused on ensuring transparency, consistency and appropriateness in procedures around remunerations.

The **Nomination Committee** is responsible for overseeing procedures of appointment and dismissal of members of the Management Board. Its responsibilities include identifying qualified candidates, assessment and nomination of candidates, and monitoring compliance with internal rules, regulations, and corporate governance standards. The importance of the Committee lies in ensuring the appropriate composition of the governing bodies and promoting best practices in corporate governance.

General Assembly

Supervisory Board

- Gordan Kolak, President of the Supervisory Board (since 30th January 2024)
- Ivan Paić, Deputy President of the Supervisory Board (since 2nd January 2025)
- Mario Radaković, member of the Supervisory Board (since 1st January 2025)
- Petar Bobek, member of the Supervisory Board (since 1st January 2025)
- Ana-Marija Markoč, member – employee representative (member since 15th November 2023)

Organisation Scheme

GENERAL ASSEMBLY

Supervisory Board

Auditors

↓

MANAGEMENT BOARD → President of the Management board Vanja Burul

Management Board Office | Management Board Advisor | Business Secretary | Marketing

Profit centre MEDIUM POWER TRANSFORMERS

dir. Mario Ljubić
Business Secretary

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

Profit centre DISTRIBUTION TRANSFORMERS

dir. Martina Mikulić
Business Secretary

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

FINANCE, ACCOUNTING, PURCHASING

dir. Kristina Dimitrov

- FINANCE ACCOUNTING CONTROLLING
- STRATEGIC PURCHASING
- OPERATIONAL PURCHASING

PRODUCT & BUSINESS DEVELOPMENT

dir. Dominik Trstoglavec

- TECHNICAL SUPPORT INVESTMENTS MAINTENANCE
  - Strategic Investment
  - Investment
  - Maintenance
- PRODUCT DEVELOPMENT & STANDARDISATION
- PRODUCTION DEVELOPMENT I
- PRODUCTION DEVELOPMENT II
- NEW FACTORY CONSTRUCTION PROJECT
  - Project of Techology
  - Test Station Project

Other units

- LEGAL AFAIRS & HR
- MANAGEMENT SYSTEM DEVELOPMENT
  - ISO 9001
  - ISO 14001
  - ISO 45001
  - Safety at work
- INCOMING INSPECTION
- IT DEPARTMENT
- BUSINESS IT

Submission of information to administrative, management and supervisory bodies of the company and sustainability issues addressed by those bodies

GOV-2

Administrative, management, and supervisory bodies, including the relevant committees, regularly receive semi-annual reports through the structured reporting system on business and operational risks associated with sustainability issues. These reports include information on the material impacts, risks and opportunities, status and results of the implementation of due diligence procedures, and the effectiveness of policies, activities, measures, and set goals for the purpose of managing these issues.

The Management Board and executive management consider the impacts, risks and opportunities relating to sustainability within the framework of their supervision over the execution of Group strategies. This includes assessment of the ways in which these factors impact significant business decisions and transactions, and their integration into the overall risk management system.

In that context, the environment, social, and governance (ESG) factors are considered during the development and implementation of business strategies, plans and operational processes. The Management Board defines the sustainability goals, ensures their implementation, and continuously monitors and assesses their effect on Group operations.

In 2025, the Management Board considered all material impacts, risks and opportunities (IROs) within the framework of regular revision of the double materiality assessment. An overview of the identified material IROs is included in this Sustainability Report in the section ESRS 2, SBM-3.

During the reporting period, within the framework of supervision the strategy and risk management, particular attention was focused on the material impacts, risks and opportunities and on drafting a transition plan for decarbonisation (ESRS E1).

Inclusion of sustainability results in the rewards system

GOV-3

In the 2025 reporting period, no incentive programmes directly linked to sustainability matters were implemented. Sustainability is currently addressed through strategic planning, management processes, and the supervision of goal implementation.

Meanwhile, within the framework of the existing impact management system, certain KPIs associated with organisational culture are applied, including aspects of cooperation, employee development, workplace safety, and alignment with Company values. These indicators currently serve as qualitative and quantitative tools in management, but not as a direct basis for ESG-related rewards.

During 2025, the gradual implementation of ESG criteria into the managerial KPIs began, in line with the Sustainability Strategy for the period 2024–2026. One of the key KPIs involves the timely and successful implementation of strategic initiatives in the area of implementation of digital and HR systems. This is further strengthening the responsibility of the Management Board and senior management to achieve the defined sustainability goals. In the upcoming phases of system development, ESG criteria will continue to be built into the system through future strategic projects and advancing the ESG assessments of the KONČAR – D&ST Group in various national and international assessments.

Report on due diligence

GOV-4

The KONČAR – D&ST Group is committed to preventing and mitigating real and potential negative impacts on the environment and society, while enhancing its positive contributions. For that purpose, the Group conducts due diligence procedures that enable the systematic recognition, assessment, and management of material impacts, risks and opportunities pertaining to sustainability, in line with the ESRS requirements.

Due diligence procedures are integrated into the management structure, strategy, and key business process of the Group, and are implemented through a cycle that includes the inclusion of stakeholders, determining and assessing impacts, taking measures, monitoring effectiveness, and transparent reporting. Below, the key elements of due diligence and their links with relevant sections of the Sustainability Report are outlined.

Core elements of due diligence	Location in the sustainability report
Embedding due diligence in governance, strategy, and the business model	Managing sustainability issues; Strategy and business model; Policies related to material topics under the topic standards (E1, E2, E5, S1, S2, S4, G1)
Engaging with affected stakeholders in all key steps of the due diligence	Managing sustainability issues; Double materiality assessment; Stakeholder engagement related to material topics under the topic standards (E1, E2, E5, S1, S2, S4, G1)
Identifying and assessing real and potential adverse impacts, risks and opportunities	Managing sustainability issues; Double materiality assessment; Material impacts, risks and opportunities related to topics under the topic standards (E1, E2, E5, S1, S2, S4, G1)
Taking actions to prevent, mitigate or eliminate adverse impacts	Measures and actions related to material topics under the topic standards (E1, E2, E5, S1, S2, S4, G1)
Monitoring the effectiveness of efforts and communicating results	Metrics and targets related to material topics under the topic standards (E1, E2, E5, S1, S2, S4, G1)

Risk management and internal controls over sustainability reporting

GOV-5

The KONČAR – D&ST Group has established an integrated system of risk management and internal control, which includes the process of sustainability reporting, with the aim of ensuring reliability, completeness, consistency, and timeliness of the disclosed information.

The system includes the identification and risk assessment of material errors in sustainability data, including the risks of:

- Incomplete or inaccurate data,
- Incorrect assessments or methodological approaches,
- Inaccessibility or non-uniformity of data in Group companies,
- Delays in the collection and consolidation of information.

The assessment of risks associated with sustainability reporting is performed at least once annually, within the framework of the planned three-year internal audit cycle. It is focused on data points associated with material topics identified through the double materiality assessment. On the basis of these assessments, the priority areas and appropriate control activities are defined.

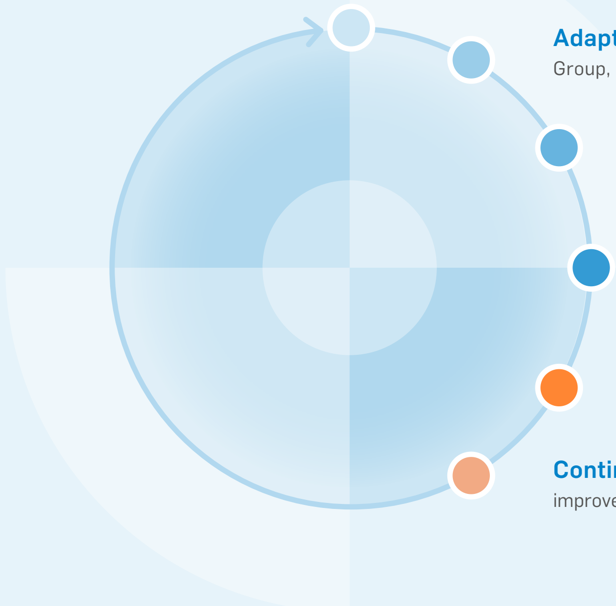
Control activities include:

- Clearly defined responsibilities for the collection, verification, and approval of data,
- Documentation of sources of data and the applied calculation methodologies,
- Analytical checks and comparisons with previous reporting periods,
- Review and validation of reports prior to their final disclosure.

Supervision over the functioning of the risk management system in the KONČAR – D&ST Group is performed by the Management Board and the controlling functions of the parent company of the Group. Within those processes, the effectiveness of the set risk management framework is monitored, with the timely identification and assessment of risks, and implementation of defined risk management measures at the level of Group companies. The goal of supervision is to ensure that the risk management system operates in line with the adopted policies and procedures, and that all risks are systematically monitored, managed, and reported to the appropriate management bodies.

The Supervisory Board oversees the processes of financial and non-financial reporting and is regularly informed of the results of the risk assessment, measures taken, and the status of implementing recommendations.

In line with the Risk Management Policy, the risk management system in the Group is based on the following principles:



Integration and consistency – risk management is integrated into business processes and decision-making processes and is carried out in a structured and systematic way to ensure comparable and reliable results..

Adapted to the context – the system is aligned with both the external and internal context of the Group, including the specificities of the business model, regulatory environment, and strategic goals.

Inclusion and participation – the risk management processes involve the Management Board, Supervisory Board, managers of organisational units, employees and external stakeholders, as needed.

Dynamic and adaptable – the system enables the timely recognition of new risks and monitors changes in existing risks.

Based on information and human factors – risk management is based on the available data, reasonable future assumptions, and validation of organisational and cultural factors.

Continuous improvement – the system is regularly reviewed and improved through experience, internal checks and reviews.

In validating the business strategy and operating goals, KONČAR – D&ST establishes its moderate (average) propensity to take risks. The lowest level of propensity to risk is applied in the areas of safety and compliance, including employee health and safety. A somewhat higher level of propensity to risk is applied in the area of strategic and operating goals, with the retention of the appropriate controls.

In that context, reduced risks that ensue from the system, equipment, products, and work environment to a reasonable and feasible level, and abiding by all legal and regulatory requirements, take priority over all other business goals.

In line with the defined methodology of risk management, at the end of 2025, the Risk Catalogue was revised. The main strategic, operational, financial and ESG risks of the Group were identified, analysed, and evaluated. For all identified risks, mitigation measures were defined, and the responsible person (risk owner) for their management designated. The process of identification and assessing risks was performed in all organisational units of the Group.

A comprehensive overview of the risks and review of the identification and assessment of risks at the level of each company within the Group is conducted at least once annually, within the process of drafting the Company annual and strategic plans. For that purpose, at the end of every business year, each organisational unit is required to review the part of the Risk Catalogue that pertains to its area of activity, and to draft the Risk Resolution Plan. The revised Risk Catalogue and Risk Resolution Plans are submitted to the Controlling department of the parent company, which consolidates them and forwards them to the Management Board for adoption. The minutes of the meeting of the Management Plan, the adopted Risk Catalogue, and Risk Resolution Plans are then forwarded to the Audit Committee, kept in the document management system of the parent company, and are available to interested parties.

- **R1 – Macroeconomic and market demand decline (Strategic)**
Changes in global economic conditions, a reduction in investments in energy and industry, and market volatility can affect the level of demand and planned business growth.

- **R2 – Loss of competitiveness and market share (Strategic)**
Increased competitive pressures, technological changes, and price competition can affect the Company's market position and profitability.

- **R3 – Supply chain and material prices (Operational - Financial)**
Disruptions in the supply chain, limited availability of materials, and volatility of raw material prices can increase production costs and affect the timely fulfillment of contracts.

- **R4 – Lack and fluctuation of personnel (Strategic - Operational)**
Limited availability of qualified workforce and increased employee turnover can affect operational capacities and project implementation..

- **R5 – Product Quality and Process Compliance (Operational)**
Non-compliance of products or production processes with technical standards and customer requirements can result in additional costs, complaints, and reputational risk.

- **R6 – Investment and Project Management (Financial - Operational)**
Inefficient planning and execution of investments or the parallel management of multiple projects can affect operational efficiency and expected investment returns.

- **R7 – Physical climate impacts on assets (ESG-Strategic)**
Extreme weather events and long-term climate trends can cause damage to assets, business interruptions, or disruptions in supply chains.

- **R8 – ESG and sustainability regulatory requirements (ESG / Financial)**
Changes in the sustainability regulatory framework, climate transition (e.g., CBAM) and the requirements of financial institutions may affect compliance costs, financing conditions, and the Company's reputation.

STRATEGIC RISKS
refer to long-term business decisions, market trends and competitiveness, and can influence the achievement of strategic goals and market position.

OPERATIONAL RISKS
arise from everyday business processes, production, quality as well as delivery, and affect the efficiency and reliability of operations.

ESG RISKS
linked to environmental, social and governance factors, including climate change and regulatory requirements, and increasingly affect the long-term sustainability of businesses.

FINANCIAL RISKS
related to costs, investments, financing and profitability of projects.

Strategy and the business model

Strategy, business model, and the value chain

ESRS 2, SBM-1

KONČAR – D&ST is the leading regional manufacturer of medium power, distribution, and special transformers, with a tradition spanning over 70 years. Our products are present in more than 110 countries worldwide, with over 10,000 transformers delivered each year.

The business model is based on the design, production, delivery, and maintenance of transformers, with ongoing investments into research and development, and product quality and safety. Activities in both the upstream and downstream value chain are focused on reliability of supply, project energy efficiency, and long-term cooperation with partners and customers. The Group operations in compliance with the KONČAR – D&ST Sustainability Strategy 2024-2026, focused on decarbonisation of production, effective resource use, circular economy, employee development and satisfaction, investments in the local community, and ethical and responsible management through the entire value chain, through several key guidelines:

These strategic priorities are directly linked with the material impacts, risks and opportunities identified within the assessment of double materiality and are integrated into the Group business model and strategic planning.

Business model

KONČAR – D&ST operates as a joint stock company engaged in the design, production, installation, and servicing of distribution, special, and medium power transformers. The KONČAR – D&ST business model is based on a B2B (business-to-business) approach, with a focus on long-term cooperation with power utilities, industrial facilities, and infrastructure projects.

The business model of KONČAR – D&ST is directed at creating long-term value, through reliable and technically adapted solutions, with the integration of management of quality, risks, and sustainability along the entire value chain.

Innovation and technical development

Ongoing investments in R&D and digitalisation of design and production to develop effective and market-adapted transformer solutions.

Investments and market reach

Targeted investments into production capacities and internationalisation of operations in response to the growing demand, and to strengthen the global presence.

Sustainability and risk management

Integration of sustainability into the business model through management of material impacts, risks and opportunities in strategic and operational decision-making.

VALUE PROPOSITION	Key activities
High-quality transformers, developed in compliance with technical and regulatory requirements of customers	→ Product design and development, including custom-made solutions
Custom-made solutions tailored to meet the specific needs of the energy sector and industry	→ Production of transformers using high standards of quality and safety
Long-term product reliability and support during the entire life span	→ Testing, quality control, and commissioning
Technical support and service	→ After-sales support and servicing

KEY RESOURCES	Distribution channels and customer relations
Skilled and experienced employees	→ Direct sales on national and international markets
Manufacturing facilities and technological infrastructure	→ Long-term contractual relationships with key customers
Technical knowledge, engineering experience, and development capacities	→ Technical consulting, project cooperation, and servicing
Strategic suppliers of key materials and components	→ Ongoing communication through the entire project life span

FEROKOTAO Ltd. operates in the metalworking and electrical energy industry, with more than 50 years of tradition in the production of tanks for distribution, power, and special transformers. Seatuated in Donji Kraljevac, Ferokotao is one of the leading regional producers of transformer tanks.

Key activities include the design and production of tanks, building special metal constructions, and ongoing improvement of technological processes. Products include corrugated tanks for distribution transformers, and tanks for power and special transformers.

The company operates as a specialised manufacturer of components within the broader value change in the electrical energy industry, cooperating with producers of power and distribution transformers, electrical companies, and international partners in the energy technology sector.

Its fundamental resources are long-term organisational knowledge, qualified employees, and modernised production plants.

The development strategy of the company FEROKOTAO is based on the application of advanced technology, constant upgrading of quality, and strengthening the technical competencies of employees.

Power Engineering Transformatory Sp. z o. o. (PET) is seated in Czerwonak, Poland, where it operates in the energy sector, relying on more than seven decades of industrial tradition.

In early 2017, part of its operations specialised for the production of energy transformers was separated to form part of the KONČAR – D&ST Group, thus creating PET Sp. z o. o. The company took over the complete infrastructure, expert staff, technical knowledge and long experience in the field of the design, production, and maintenance of transformers.

Key activities pertain to the design and production of energy transformers, modernisation, servicing, and technical support, development of specialised custom-made solutions, and ongoing process upgrading through the application of advanced technologies and management standards.

As part of a global industrial group, PET applies the highest standards in quality, safety, and responsible management, with a focus on energy efficient solutions, optimisation of resource use, developing products with a smaller environmental footprint, and strengthening employee competencies and workplace safety.

Main products and services

Group products and services contribute to energy efficiency, decarbonisation, and reliable energy and industrial systems, and support sustainability goals through the entire lifespan of the project, in own operations and along the downstream part of the value chain.

Group of products/services	Main market/customers	Key ESG contributions	ESRS
Oil distribution transformers (to 8 MVA / 36 kV)	Electricity, industry, infrastructure, and renewable energy projects	Increasing energy efficiency of distribution grids; reducing technical losses; supporting the integration of renewable energy and e-mobility	E1, E5
Dry distribution transformers	Industrial plants, buildings, critical infrastructure	Reduced environment risks (transformers without insulting fluid); increase operational safety; lower operational risks	E1, E2, S1
Transformers for energy transition (PV, BESS, EV)	Investors in renewable energy, energy and infrastructure projects	Enabling decarbonisation of the energy system; support for low-carbon technologies	E1
Special transformers (railroad, metallurgy, offshore, tows)	Transport systems, industry, energy projects	Reliability and security of critical infrastructure, long project lifespan	E1, S4
Medium power transformers (to 160 MVA / 170 kV)	Electricity transmission and distribution systems	Reduced losses in energy transmission; grid stability and resilience	E1, E5
Chokes	Industrial and energy plants	Grid stabilisation; reducing technical disturbances and losses	E1
Transformer service and repair	Electricity, industrial customers	Extending equipment lifespan; reducing need for new production; contributing to the circular economy	E5, E1

Total revenues

Sales revenue by type of goods and services	2024 EUR'000	2025 EUR'000
Sales revenue of distribution and special transformers	179,347	176,649
Sales revenue of medium power transformers	256,064	297,862
Revenue from the sale of materials	22,906	26,017
Revenue from services	9,162	11,180
Total revenue from contracts with customers	**467,479**	**511,708**

Sales revenue by geographical area	2024 EUR'000	2025 EUR'000
Croatia	20,644	30,707
European Union countries	394,055	426,685
Bosnia and Herzegovina, North Macedonia, Serbia, and Montenegro	8,437	6,103
Other European countries	38,755	33,258
Africa	371	158
Asia	5,186	14,778
Other countries worldwide	31	19
Total revenue from contracts with customers	**467,479**	**511,708**

The detailed structure and amounts of revenues are disclosed within the Group Consolidated financial reports for the given reporting period.

Value chain

The upstream phase relies on critical inflow of resources and partnerships for groups of materials: electrical steel, copper and aluminium (conductors), solid insulating materials, transformer oil, steel, and various equipment.

For the resilience and sustainability of the supply chain, the Group performs responsible procurement and develops long-term partnerships with suppliers (local and EU/regional), including compliance requirements (quality, environment, labour/human rights), risk assessment, and corrective measures as needed. This supports the resilience of the procurement system and adaptations to climate/regulatory changes.

Own activities - the primary operational activities include design and development, core cutting and assembly, coil winding and drying, mechanical preparation, and welding of transformer tanks, corrosion protection, assembling active parts, impregnation/drying active parts, filling with transformer oil, routing and type testing (FAT), and quality assurance. Parallel to this, administrative and commercial functions are performed (procurement, logistics, sales, finance, HSE, sustainability/ESG).

In line with the sustainability strategy, the Group is increasing the share of renewable energy, improving the energy efficiency of processes, optimising water consumption and waste management, and improving health and safety in the workplace through standardised procedures and training.

The downstream chain includes dispatch and delivery, transport, service within the warranty period, in which the main impact in the phase of use ensues from energy transformer losses.

Additionally, the Group is developing solutions for reducing losses (e.g., design optimisation, selection of materials, advanced insulation systems, biodegradable or recycled oil), and in cooperation with the customer achieved overall reduction of the carbon footprint of the product.

At the end of the product life cycle, priorities are the possibility of use of metal (copper, steel, aluminium) and transformer oil, and the safe handling or recycling of all insulation materials, in line with the principles of the circular economy, under the supervision and responsibility of the end customer.

Sustainability Strategy 2024–2026

In March 2024, KONČAR – D&ST adopted its first sustainability strategy, which was integrated into the business model and management system of the Company. The Strategy was adopted by the Management Board, which is also responsible for regularly monitoring progress in achieving the defined sustainability goals.

The strategy is structured in alignment with the eight priority areas of sustainability defined at the KONČAR Group level, including environment, society, and governance topics relevant to the Company business model. For each priority area, the strategic goals are set, along with subgoals and key performance indicators (KPIs) that are linked to the relevant ESRS topic standards and described within this Sustainability Report.

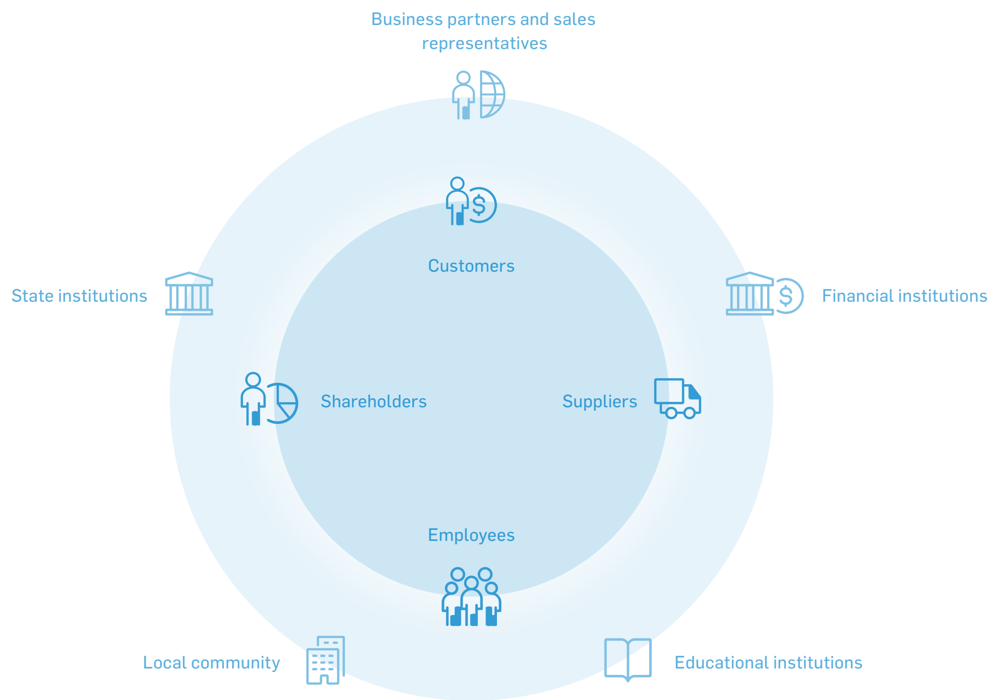
Stakeholder interests and views

ESRS 2, SBM-2

Within the framework of its operations, the KONČAR – D&ST Group actively engages a wide range of internal and external stakeholders, including suppliers, customers, investors, regulatory bodies, and representatives of the local community. Maintaining regular communication with different stakeholder groups throughout the year ensures the identification and understanding of their views, needs and expectations, and ensure that the identified challenges and opportunities take the process of double materiality assessment into account.

Key groups of stakeholders

The inclusion of stakeholders represents an important element of managing sustainability topics, particularly in the context of adjusting business decisions to changes in scientific discovery, the regulatory environment, and market conditions. The opinions and expectations of stakeholders is used as input in examining the strategy, business model and management processes, as shown in the table below.



Stakeholders	Stakeholder Needs and Expectations	Engagement in business processes	ESRS topics
Customers	Product quality and related services; Adherence to deadlines and contractual obligations; product safety; solution sustainability; business ethics; protection of privacy and data	Direct communication; Regular meetings, discussions, and customer visits; surveys on customer satisfaction and ESG topics; Analysis and resolution of complaints; Trade fairs and industry events	E1, E5, S4, G1
Employees	Wages and compensation; workplace health and safety; Secure employment; Professional development; Equal opportunity; Organisational culture; Abidance of human rights	Employee surveys; meetings with managers and employee representatives; Education and training programmes; Intranet	S1, S2, G1
Suppliers	Stability and long-term business relationships; transparent terms of doing business; work conditions in the value chain, alignment with ethics and ESG standards	Direct communication; Regular meetings; Workshops; Evaluation and monitoring of suppliers	S2, E1, E5, G1
Shareholders	Business strategy; Profitability; Long-term sustainability of the business model; Risk management	General Assembly; Direct communication; Annual financial and sustainability reports	ESRS 2, E1, G1
Financial institutions	Financial stability; Fulfilment of contractual obligations; Managing financial and ESG risks; Transparency	Regular meetings and presentations; Periodic reports; Annual financial and sustainability reports	E1, G1, ESRS 2
Local community	Investment in local initiatives; Environmental protection; responsible use of resources; Security and quality of life	Donations and sponsorships; Volunteer programmes; Media announcements; Public communications	E2, E3, E4
State institutions and regulatory bodies	Compliance with legal regulations; regulatory reporting; taxes and other contributions	Regulatory and legal reporting; official communication	G1, ESRS 2
Business partners	Long-term cooperation; Ethical and sustainable operations; Stability of business relations	Direct communication; meetings; contractual relations; trade fairs	G1, E1, S2
Educational and scientific institutions	Development of knowledge and competencies; Research and development; Employment opportunities for young people	Joint projects; professional training; conferences; Media announcements	S1

Double Materiality

Process of assessing double materiality

ESRS 2, IRO-1

The KONČAR – D&ST Group conducted a double materiality assessment covering all locations to identify significant impacts, risks and opportunities within its own operations, as well as in the upstream and downstream value chain. The assessment was carried out in accordance with the European Sustainability Reporting Standards (ESRS) and the guidance of the European Financial Reporting Advisory Group (EFRAG), with the participation of external experts (ATD Solutions) and relevant internal stakeholders.

The process represents an enhancement of the process conducted in previous reporting periods and ensures that the results are used to define the scope of reporting, management priorities, and further development of the risk management system and sustainability.

An analysis of variation among Group companies identified no significant differences that would require a differentiated approach to the assessment. Although the Group does not implement centralised policies at the Group level, companies actively manage their operations through their own corporate policies, ensuring a consistent approach to key sustainability issues.

In comparison with the previous cycle, the set of material topics remained largely stable, while the definitions and grouping of individual topics was adapted for the purpose of alignment with ESRS topics and subtopics, and the application of a uniform framework at the Group level.

Previous procedures and revision of the DMA methodology (2024 → 2025); in **2024** the double materiality assessment was carried out through four phases: (1) definition of the approach, (2) assessment of materiality of impacts, (3) assessment of financial materiality, and (4) consolidation and a description of the material topics. The results formed the basis for the Sustainability Report for that year.

In 2025, the assessment was revised to improve the assessment methodology, including the structured inclusion of stakeholders and the revised assessment of the impacts, risks and opportunities in alignment with the regulatory expectations and ESRS requirements.

Topics were categorized into key, material, and supervised, for more effective management and reporting, and for the application of regulatory relaxations.

The final list of topics after the revision included: 7 key topics, 22 material topics, and 18 supervised topics (at the level of ESRS subtopics, with an additional level at S1 where applicable).

Inclusion of the organisation and process management

The framework and approach to the assessment were defined, taking the regulatory requirements, business model, value chain, strategic priorities, and existing management system into account.

Key sectors and functions in the parent company and subsidiaries (Ferokotao and PET) were included in the process via the ESG contact points, with the participation of the Management Board. In total, some 60 people were engaged, including managers and experts, with the support of external consultants.

The final material topics were approved by the KONČAR – D&ST Management Board, while for the subsidiaries, they were approved at the sessions of the competent bodies.

Stakeholders (identification and inclusion)

The Group set up a procedure for the identification and inclusion of relevant stakeholders according to their importance for operations and the potential impacts of operations on them. In 2025, the inclusion of stakeholders was further structured for the quantitative integration into the materiality assessment.

Internal and external stakeholders participated in the assessment, including customers, suppliers, investors, institutions, and employees. Additional insights were collected via anonymous supplier surveys (26 participants), and interviews with the professional community and business partners.

Value chain (scope)

Mapping the value chain included seven phases: (1) raw material extraction, (2) procurement of products and services, (3) upstream transportation, (4) production/in-house processes, (5) downstream transportation, (6) product use, and (7) end of product life cycle.

The impacts, risks and opportunities were mapped for all phases, though a detailed assessment was focused on the segments over which the Group has a direct impact and/or control, and therefore phases (1) and (7) were excluded from detailed analysis.

Data sources

The assessment was based on a combination of internal operating data and external sources, including regulatory analyses, scientific publications, and benchmarking studies, with the assumption of the need to strengthen primary data in the supply chain.

Assessment of impacts and financial materiality

The assessment of impacts was conducted using a top-down approach, by mapping the ESRS topics and subtopics through the entire value chain, with the assessment along time horizons and relevant criteria.

The assessment of financial materiality relied on the existing ERM system, with the expansion of the assessment of climate risks and opportunities, described in detail within the ESRS E1.

Consolidation, uncertainty, and further development

The IROs that met the materiality thresholds were consolidated into the final list of material topics and linked with the relevant data points for reporting. The final material topics were adopted by the Management Board, while for subsidiaries, they were confirmed at the meetings of the Supervisory Board.

Uncertainty and further process upgrades

The Group recognises the uncertainty of the assessment, particularly in the sense of availability of primary data and in quantifying financial impacts and plans further improvements to the methodology and data.

Our material impacts, risks and opportunities: an overview

ESRS 2, SBM-3

Based on the results of the double materiality assessment, a summary overview of the material IROs is given according to the material ESRS topic standards (E1, E2, E5, S1, S2, S4 i G1) and their connections with the Sustainability Strategy of the KONČAR – D&ST Group. This is outlined in the table below.

A detailed description of topics and the associated impacts, risks and opportunities it provided within the accompanying thematic reporting requirements within this Sustainability Report.

List of data in intersectoral and thematic standards ensuing from other EU regulations

IRO-2

After conducting the double materiality assessment, the KONČAR – D&ST Group mapped the material impacts, risks and opportunities (IRO) to the relevant requirements for disclosure and data points of the ESRS, as shown in Appendix I of the Sustainability Report.

The materiality of the information was established using a qualitative approach, with an assessment of their relevant for individual topics and usefulness for making decisions by report users.

The disclosure requirements not associated with the material IROs were not included in this report.

The data points ensuing from other EU regulations, as stated in Annex B of ESRS 2, are included in the table in Annex I, with reference to the relevant section or with the statement "Not material", in line with ESRS-1, paragraph 35.

The table in **Appendix I** ensures complete overview of the application of the IRO-2 requirements and transparency in view of the data points ensuing from other EU regulations.

Topics that are not material and explained are shown in Appendix III.

OVERVIEW OF MATERIAL TOPICS OF THE KONČAR – D&ST GROUP

ENVIRONMENT	SOCIETY	GOVERNANCE
E1 Climate change · Adapting to climate change ↑ ↓ ▼ ▲ · Mitigating climate change ↑ ↓ ▼ ▲ · Energy ↑ ↓ ▼ ▲	**S1 Own workforce** · Working conditions ↑ ↓ ▼ ▲ · Equal treatment and opportunities for all ↑ ↓ ▼ ▲ · Other rights ensuing from labour relations ↑ ↓ ▼ ▲	**G1 Corporate conduct** · Corporate culture↑ ↓ ▼ · Whistleblower protection ↑ ↓ ▼ ▲ · Managing supplier relations ↑ ↓ ▼ ▲ · Corruption and bribery ↑ ↓ ▼
E2 Pollution · Water pollution ↑ ↓	**S2 Workers in the value chain** · Working conditions in the value chain ↑ ↓ ▼ ▲ · Equal treatment and opportunities for all ↑ ↓ ▼ · Other rights ensuing from labour relations ↑ ↓ ▼ ▲	
E5 Resources and the circular economy · Flows of resources, including the use of resources ↑ ↓ ▼ ▲ · Waste ↑ ↓ ▼ ▲	**S4 Consumers and end users** · Impacts related to informing consumers and/or end users ↑ ▲ · Personal safety of consumers and/or end users ↑ ▲ · Social inclusion of consumers and/or end users ↑ ▲	

STRATEGIC SUSTAINABILITY PRIORITIES	STRATEGIC SUSTAINABILITY PRIORITIES	STRATEGIC SUSTAINABILITY PRIORITIES
CLIMATE AND RESOURCES	**EMPLOYEES AND THE COMMUNITY**	**RESPONSIBLE GOVERNANCE**
· Strategic goal 1: Reduce emissions from Scope 1 and 2, and start net-zero transition · Strategic goal 2: Ensure a reduction of waste generation, and the effective and responsible use of resources in production	· Strategic goal 3: Ensure a healthy and safe workplace for all employees and associates · Strategic goal 4: Promoting inclusion, diversity, and equal opportunities · Strategic goal 5: Enable professional development and growth for employees · Strategic goal 6: Bringing KONČAR closer to youth and develop a reputation of KONČAR as a desirable employer · Strategic goal 7: Continuous investments in development and quality of life of the local community	· Strategic goal 8: Ensure responsible and ethical management, and integration of sustainability into strategy · Strategic goal 9: Ensure responsibility in the supply chain and acting in accordance with KONČAR values

Legend: ↑ positive impacts, ↓ negative impacts, ▼ risks, ▲ opportunities

EU Taxonomy

Statement pursuant to Article 8 of Regulation (EU) 2020/852

The EU Taxonomy is a key element of the European Union's (hereinafter: the EU) ambition to become the first climate-neutral continent by 2050. The Taxonomy represents a classification system designed to help investors and other market participants identify sustainable economic activities. The foundational Regulation 2020/852 (hereinafter: the EU Taxonomy or the Regulation) establishes the framework for the EU Taxonomy. It was adopted in June 2020 and sets out criteria for determining whether an economic activity is environmentally sustainable.

THE EU TAXONOMY DEFINES SIX ENVIRONMENTAL OBJECTIVES:

1. **Climate change mitigation (CCM)** – defines activities that reduce greenhouse gas emissions;
2. **Climate change adaptation (CCA)** – defines activities that support adaptation to existing or expected climate change;
3. **Sustainable use and protection of water and marine resources (WTR)** – defines activities that con tribute to the sustainable management of water resources;
4. **Transition to a circular economy (CE)** – defines activities that promote resource efficiency and waste reduction;
5. **Pollution prevention and control (PPC)** – defines activities that prevent or control pollution;
6. **Protection and restoration of biodiversity and ecosystems (BIO)** – defines activities that preserve or restore ecosystems.

For an economic activity listed under any of the environmental objectives to be considered environmentally sustainable, it must meet the following conditions: it must make a substantial contribution to at least one environmental objective, do no significant harm (DNSH) to any of the other objectives, and be carried out in compliance with minimum safeguards.

In the preparation of this EU Taxonomy disclosure, in addition to the base regulation, all related delegated regulations were taken into account:

1. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, which sets out technical screening criteria for activities that substantially contribute to climate change mitigation or climate change adaptation;

2. Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, which specifies the content and presentation of information on environmentally sustainable economic activities to be disclosed by companies;

3. Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, which amends the classification of certain economic activities in specific energy sectors and introduces specific disclosure requirements related to those activities;

4. Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, which supplements the list of economic activities and technical screening criteria related to climate change mitigation and adaptation;

5. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, which sets out technical screening criteria for activities that substantially contribute to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems, and which supplements the content and presentation of corporate disclosures;

6. Commission Delegated Regulation (EU) 2024/3215 of 28 June 2024, which corrects certain language versions of Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 by establishing technical screening criteria to determine under which conditions an economic activity qualifies as substantially contributing to climate change mitigation or adaptation and ensuring it does not cause significant harm to any of the other environmental objectives.

7. Commission Delegated Regulation (EU) 2026/73 of 8 January 2026, amending and simplifying the earlier Delegation Regulations (EU) 2021/2178, 2021/2139 and 2023/2486. The Regulation is part of the "Omnibus" package and brings significant changes, including the simplification of technical screening criteria, simplification of KPI templates, and introduces the concept of materiality in reporting.

The Commission Delegated Regulation (EU) 2026/73 entered into effect on 1 January 2026. In preparing the report for the 2025 financial year, the Group took into account the possibility of application of simplifications introduced under that Regulation, to the extent that they are applicable in reporting for 2025.

Pursuant to the newest revised thresholds for the application of the reporting requirement as part of the Omnibus 1 package, the KONČAR – D&ST Group continued conducting all necessary activities to ensure compliance with the updated regulatory requirements, including preparation and disclosure of Taxonomy indicators (revenue and CAPEX), and accompanying qualitative disclosures that are part of the standard corporate sustainability reporting.

The OPEX indicator was analysed in line with Delegated Regulations (EU) 2021/2178 and the amendments from Delegated Regulation (EU) 2026/73. Based on the assessment, it was ascertained that the items entering into the OPEX KPI were quantitatively insignificant or non-material, following which the OPEX was not analysed in detail in separate tables.

Taxonomy-eligible activities of the KONČAR – D&ST Group

According to the Regulation, the first step in aligning with the EU Taxonomy is to identify the company's economic activities that are taxonomy-eligible. These are activities covered by the EU Taxonomy that have the potential to substantially contribute to the achievement of environmental objectives, regardless of whether they meet the technical screening criteria laid out in delegated acts.

On the other hand, economic activities not listed in the delegated acts supplementing the Regulation are considered taxonomy-non-eligible. Within the Group's core business, the following relevant taxonomy-eligible economic activity was identified:

- **3.20. (CCM) – Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation**

The assessment of compliance with the minimum safeguards was carried out at the Group level in relation to the requirements of Article 18 of Regulation (EU) 2020/852. The Group has established fundamental corporate acts and control mechanisms, while further improvement of the due diligence process and market competition is planned in the coming period.

Description of the activity

This economic activity includes the development, manufacture, installation, maintenance, or servicing of electrical products, equipment or systems, or software, aimed at substantially reducing greenhouse gas emissions in high-voltage, medium-voltage, and low-voltage electricity transmission and distribution systems through electrification, energy efficiency, integration of renewable energy, or efficient conversion of electricity.

The activity includes systems that enable the integration of renewable energy into the electricity grid, interconnection, or enhancement of automation, flexibility, and grid stability, demand-side management, development of low-carbon transmission or heating, or the use of smart metering technologies to significantly improve energy efficiency.

This category does not include equipment for heating and electricity generation, nor electrical consumer devices.

When calculating the KPIs, the Group analysed all activities at the level of the entire process, rather than at the level of individual assets, wherever possible, which is a difference from the previous year. The reason for this is the aim for alignment at the entire KONČAR Group level and to avoid any multiple calculations. In addition to the products themselves (transformers), this definition also includes revenues from services related to the core activity, such as transport, assembly, disassembly, installation, maintenance and servicing of transformers (outside regular warranty periods). All procurement (CapEx) related to transformer production is included in this activity. In line with the adopted approach, everything necessary for performing the core activity is also included, such as tools, equipment, and buildings where the activity takes place, unless there is no separate activity for a given item within the Taxonomy. Where exact allocation was not possible, the allocation keys described within individual KPIs were applied.

The EU Taxonomy also includes cross-sectoral activities which, although not part of the Group's core operations, are relevant to the overall corporate structure and business operations of the Group (e.g., transportation, asset management, and electricity generation). In 2025, the relevant cross-sectoral activities for the Group were:

- **2.3 (CE) - Collection and transport of non-hazardous and hazardous waste**
- **7.1 (CCM) – Construction of new buildings**
- **7.2 (CCM) – Renovation of existing buildings**
- **7.7 (CCM) – Acquisition and ownership of buildings**

In the process of identifying the Taxonomy-eligible economic activities of the Company, a complete analysis was conducted in line with the delegated regulations of the Taxonomy, and all identified activities were taking into consideration in the calculation of Taxonomy indicators (revenue, CAPEX and OPEX). However, pursuant to amendments adopted within the framework of the Omnibus I package, which simplify the reporting requirements and reduce the breadth of mandatory reporting, certain activities that were included in the internal calculations are not shown in detail in the publicly disclosed report.

The revised CSRD thresholds and accompanying simplifications of reporting make it possible to focus on the material activities and to reduce the scope of information disclosed, while the methodological integrity of the calculation remains completely intact.

Following from this, activities that had a non-material impact on the overall Taxonomy indicators, or were not materially significant for external users, remain included in the internal calculations of compliance, but are not listed separately in this report. This is in line with the regulatory intention of reducing the administrative load and increasing proportionality of reporting.

Alignment of material Taxonomy-eligible economic activities

Once eligibility is determined, it is necessary to assess whether the identified taxonomy-eligible activities are aligned with the technical screening criteria. An activity is considered aligned with the EU Taxonomy if it meets the technical criteria set out in Commission Delegated Regulations (EU) 2021/2139, 2023/2485, and 2023/2486.

This includes making a substantial contribution to at least one environmental objective, ensuring that no significant harm is caused to any of the other environmental objectives, and complying with minimum safeguards defined by international conventions and principles on human and labour rights, as outlined in the Taxonomy Regulation (EU) 2020/852.

In accordance with regulatory requirements, the 2025 report includes an assessment of the alignment of economic activities with all defined environmental objectives.

The analysis is based on the activities most financially material to the Group's operations, considering the share of eligibility per KPI, and includes the following:

- **3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation**

The principal that the activities do no significant harm is based on a detailed analysis of alignment. Particular emphasis is placed on the criteria related to the sustainable use and protection of water and marine resources, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

The assessment of compliance with the minimum safeguard measures was conducted at the Group level with regard to the provisions of Article 18 of Regulation (EU) 2020/852. The Group has established fundamental corporate acts and control mechanisms, while further improvements of the due diligence process and market competition are planned in the forthcoming period.

Minium safeguard measures of the KONČAR – D&ST Group

In 2025 the KONČAR – D&ST Group continued to perform its operations with the previously implemented key elements of the following regulations:

- **OECD Guidelines for Multinational Enterprises**
- **UN Guiding Principles on Business and Human Rights**
- **International Labour Organization (ILO)**
- **Declaration on Fundamental Principles and Rights at Work**
- **International Bill of Human Rights**

These principles have been incorporated through the Group's Code of Business Conduct, the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, and the Croatian Chamber of Economy Code of Business Ethics. Additionally, the Rulebook on Ethical and Professional Conduct in the Procurement Process sets high standards for relationships with suppliers.

In the coming years, the Group plans to fully implement the aforementioned frameworks, with a particular focus on the area of due diligence and market competition.

Key performance indicators according to the EU Taxonomy

Given that the economic activities included under the environmental objectives are not limited solely to those activities for which the Company is formally registered (i.e., NACE codes), the Group once again conducted a full assessment of its activities to identify those relevant under the EU Taxonomy. Once the relevant activities were identified, the Group calculated the Key Performance Indicators (KPIs) for revenue and CapEx. A multidisciplinary team representing various areas of the Group participated in this process to ensure the accuracy and transparency of both the information and the calculations. Particular attention was given to avoiding double counting, a principle embedded in the EU Taxonomy to ensure that a single economic activity cannot be accounted for multiple times in relation to different environmental objectives or for different entities. That is ensured in the way that a calculation framework is set up for all economic activities that are further broken down by environment goals, as recognised within the Group. Where possible, transactions are listed separately per economic activity and environmental goal. Where this is not possible, their amounts are manually distributed. The same is the subject of additional checks after completion of the calculation.

Within the framework of assessment of the Taxonomy indicators of the Company, an analysis of operating expenditures (OpEx) was conducted in line with the EU Taxonomy, and the newest simplified provisions of the Omnibus package, which enables the focus on material and relevant data, and a reduction in the administrative load in reporting. Since the OpEx proved to be quantitatively insignificance in the structure of total Company expenditures, a detailed analysis of the individual line items of this indicator was not performed. Instead, the OpEx was reviewed through the calculation of the denominator (total value of revenue, CapEx and OpEx) in order to confirm its relatively small share, and thereby to revise its insignificance in the context of the Taxonomy KPIs.

Given the findings, the OpEx is not listed separated in the detailed tables. The calculation confirmed that the denominator was EUR 9.1 million, indicating that it did not exceed 2% of the total OpEx or 3% of the revenue denominator, as in previous years. The overall methodology remains aligned with the valid regulatory requirements and principles of proportionality as prescribed under the new Regulation.

The company KONČAR D&ST Inc. and its subsidiary PET S.p. z.o.o. in Poland are manufacturers of transformers, and therefore their main activity is covered by the EU Taxonomy, while the subsidiary Ferokotao d.o.o. produces components related to activity 3.20 and operates within the value chain, which under the regulation and the interpretation of the European Commission, is excluded from the scope of activity 3.20, as it is not explicitly specified within the activity description and therefore does not fall under it.

For the calculation of Key Performance Indicators (KPIs) under Regulation (EU) 2020/852 on the establishment of the framework for simplifying sustainable investments (EU Taxonomy), for the year 2025, the consolidated data at the level of the KONČAR – D&ST Group were used.

The analysis was conducted by applying a detailed (allocated) approach of classification of economic activities, in which the activities were identified and mapped at the level of individual business processes and products, with the aim of exact allocation of Taxonomy-eligibility and compliance with the technical criteria of checks.

At the very end of 2025, the Company acquired a majority stake in the company Novi Feromont Ltdd. (81.19%) and in line with the consolidated financial report, in the calculation of the KPIs for 2025, only the effect of acquisition of this company was included in the calculation for the CapEx indicator.

As previously mentioned, the Group analysed its activities at the level of the overall production process, and at the level of every asset and activity. During the calculation and inclusion of individual activities into the KPIs, the same approach was applied every time. For that reason, a restatement of the 2024 data was made, resulting in differences shown below, with the most significant changes explained.

The following sections provide an explanation of the calculated KPIs, while the mandatory disclosure tables, in accordance with Delegated Regulation (EU) 2026/73 are presented in the annex to this report.

Revenue from Taxonomy-eligible and Taxonomy-aligned activities

The core economic activity of KONČAR – D&ST is the production and sale of various types of transformers. According to the analysis conducted, the core activity meets the description of activity 3.20, as set out in Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, amending Delegated Regulation (EU) 2021/2139 by establishing additional technical screening criteria for determining under which conditions certain economic activities can be considered to contribute substantially to climate change mitigation or adaptation, and whether these activities cause significant harm to any other environmental objective.

The calculation is aligned with the consolidated annual financial statements, specifically with Note 4 – Sales revenue in full, and Note 5 – Other operating income in part, all in accordance with the rules for calculating taxonomy numerator and denominator values.

The majority of the KONČAR – D&ST Group revenues originate from the production and sale of transformers — an activity that is Taxonomy-eligible, meaning that it can significantly contribute to the reduction of greenhouse gas emissions and thus to the achievement of the first environmental objective: climate change mitigation. Most of KONČAR – D&ST's Taxonomy-eligible revenue is generated from the sale of distribution transformers with power ratings from 50 kVA to 8 MVA and a maximum operating voltage of up to 36 kV, as well as medium-power transformers of up to 160 MVA and a maximum voltage of 170 kV (activity 3.20).

Activities not listed in the textual part of this report due to their irrelevances are 3.19 Production of components of rail rolling stock, 5.2 and 5.4 from the area of services of the sales of spare parts and used goods, and 7.6 and 7.7 in the area of construction activities and property operations. The same have been excluded from the calculation and are shown in the compulsory appendices.

The indicator remained at the level of the previous year.

None of the identified economic activities currently meet the criteria for substantial contribution and therefore cannot be classified as Taxonomy-aligned. In future periods, an assessment will be conducted to determine which activities may meet the defined technical screening criteria. The share of revenue by environmental objectives was as follows:

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	94.55%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.54%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

KPU revenues

EUR '000

Sector	Section	Activity	Amount as of 31.12.2025 according to the 2025 EU Taxonomy Report
3. Manufacturing (CCM)	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	483,791
Other activities that are not the subject of reporting			2,898
TOTAL Numerator			**486,689**
TOTAL Denominator			**511,811**
% Taxonomy-eligible revenue			**95%**
% Taxonomy non-eligible revenue			**5%**

Capital expenditures (CAPEX KPI)

CapEx includes all capitalised acquisitions related to tangible and intangible assets, right-of-use assets, investment property and similar.

The calculation is aligned with the consolidated annual financial statements below, through note 12 – Intangible assets, note 13 – Property, plant and equipment, note 14 – Right-of-use assets, and note 15 – Investments in real estate, all in accordance with the rules for calculating taxonomy numerators and denominators.

The majority of the KONČAR – D&ST Group's Taxonomy-eligible capitalised expenditures are directly linked to the production of transformers and the eligible activity 3.20. Accordingly, all procurement directly related to the production process has been allocated to activity 3.20, unless there is a separate Taxonomy activity, as in the case of the eligible activities 7.1, 7.2 and 7.7, which are recognised as material in addition to 3.20.

Activities not included in the textual part of the report due to irrelevance was 3.19 Production of components of rail rolling stock, 6.5 and 6.6 in the area of transport, and 7.3, 7.4, 7.5 and 7.6 in the area of construction activities and real estate. The same were excluded from the calculation and are listed in the compulsory appendices.

Compared to the previous year, taxonomy-eligible CapEx declined in 2025. In this year, the Group executed significant investments in land acquisition, non-material assets and furnishings, in line with the operational needs and plans of the Group, though these investments did not meet the Taxonomy criteria.

The 2024 restatement reflects the inclusion of explained approach allignment with the KONČAR Group. Instead of a process approach, all individual items were distributed in the appropriate Taxonomy defined activities, where the conditions were met. In the restatement, a division was made in activity 3.20. into other activities, the most significant of which were activities 7.1. and 7.2. relating to the SetUp project, and 7.7. (lease and purchase of warehouse space and energy). Additionally, the difference in the total numerator stems from the exclusion of documentation costs in the process of performing construction works and a correction of data in previous year for the company Ferokotao Ltd. due to the transition to MSFI and recognising right-of-use assets.

The percentage of capital expenditures by environmental objectives is as follows:

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	55.61%
CCA	0.00%	0.74%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

CAPEX KPI

EUR '000

Sector	Section	Activity	Amount as of 31.12.2025 according to the 2025 EU Taxonomy report
3. Manufacturing (CCM)	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	4,840
7. Construction and Real Estate (CCM)	7.1.	Construction of new buildings	2,677
	7.2.	Renovation of existing buildings	6,117
	7.7.	Acquisition and ownership of buildings	5,934
Other activities that are not the subject of reporting			952
TOTAL Numerator			**20,520**
TOTAL Denominator			**36,412**
% Taxonomy-eligible revenue			**56%**
% Taxonomy non-eligible revenue			**44%**

Template 1: Share of revenue, capital expenditures, operational expenditures from products or services associated with Taxonomy-aligned economic activities – disclosure for the year (N) (summary of key performance indicators)

Financial year (2025)		D&ST Group														
KPU (1)	Total (2)	Propotion of Taxonomy eligible activities (3)	Taxonomy aligned activities (4)	Proportion of Taxonomy aligned activities (5)	Breakdown by environmental objectives of Taxonomy aligned activities							Proportion of enabling activities (12)	Proportion of transitional activities (13)	Not assessed activities considered non-material (14)	Taxonomy aligned activities in previous financial year (2024) (15)	Proportion of Taxonomy aligned activities in previous financial year (2024) (16
					Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)						
Text	*000 EUR*	*%*	*000 EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*		*%*	*%*	*%*	*000 EUR*	*%*
Turnover	511,811	**95.10%**	0.00	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**95.10%**	**0.00%**	**0.00%**	0.00	**0.00%**
CapEx	36,412	**56.35%**	0.00	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**38.81%**	**17.54%**	**0.00%**	0.00	**0.00%**
OpEx	9,145	**N/P**	0.00	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**N/P**	**N/P**	**100.00%**	0.00	**0.00%**

Template 2: Share of revenue from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure for year (2025) (broken down by activity)

Reported KPI (Turnover)														
Financial year (2025)		D&ST Group												
Economic Activities (1)	Code (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible Turnover) (3)	Taxonomy aligned KPI (monetary value of Turnover) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned Turnover (5)	Environmental objective of Taxonomy aligned activities						Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
					Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)			
Text		*%*	*EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*(E where applicable)*	*(T where applicable)*	*%*
2.3. Collection and transport of non-hazardous and hazardous waste	*CE*	0.38%	0.00	%	%	%	%	%	%	%	*%*		0%
3.19. Manufacture of rail rolling stock constituents	*CCM*	0.01%	0.00	%	%	%	%	%	%	%	*E*		0%
3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	*CCM*	94.53%	0.00	%	%	%	%	%	%	%	*E*		0%
5.2. Sale of spare parts	*CE*	0.08%	0.00	%	%	%	%	%	%	%	*E*		0%
5.4. Sale of second-hand goods	*CE*	0.08%	0.00	%	%	%	%	%	%	%	*E*		0%
7.6. Installation, maintenance and repair of renewable energy technologies	*CCM*	0.01%	0.00	%	%	%	%	%	%	%	*E*		0%
7.7. Acquisition and ownership of buildings	*CCM*	0.01%	0.00	%	%	%	%	%	%	%	*E*		0%
Sum of alignment per objective					%	%	%	%	%	%			
Total KPI (Turnover)		**95.10%**	0.00	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	0%

Template 3: Share of capital expenditures from products or service associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure for year (2025) (broken down by activity)

Reported KPI (CapEx)														
Financial year (2025)		D&ST Group												
Economic Activities (1)	Code (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible CapEx) (3)	Taxonomy aligned KPI (monetary value of CapEx) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned CapEx (5)	Environmental objective of Taxonomy aligned activities						Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
					Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)			
Text		*%*	*EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*(E where applicable)*	*(T where applicable)*	*%*
3.19. Manufacture of rail rolling stock constituents	*CCM*	0.00%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	*CCM*	13.29%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	*CCM*	0.70%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*		*T*	0%
6.6. Freight transport services by road	*CCM*	0.04%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*		*T*	0%
7.1. Construction of new buildings	*CCM*	7.35%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
7.2. Renovation of existing buildings	*CCM*	16.80%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*		*T*	0%
7.3. Installation, maintenance and repair of energy efficiency equipment	*CCM*	0.30%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	*CCM*	0.05%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	*CCM and CCA*	0.30%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
7.6. Installation, maintenance and repair of renewable energy technologies	*CCM and CCA*	1.22%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
7.7. Acquisition and ownership of buildings	*CCM*	16.30%	0.00	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*E*		0%
Sum of alignment per objective					*%*	*%*	*%*	*%*	*%*	*%*			
Total KPI (CapEx)		**56.36%**	0.00	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**0%**

Environment

E1 Climate change

Material impacts, risks and opportunities

ESRS 2, SBM-3

The KONČAR – D&ST Group recognises that climate change and efficient resource use are key strategic topics that impact the long-term sustainability of the business model, competitiveness, and value creation. In that context, an assessment was conducted of the double materiality to identify the most important climate and environmental impacts, risks and opportunities within company operations and along the value chain.

As a globally oriented manufacturer of energy equipment, the Group is aware that its activities contribute to energy consumption and greenhouse gas emissions, particularly through the procurement of materials and own production processes. Meanwhile, the Group products and solutions play a key role in enabling customer energy transition, increasing energy efficiency of electrical energy systems, and reducing losses in the transmission and distribution of electrical energy.

The market environment of the Group is marked with accelerated decarbonisation of the energy sector, growing investments in renewable energy, and modernisation of grid infrastructure. These trends generate significant business opportunities, including increased demand for transformers and advanced electrical energy solutions. In parallel, the Group is exposed to transitional risks associated with regulatory changes, volatility in energy and raw material prices, and growing customer and investor expectations in the view of the environmental performance of products and transparency.

The resilience of the business model to physical and transitional climate risks is based on the systematic integration of climate issues into the existing framework of risk management, and their inclusion in strategic and operative planning. Climate risks and opportunities are considered through short-, mid-, and long-term time horizons, with the assessment of their potential financial and operational impacts.

The strategic response of the Group is directed at ongoing improvements to energy efficiency, increasing the ratio of renewable energy, responsible resource use, and development of products and technology that contribute to reducing greenhouse gases in our operations and the customer's. In so doing, the Group is simultaneously reducing negative environment impacts and strengthening its market position in the context of energy transition.

The climate disclosures of the KONČAR – D&ST Group are aligned with the recommendations of the Working Group for financial reporting associated with climate change (TCFD) and are integrated through information disclosed within the ESRS 2, including the section of strategy and risk management, and through the thematic requirements of the standard ESRS E1 – Climate change.

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Adaptation to climate change		**Climate resilience**		
	PI	Development and production of equipment adapted to the demanding working conditions enables the KONČAR – D&ST Group to contribute to resilience of technical systems to extreme climate conditions, in line with customer needs and long-term requirements for reliable infrastructure.	Own production Downstream	Short-term to long-term
	OP	Significantly increased demands for products that can reliably operate in difficult climate conditions and extended load regimes creates an opportunity for the KONČAR – D&ST Group to develop innovative and climate-resilient solutions.	Own production Downstream	Mid-term to long-term
	OP	Active collaboration and relationship management with suppliers to better understand the challenges and changes in the supply chain related to transition and physical risks.	Upstream Own production	Short-term to long-term
		Adaptation of business processes and local climate change		
	PR	Climate-caused impacts can affect operating costs through disturbances in supply chains and interruptions to the business, and can lead to increased adaptation costs for locations situated in climate vulnerable areas. **(linked to E5 - Resource use and circular economy)**	Upstream Own production	Short-term to long-term
	OP	Construction and maintenance of infrastructure is planned to reduce or remove risks associated with climate change.	Upstream Own production	Short-term to long-term
Mitigating climate change	NI	**GHG emissions** The development and production of equipment adapted to demanding operating conditions enables KONČAR - D&ST Group to contribute to the resilience of technical systems to extreme climatic conditions, in accordance with the needs of the client and long-term requirements for infrastructure reliability.	Upstream Own production	Short-term to long-term
	PI	**Reduction of GHG emissions** By reducing GHG emissions in production through increased energy efficiency and the procurement and generation of energy from renewable sources, the KONČAR – D&ST Group contributes to climate change mitigation. **(linked to E5 – Resource use and circular economy).**	Upstream Own production	Short-term to long-term
	PI	Transformers are designed in accordance with the standards and requirements of the EU Ecodesign Directive, thereby reducing environmental and climate impacts. **(linked to E5 – Resource use and circular economy).**	Downstream	Short-term to long-term
	PPI	Development of new products such as transformers with low losses and CO2 footprint show significant potential for the further contribution of decarbonisation in the value chain.	Own production Downstream	Short-term to long-term
	OP	**Increased demand for key products** Since climate neutrality and decarbonisation are becoming the market standard, the demand for low-carbon solutions of the KONČAR – D&ST Group is increasing, particularly in the segments of electricity infrastructure, smart grids, and electrification of transport.	Downstream	Mid-term to long-term
	OP	The EU and national governments are financing green infrastructure projects, renewable energy, and modernisation of energy systems, which can increase demand for products of the KONČAR – D&ST Group.	Downstream	Mid-term to long-term
	TR	**Increasing raw material prices** Increase in the prices of key materials as a result of climate transition, regulatory changes, and changes in demand can lead to higher operational costs. **(linked to E5 – Resource use and circular economy)**	Upstream	Mid-term to long-term
	TR	**Business adaptation costs** Business adaptation due to new regulatory requirements, market expectations, and sustainability standards can require additional investments and increase the costs of adapting business processes and products. **(linked to E5 – Resource use and circular economy)**	Own production	Mid-term to long-term
	TR	**Meeting transition targets** Not meeting transition targets can result in unfavourable financing terms and higher costs of capital.	Own production	Mid-term to long-term
	OP	Investors give precedence to companies with clear decarbonisation strategies, favouring sustainable projects, which can enable better financing terms through green bonds and lines of credit.	Own production	Mid-term to long-term
	TR	**Mismatch between technical and ecological requirements of customers** Customer technical and environmental requirements are not aligned, meaning it is not always possible to deliver a product that simultaneously meets both sets of expectations. **(linked to E5 – Resource use and circular economy)**	Own production Downstream	Mid-term to long-term
Energy	PI	**Energy efficiency and renewable energy** The KONČAR – D&ST Group uses electricity from renewable energy sources in its production processes, including its own solar power plants, it invests in energy efficient technologies and optimises energy consumption in buildings and plants. Energy-efficient transformer design reduces losses and energy consumption during use. KONČAR – D&ST manufactures low-loss transformers and uses the best available materials for their active parts (windings and core).	Own production	Short-term to long-term
	TR	**Increasing energy costs** Rising energy prices due to physical and transition risks in the power sector further increase energy costs for industry and consumers.	Own production	Mid-term to long-term
	TR	**Decarbonisation of production processes** Investments in new technologies to increase energy efficiency and reduce emissions needed for decarbonisation and production processes may significantly raise capital expenditures	Own production	Mid-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

Climate risks, opportunities and resilience of the business model

(ESRS E1 - Climate change)

The KONČAR – D&ST Group recognises climate change as a key strategic factor that impacts long-term competitiveness, stability of operations, and product development. In line with the requirements of the ESRS E1, the Group has conducted an integrated assessment of the transitional and physical climate risks and opportunities along the entire supply chain, with the aim of understanding their potential financial and operational materiality in the short-, mid-, and long-term.

The assessment of climate risks is based on the internationally recognised methodology and scenarios, including the NGFS scenario of orderly transition for transition risks and climate scenarios RCP 4.5 and RCP 8.5 for physical risks, with the application of the guidelines of standard ISO 14091.

Transitional climate risks and opportunities

The Group operates in an industrial environment that is strongly affected by regulatory, market, and technological changes related to the transition to a low-carbon economy. The identified transition risks ensue primarily from the development of climate policies and regulations, technological advancements, changes in market expectations, and reputation and financial demands of investors and customers.

Regulatory and legal risks pertain to the gradual tightening of climate regulations, including the CSRD and ESRS requirements, EU Taxonomy, CBAM and expansion of emission trading systems. These risks may result in increased costs of alignment, requirements to prove the low-carbon footprint of products, and potential limitations of access to markets and public tenders for products that do not meet the new criteria.

Technological risks are associated with the need for continued investments in the development of products with lower losses, fewer emissions, and more advanced materials, and with the risk of technological lagging if innovations are not implemented on time. Meanwhile, technological transition presents an opportunity for strengthening the competitive position through the development of advanced energy solutions adapted to meet the decarbonisation requirements.

Market and reputation risks ensue from growing expectations of customers, electrical grid operators, and financial institutions for transparency, LCA analysis of projects, and proof of reduced emissions. Not meeting those expectations can result in reduced contracting, loss of the market share, or unfavourable financing terms.

Within the framework of the NGFS scenario of transition, the Group assessed that the transition risks are manageable, under the assumption of timely adaptations of the business model, continued investments into research and development, and active integration of climate targets into strategic and financial planning.

Physical climate risks

KONČAR – D&ST Group conducted an assessment of the physical climate risks and vulnerabilities of assets in line with the guidelines of **ISO 14091:2021** and requirements of **Delegated Regulation (EU) 2021/2139.** The assessment included all operating locations of the Group in Croatia (Zagreb and Donji Kraljevec) and Poland (Czerwonak).

The analysis was conducted for two climate scenarios (**RCP 4.5 and RCP 8.5**) and three time horizons (short-, mid-, and long-term), with the use of geospatial analyses of exposure to climate hazards.

The analysis showed that the Group locations were **not identified as having high or very high physical climate risks**. Moderate risks were identified for the locations of KONČAR – D&ST and PET, pertaining primarily to **forest fires, extreme winds, changes in precipitation patterns, and flooding**, while no significant climate risks were identified for the location Ferokotao.

The identified risks are addressed through the existing management systems for safety, environmental protection, and asset management, and through **target measures for adaptation to climate change**, including prevention maintenance of infrastructure, fire protection systems, and runoff management systems.

Resilience along the value chain

Upstream value chain – The Group supplier chain is exposed to transitional and physical risks through possible disturbances in the availability of raw materials, rising costs of materials with a low-carbon footprint, and climate impacts on production and logistics capacities of suppliers. Resilience is ensured through the diversification of suppliers, long-term partnership relations, and an integration of ESG criteria in procurement processes.

Own operations – Company operations are exposed to physical risks through climate conditions and transitional risks through regulatory requirements and growing energy prices. Resilience of operations is based on industrial standards of building design, systematic energy management, prevention maintenance, and gradual decarbonisation of production processes.

Products and solutions in phases of use – Group products are directly exposed to climate conditions, but are designed so as to ensure reliable operation in a wide range of climate scenarios. Meanwhile, the transition risks associated with market expectations present an opportunity for the development of low-carbon energy-efficient solutions that contribute to the resilience of electricity systems.

Logistics, installation, and service – Field activities are exposed to short-term physical risks and operational challenges, while resilience is ensured by flexible planning, adaptations of the work regimes, and the application of safety procedures.

Conclusion on resilience of the business model

Based on the conducted integrated assessment, it can be concluded that the business model of the KONČAR – D&ST Group is **resilient to the identified transitional and physical climate risks**. The transitional risks are managed through implementation of the transition plan, strategic investments and product development, while the physical risks are limited and subject to adaptation measures.

Climate risks and opportunities are continuously monitored and integrated into the risk management system, strategic planning, and investment decisions of the Group, in line with the ESRS E1 requirements and long-term goal of climate neutrality.

Transition plan to mitigate climate change

E1-1

Strategic framework and alignment with climate goals

The Management Board of the parent company of the KONČAR – D&ST Group adopted the Transition Plan to mitigate climate change (hereinafter: Plan) as an integral part of the ESG strategic framework. The plan defines the goals to reduce GHG emissions, decarbonisation measures, the financing framework, and managing implementation.

The plan is aligned with the goal to limit the rise of global temperatures to 1.5°C, the goal of climate neutrality of the European Union to 2050, and the requirements of the ESRS E1 standard. Climate transition is integrated into the business strategy, investment planning, risk management system, and decision-making processes at the Group level.

This is the first year of developing the comprehensive transition climate plan, in which concrete, planned and operationally feasibility decarbonisation measures are systematically brought together for the first time for all three emission scopes, at the short-, mid-, and long-term time horizons.

In this phase, the emphasis was placed on:

- Establishment of reliable methodologies for the calculation and monitoring of emissions in all three scopes,
- Identification of realistic technical, organisational, and investment measures to reduce emissions,
- Integration of goals to reduce emissions in the management of transition risks and the Group business strategy.

Methodology and reference year

The inventory of emissions was developed in line with the GHG Protocol methodology, by applying the operational control approach. The organisational sectors encompass:

- KONČAR – D&ST Inc. (parent company),
- Power Engineering Transformatory Sp. z o.o. (PET),
- Ferokotao Ltd.

The year 2024 was the first year for a complete inventory of emissions in Scopes 1, 2 and 3 for all Group companies, and this is used as the reference year for setting emissions reductions goals.

For Scope 3, 13 of 15 categories of the GHG Protocol were included in 2024. In the forthcoming period, further improvements to the quality of data and methodology are planned.

Emissions reductions goals

Scope 1 and Scope 2 market model (combined)

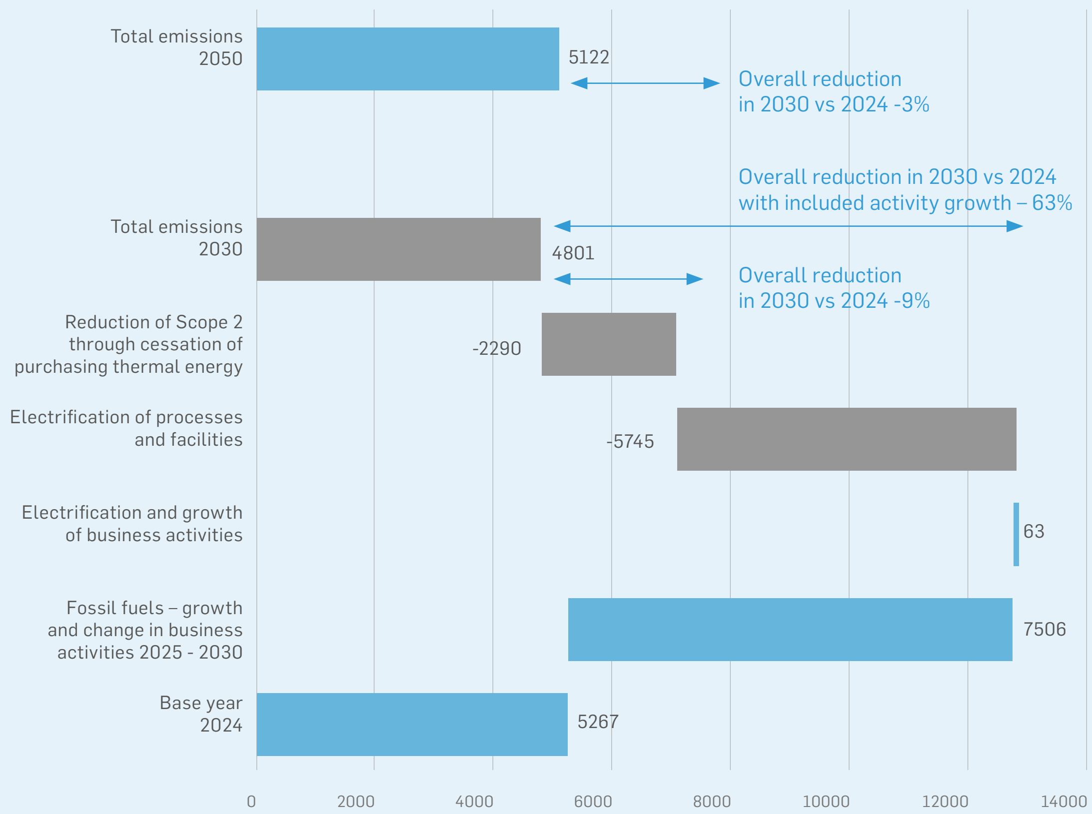
The Group defined the following target values for reduction of Scope 1 and 2 emissions in relation to 2024 values:

Year	Emissions (TCO_2E)	Change (%)
2024	5,267.4	–
2030	4,801.3	–9%
2040	5,146.0	–2%
2050	5,122.9	–3%

The goals were set taking into account the technical possibilities of decarbonisation, expected growth of operations, and sector profile of emissions. Though the targets have not been formally validated by the Science Based Targets initiative (SBTi), they are defined in line with the global Net Zero trend to 2050.

The expected reduction in GHG emissions from own operations (Scopes 1 and 2) and the measures planned at this time, are shown in the Group decarbonisation plan in the following figure:

D&ST Group - Road to decarbonisation – Own operations (Scope 1 and 2)



The growth of absolute Scope 1 emissions in the period 2024–2030 is due to:

- Increased production volume,
- Integration of additional heat capacities (takeover of boiler plants),
- Increase energy demand in production processes.

Meanwhile, the Group is planning to implement optimisations and energy efficiency measures, including boiler plant modernisation, reduction of losses, and analysis of alternative fuels.

Scope 3 – value chain emissions

For Scope 3, the long-term goal of achieving net-neutrality by 2050 has been defined.

In the meantime, the priority is directed at:

- Cooperation with suppliers with the purpose of establishing a monitoring system and reducing emissions,
- Reducing emissions associated with the procurement of steel, copper, and aluminium,
- Increasing the share of recycled and low-carbon materials,
- Development of low-loss transformers with a reduced carbon footprint throughout the product life cycle.

The quantitative short-term goals for Scope 3 will be developed after the additional improvement of the data collection system.

Decarbonisation strategies and measures

The plan includes six mutually connected decarbonisation strategies:

Strategy A – Alternative fuels and vehicle electrification
Gradual replacement of fossil fuel vehicles with hybrid and electric vehicles. In the short-term, it is possible to have a temporary increase of emissions due to the growth of the fleet, while in the mid- and long-term, significant Scope 1 emissions reductions are expected.

Strategy B – Plant electrification
Modernisation and optimisation of boiler plants, installation of economisers, improvement of heating system regulation, and gradual replacement of fossil fuel heating systems with heat pumps.

Strategy C – Managing process emissions and technical gases
Optimisation of production processes and reducing fugitive emissions.

Strategy D – Energy efficiency
Advancing energy efficiency through the digitalisation of energy management systems, modernisation of production and auxiliary equipment, and ongoing optimisation of energy consumption. Introduction and certification of the energy management system under the standard ISO 50001 is planned in 2026.

Strategy E – Electric vehicles running on renewable energy
Development of own solar production and securing 100% share of renewable energy for electrical energy obtained from the grid.

Strategy F – Decarbonisation of the supply chain
Introduction of ESG criteria in procurement, performing LCA and CFP analyses, increasing circularity, and reducing emissions associated with materials.

Financial planning

Implementation of the Plan requires capital and operational investments, including:

- Modernisation of plants and equipment,
- Electrification of the fleet,
- Investments in renewables,
- Digitalising production,
- Development of new production locations (greenfield project).

The transitional CapEx plan is integrated into the mid-term financial planning of the Group. In the allocation of capital, consideration is given to alignment with the EU Taxonomy criteria.

Management and supervision

The Group Management Board is responsible for approving and implementing the Plan. The Supervisory Board oversees implementation and considers the progress reports.

Monitoring implementation includes:

- Annual updates of the GHG inventory,
- Monitoring the achievement of emissions reduction targets,
- Monitoring implementation measures and related KPIs,
- Periodic review of the Plan in the case of significant changes to the business model or regulatory environment.

Long-term climate ambitions

The KONČAR – D&ST Group has set the goal of achieving climate neutrality by 2050.

The priority is achieving a real reduction of emissions through technological and organisational measures.

The remaining residual emissions, if present, can be addressed through the application of high-quality compensation mechanisms, in line with the relevant international standards.

Policies concerning climate change

E1-2

The management of climate-related matters is integrated into the **Environmental Protection and Occupational Health and Safety Policy**, and related internal procedures that govern the management of environmental aspects, energy efficiency, and GHG emissions.

On the date of reporting, the Group has not adopted a separate climate policy. The key aspects of managing climate impacts, risks and opportunities are systematically integrated into the existing environmental management framework, based on the international standard ISO 14001 and are further outlined operationally through the Group's Transition Plan for mitigating climate change.

The existing framework for managing climate change issues encompasses:

- **Identification, quantification, and monitoring GHG emissions** in line with the GHG Protocol methodology (Scope 1, Scope 2, and the relevant categories of Scope 3),
- **Setting quantified target for reducing emissions** and monitoring progress according to the targets define in the Transition Plan,
- **Implementation of energy efficiency measures** and gradual electrification of processes, where technically feasible,
- **Increasing the share of electric energy from renewable resources**,
- **Integration of climate risks and opportunities** in risk management, strategic planning, and investment decision-making processes.

The Group approach is based on a **gradual, technically and financially feasible reduction of GHG emissions,** with the simultaneous retention of operational stability and long-term competitiveness of operations. Within the framework of the operational management, special attention will be focused on:

- Optimisation of energy efficiency of production processes,
- Reduction of energy consumption per unit product,
- Development and production of transformers with high energy efficiency that contribute to reducing technical losses of electricity in the grid,
- Alignment of products with the valid and forthcoming regulatory requirements, including regulations on ecological design and energy efficiency.

In that way, climate management is not limited only to reducing emissions in own operations, but also includes a **broader systematic contribution to decarbonisation of the electrical energy system through Group products,** enabling the integration of renewable energy sources and reduction of network losses.

The Group continuously monitors the development of the regulatory framework associated with climate change, including **CSRD, ESRS, EU Taxonomy and European climate legislation**, and periodically reviews the adequacy of its existing policies and management mechanisms. In the case of increasing regulatory complexity or strategic needs, the adoption of a **separate climate policy** will be considered.

This approach enables issues of climate change to be **integrated into the entire system of corporate management, strategic planning, and financial decision-makin**g, in line with the goal of gradual transition towards climate neutrality of operations by 2050.

Measures and activities

E1-3

Energy efficiency and managing energy consumption is an important element in the implementation of climate policies of the KONČAR – D&ST Group. Energy is a key resource for Group production processes, and also represents a substantial operating cost. In addition to economic costs, high energy consumption—particularly from non-renewable sources—can have negative impacts on the environment and climate change.

Accordingly, the Group is committed to improving the energy efficiency of production processes, reducing energy consumption, and increasing the share of renewables. Monitoring and managing energy consumption within the environmental management system is certified according to the standard ISO 14001:2015, which includes regular monitoring of energy consumption and identification of possibilities to improve energy efficiency.

Electricity from renewable sources

A key measure in the decarbonisation of operations is to increase the share of electricity obtained from renewable sources. Energy management in the Group is focused on a combination of purchasing renewable source electricity and increasing own electricity production from solar plants.

The companies **KONČAR – D&ST** and **Ferokotao** use the package **ZelEn** from the grid operator HEP Opskrba, which certifies that the purchased electricity was generated exclusively from renewable sources. This reduces the associated GHG emissions from electricity consumption.

In 2025, **86.7% of the total electricity consumption** in these companies came from renewable sources. The majority was sourced through the purchase of green electricity, while **25.7% was generated from own solar production of plants** with the following installed power:

- 1.1 MW at the location KONČAR – D&ST
- 1.7 MW at the location Ferokotao.

In 2025, total electricity generation from company's solar plant was **2,887.02 MWh**. Of the generated electricity, KONČAR – D&ST contributed **16.9%**, while Ferokotao contributed **71%**, and the remainder was delivered to the grid.

In 2025, the company PET obtained electricity from a local operator, in which the usual mix structure of electricity generation is applied.

In 2025, works began to **expand the photovoltaic power plant at the KONČAR – D&ST site**, which will increase capacity and cover a larger share of the company's electricity needs.

Heat pumps

Linked with S1

As part of measures to increase energy efficiency, in 2025, heat pumps were installed to modernise the heating and cooling systems in selected production halls.

This system will enable more energy-efficient heating during the winter months and cooling during the summer, simultaneously reducing energy consumption while also significantly improving working conditions for employees, especially during periods of extreme temperatures and heatwaves.

It is assessed that the use of this system achieved **energy savings for heating of approximately 5–8%** in 2025.

The measure also has a social effect, as it contributes to the protection of employee health and safety by improving the microclimatic working conditions, especially during heatwaves, and is therefore linked to disclosures in the area **S1 – Own work force**.

Higher efficiency transformers

Linked with E5

Developing transformers with lower energy losses is a key measures of the KONČAR – D&ST Group in mitigating climate change through its product line. Energy efficiency is integrated into all phases of transformer development and production, and represents an important element of Group competitiveness on the international market.

The products comply with the **Eco-design Directive 2009/125/EC and Commission Regulation on Eco-design (EU) No. 548/2014**, aimed at improving energy efficiency of transformers, reducing energy losses, and thereby contributing to a reduction in the overall environmental footprint of electrical energy systems. The Regulation stipulates the maximum permitted level of transformer losses, and requires transparent labelling of product technical characteristics.

To successfully meet these requirements, the Group is continuously developing and applying advanced construction approaches, new materials, and optimising production processes focused on reducing losses and increasing the energy efficiency of transformers during their life cycle. Product specifications are defined based on customer requirements, and increasing attention is dedicated to optimising losses and reducing emissions generated from product use.

Analysis of product life cycle and environmental transparency

For a number of years, the Group has been implementing projects focused on assessing the environmental footprint of products, including the product carbon footprint (CFP), assessment of the product life cycle (LCA), and developing the environmental product declaration (EPD). These activities enable transparent labelling of the product's environmental impact during its entire life cycle.

During 2025, a significant increase was observed in customer environmental requirements in both profit centres – distribution and special transformers, and medium power transformers. A growing number of international competitions are making environmental criteria an integral part of bid evaluation.

Customers are increasingly requiring the drafting of **LCA, EPD, CFP and PEP studies** as standard parts of the transformer technical documentation.

Transparency of materials and low-carbon materials

In the segment of distribution and special transformers, there is growing importance placed on the transparency of materials built into transformers through the **Raw Material Passport (RMP)**. This passport includes information about the share of recycled content in materials, and the data must be supported by supplier documentation, such as LCA/EPD studies, or official statements on recycled material content.

Meanwhile, the use of **low-carbon metals** is becoming increasingly significant. These are metals produced with low-emission technology, such as electric arc furnaces (EAF) with the use of renewable energy. Such materials contribute to reducing GHG emissions in the transformer supply chain.

The growing trend of environmental requirements is also seen in the segment of medium power transformers, where customers are increasingly demanding RMP passports and additional verifications of data on materials and emissions.

During 2025, an **LCA was developed for a 36 MVA transformer for a French customer**, the existing LCA study for a 40 MVA transformer was adapted, and a new LCA study for a **20 MVA transformer for a Dutch customer** was launched and its completion is expected in 2026.

All these activities are spurring the further development of monitoring systems for product environmental indicators, strengthening cooperation with suppliers that apply sustainable manufacturing processes, and ongoing alignment of Group products with the highest international sustainability standards.

Targets

E1-4

TARGETS ALIGNED WITH THE SUSTAINABILITY STRATEGY 2024–2026
(APPLIES TO THE PARENT COMPANY, KONČAR – D&ST)

PRIORITY AREA: AN EMISSION-FREE FUTURE

Strategic goal 1: Reducing emissions from Scope 1 and 2, and start of the net-zero transition

- Reduced emissions from Scopes 1 and 2 by 35% in relation to 2021 (by 2030)
- Increasing energy efficiency in production by 30% by 2026
- Secure 100% of electricity from renewable sources at the annual level
- Production of 40% of electricity from own solar plants by 2026

As part of its climate goals, Ferokotao has set a separate target:

- By 2025, reduce the carbon footprint of products by 50%, compared to 2020

The company Ferokotao monitors the reduction of the intensity of the carbon footprint of its manufacturing at the annual level. In 2025, the goal was achieved, with the help of increased production and a switch to renewable energy sources.

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

During 2025, due diligence was performed of the primary data collection processes, and alignment with Group processes. Accordingly, during 2026, the goals will be revised in line with the short-, medium-, and long-term timeframes, a plan drafted to achieving those goals, and the Sustainability Strategy prepared for the forthcoming period at the level of the KONČAR – D&ST Group.

Energy consumption and combinations of energy sources

E1-5

Energy consumption and combinations of energy sources	Unit	2024	2025
Total energy consumption from fossil sources	MWh	23,326.42	20,952.15
Fuel consumption from coal and coal products	MWh	0	0
Fuel consumption from crude oil and petroleum products	MWh	5,109.70	2,481.55
Fuel consumption from natural gas	MWh	5,812.10	6,910.02
Consumption of purchased or acquired electricity, heating, steam, or cooling from fossil sources	MWh	12,404.62	11,560.58
Total energy consumption from renewable sources	MWh	6,232.63	8,652.54
Consumption of purchased or acquired electricity, heating, steam, and cooling energy from renewable sources	MWh	4,870.67	6,433.54
Consumption of self-generated non-fuel renewable energy	MWh	1,361.96	2,219.00
Total energy consumption	MWh	29,559.05	29,604.69
Share of energy from non-renewable sources in total energy consumption	%	79%	71%
Share of energy from renewable sources in total energy consumption	%	21%	29%

Energy production	Unit	2024	2025
Total energy produced from non-renewable sources	MWh	6,908.97	8,159.14
Total energy produced from renewable sources	MWh	1,677.96	2,887.02

All energy consumption by the companies KONČAR – D&ST, Ferokotao, and PET was analysed using primary data sources, including electricity bills, thermal energy bills, and invoices for purchased fuels. Data on energy produced from renewable sources was collected using software tools employed for monitoring photovoltaic power plants. Consumption is measured based on data from electricity meters. Energy production from non-renewable sources originates from the boiler plants at Ferokotao and PET, which use natural gas and fuel oil. KONČAR – D&ST also purchases thermal energy produced at the on-site boiler plant, which also uses natural gas. Other fossil fuel sources include gasoline, diesel, and LPG used for company vehicles and forklifts.

Gross GHG emissions from Scopes 1, 2 and 3 and total GHG emissions E1-6	Unit	2024	2025	2025 vs 2024 (%)
Gross Scope 1 GHG emissions	t CO_2e	2,705.70	2,077.02	-628.66 (-23%)
Percentage of Scope 1 GHG emissions from regulated emissions trading schemes	%	0	0	0
Gross location-based Scope 2 GHG emissions	t CO_2e	3,908.09	4,147.60	239.51 (6%)
Gross market-based Scope 2 GHG emissions	t CO_2e	3,364.52	3,322.23	-42.29 (-1%)
Gross Scope 3 GHG emissions	t CO_2e	1,675,722.87	1,809,423.63	133,700.76 (8%)
1. Purchased goods and services	t CO_2e	116,986.90	176,032.20	59,045.3 (50%)
2. Capital goods	t CO_2e	1,920.83	7,863.98	5,943.15 (309%)
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	t CO_2e	956.36	1,474.65	518.29 (54%)
4. Upstream transportation and distribution	t CO_2e	3,927.26	1,102.68	-2,824.58 (-72%)
5. Waste generated in operations	t CO_2e	1,809.09	644.71	-1,164.38 (-64%)
6. Business traveling		-	-	-
7. Employee commuting	t CO_2e	1,065.87	-	-
8. Upstream leased assets		-	4.90	4.90 (100%)
9. Downstream transportation	t CO_2e	1,771.37	4,849.15	3,077.78 (174%)
10. Processing of sold products		-	-	-
11. Use of sold products	t CO_2e	1,520,467.54	1,612,520.83	92,053.29 (6%)
12. End-of-life treatment of sold products	t CO_2e	26,817.66	1,732.08	-25,085.58 (-94%)
13. Investments	t CO_2e	-	3,234.45	3,234.45 (100%)
Total GHG emissions (location-based)	t CO_2e	1,682,336.66	1,815,657.27	133,320.61 (8%)
Total GHG emissions (market-based)	t CO_2e	1,681,793.09	1,814.831.90	133,038.81 (8%)

GHG intensity

based on net revenue	Unit	2024	2025
Total GHG emissions (location-based) per net revenue	t CO_2e / EUR '000	3.60	3.55
Total GHG emissions (market-based) per net revenue	t CO_2e / EUR '000	3.60	3.55

For each category of Scope 1 and Scope 2, the total GHG emissions are expressed in metric tonnes of CO2 equivalent (tCO2e), such that biogenic emissions of CO2 are excluded, regardless of any GHG emissions trading, such as purchase, sale or transfer of compensation or permits.

The calculation is aligned with the consolidated annual financial statement, specifically Note 4 – Sales Revenue and Note 5 – Other Operating Income, both included in the chapter Consolidated Statement of Comprehensive Income.

Company	Share in total emissions 2024	Share in total emissions 2025
KONČAR – D&ST	90.21%	84.35 %
Ferokotao	1.40 %	1.51 %
PET	8.38 %	14.14 %

The carbon footprint was calculated in accordance with the GHG Protocol. The GHG Protocol is a widely recognised accounting standard for greenhouse gases, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), to support organizations in measuring, managing, and reporting their greenhouse gas (GHG) emissions. In accordance with the prescribed GHG Protocol standard for carbon footprint calculation, the following steps were followed: the organisational boundary was established, emission calculation boundaries were defined, relevant data for emission calculation was collected, and greenhouse gas emissions were calculated.

Organisational boundaries

The operational control approach was selected for GHG emissions reporting. This approach was chosen because the companies within the Group have full control over their operations and the authority to implement and enforce operational policies. The overview includes the companies KONČAR – D&ST, Ferokotao and PET.

Overview of GHG emissions

SCOPE 1 – DIRECT EMISSIONS INCLUDE:

- Stationary sources (natural gas and fuel oil boiler plants, drying cabins)
- Mobile sources (vehicles and machinery on diesel, petrol, and natural gas)
- Fugitive emissions (no leaks were detected or cooling gases topped up in 2025)
- Process emission from the cutting and welding processes (Ferokotao)

The most significant contribution to Scope 1 comes from the combustion of natural gas and liquid fuels.

SCOPE 2 – EMISSIONS FROM PURCHASED ENERGY

- Purchased electricity (all companies)
- Purchased heat energy (KONČAR – D&ST)

During 2025, Ferokotao and KONČAR – D&ST produced 2,887.2 MWh electricity from solar plants, in comparison with 1,422.98 MWh in 2024, thereby reducing the net Scope 2 emissions.

The locational approach reflects the emission factor of the national grid, while the market approach uses the factor of the electricity supplier.

SCOPE 3 – MATERIAL INDIRECT EMISSIONS INCLUDE:

- Procurement of goods and services, including key raw materials (such as steel and copper), components and other materials for production, and selected services associated with operations.
- Capital investments (machinery, vehicles, IT equipment).
- Upstream transport and distribution (road and maritime transport)
- Waste generated in production
- Downstream transport and distribution
- Use of sold products (primarily electricity losses during transformer operation)
- Handling products at the end of their life cycle
- investments

The largest share of Scope 3 emissions ensues from:

- procurement of raw materials and materials, particularly metals
- use of sold products, i.e., energy losses during the entire life cycle of the transformer

For the calculation of emissions, methods were based on supplier-based data, average-based data, distance-based data, and spend-based procurement, depending on the availability and quality of data.

Data management and limitations

The data were collected from internal records of energy consumption, ISO management systems, accounting records, and product technical documentation. In cases of limitations of available data (such as for waste disposal), a conservative approach was taken with the assumption of disposal.

The emissions inventory forms the basis for setting emissions reduction targets within the framework of the Transition Plan, pursuant to ESRS E1-1 and E1-4.

For the purposes of collection data for drafting the GHG emissions inventory during 2023, 2024 and 2025, workshops were held for employees of relevant organisational units in the Group companies. After the workshops, standardised forms were distributed for collection data on activities, which employees filled out for their respective companies.

Primary data collected were from meter readings, consumption records and energy purchase records, energy and municipal service bills, and internal records and technical documentation. Wherever possible, supplier data were used for energy consumption and the corresponding emissions. The data collection process was further supported by meetings and ongoing communications via e-mail, on-line meetings, and telephone.

Calculation Uncertainty

Uncertainty in GHG emissions calculations is an important parameter that indicates the quality of the collected data, the emission factors used, and the calculation methods applied.

The more accurate the activity data and emission factors, the lower the calculation uncertainty. However, this is often not possible for each individual category of sources, due to the inaccessibility of complete and precise information, and data on activities (and production in other entities the client is dependent on), and also on emissions factors that are more reliable in the local and/or regional approach as compared to the continental or global approach.

Compared with 2024, changes were made to the Scope 3 calculation methodology to align it with the methodology applied across the rest of the Končar Group and to ensure transparency and verifiability.

In 2025, the Company upgraded of its data collection and processing system for indirect emissions (Scope 3). This process is part of a broader strategy of the Group directed at achieving maximum transparency and alignment with the GHG Protocol Corporate Value Chain standard. For the purpose of ensuring methodological consistency and comparability of data between reporting periods, for Scopes 1 and 2 the inventory was supplemented with process emissions from production processes (welding, soldering, cutting) in which the technical gases are used that could cause the emission of greenhouse gases.

The main focus of this year's reporting cycle was to shift away from generic assessments towards primary data from the value chain:

- Supplier-specific method: In category I (purchased goods and services), significant progress was made with the use of direct data for three major key material suppliers. The emissions calculated with this method accounted for 24% of total emissions in this category, representing a significant increase in the reliability of the calculation.
- Expansion of reporting boundaries: the scope of collected data was expanded to additional categories of materials, services, and capital goods. This ensured a comprehensive overview of the ecological footprint.

The total percentage of greenhouse gases in Scope 3 calculated using primary data was 2.65% for 2025.

While drafting the next Sustainability Strategy, consideration will be given to setting a new base year that will be comparable for all three Scopes.

E2 Pollution

Material impacts, risks and opportunities

ESRS 2, IRO-1, SBM-3

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Air and water pollution	PI	**Systematic management of environment aspects** Systematic management of environment aspects in order to prevent the pollution of air, soil, and water.	Own production	Short-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

The Group conducts systematically assesses impacts, risks, and opportunities related to pollution across all locations and production processes, within the framework of the environmental protection management system.

Identifying and evaluating environment aspects and associated controls is performed in line with the Process catalogue and requirements of the ISO 14001 standard, with regular annual assessments and additional reviews in the case of a change to a process or the regulatory framework. Pollutant emissions are monitored through regular testing and analysis of wastewater samples, air emissions, and waste management practices, which enable continuous improvement of environmental performance.

Pollution was identified as a material topic in the double materiality assessment process due to the nature of the Company's industrial activities. Business processes include the use of chemicals, handling hazardous materials, and technological processes that could potentially impact the quality of the air, soil or water if not managed appropriately.

The Company operations in compliance with the valid water management permits and environmental permits, and performs compulsory periodic measurements of emissions in the air and water pursuant to regulatory requirements. The environmental management system ensures that potential impacts on the environment are identified in a timely manner, supervised, and controlled through defined operating procedures and technical measures.

The topic of air and water pollution was therefore identified as material due to its potential impacts, while the systematic management of environmental aspects contributes to reducing pollution-related risks and ensuring compliance with regulatory requirements. Managing these issues relates primarily to the Company production, and is relevant in the short-, mid- and long-term time horizons.

Within the value chain, regular audits and supplier assessments are performed to ensure compliance with environmental standards and legal regulations, including application of the REACH Regulation and taking a systematic approach to monitoring and controlling chemicals. During the reporting period, no incidents related to water or soil pollution occurred. For certain companies, a risk assessment has been carried out regarding the threat of disasters and major accidents.

When planning the environmental and occupational health and safety management system, the company considers the requirements of stakeholders, and employees are actively recognising hazards and reducing environmental, health, and safety-related risks. The process of assessing impacts, risks, and opportunities, as well as stakeholder engagement, is described in chapter ESRS 2 – General disclosures.

Policies related to pollution

E2-1

The Environmental Protection and Occupational Health and Safety Policy reflect the Group's commitment to the systematic management of environmental aspects and working conditions. Through the rational use of natural resources, waste reduction and proper disposal, and commitment to reducing pollutant emissions, we actively manage our significant impacts and prevent air, water, and soil pollution. Pollution management is closely linked to E1 – Climate change and E5 – Resource use and circular economy.

There are clearly detailed procedures in place to regulate the handling of substances that may pose risks to the environment and human health. In accordance with the REACH Regulation, strict controls are applied and the use of chemicals containing such substances is minimised. Their use is limited to extremely small quantities, in a negligible amount in the share of the total product mass.

This approach ensures strict control and a gradual reduction of potentially harmful substances in business processes, in line with best practices in environmental and health protection.

The non-conformance management, incidents and corrective activities is regulated by clearly defined procedures, while the Company has operative procedures in the case of unexpected environmental incidents.

Responsibility for environmental protection and occupational health and safety management is distributed across several organizational levels. The Management Board holds strategic responsibility, secures the necessary resources and adopts annual goals to continued improvements to the system. Expert support and supervision are given by the Environmental Protection and Occupational Health and Safety Committee, while the effectiveness of the system is regularly checked in internal and external audits.

Employees are regularly information and trained on the policies and procedures, and the relevant policies are available to all interested parties via official channels.

Measures and resources for pollution

E2-2

Prevention of pollution in production

Pollution reduction measures are focused on systematic environmental management with an emphasis of preventing pollution at the sources. Measures include optimisation of production processes, control of emissions, application of technical solution to reduce environmental impacts, and replace or eliminate hazardous chemicals with a safer alternative wherever possible. Potential sources of pollution are continuously monitored and analysed, and in the case of an incident, a clearly defined procedure of rapid response and remediation. Operational plans are regularly updated, and certain companies maintain contact with local civil protection headquarters.

Prevention of pollution with transformer oil

A risk of soil contamination that could potentially occur at the locations of the KONČAR – D&ST Group and at locations of product use is associated with the use of large quantities of transformer oil, and this risk is managed with technical and organisational measures.

The Operational plan of intervention measures defines the procedures in the case of accidental pollution, including an assessment of the risk, remediation measures, and responsibility. System preparedness is ensured through annual plans and regular employee drills. Through these measures, the risk is reduced to an acceptable level.

Product design

The principles of ecological design are integrated into product development through the selection of materials, substance declarations, and material safety data sheets. Product design is aligned with the provisions of Commission regulation (EU) No. 548/2014 on the eco-design of transformers, with the aim of reducing electricity losses and total environmental impacts. Sustainable product design is further associated with topics of climate change and the circular economy.

Target values

E2-3

Pollution management is integrated into the existing environmental management system and with the associated thematic areas, particularly E1 – Climate Change and E5 – Resource use and the circular economy, where air emissions, waste disposal, use of hazardous matter, and effective use of resources is addressed.

The companies of the KONČAR – D&ST Group have established and certified environmental management systems according to the ISO 14001 standard, which forms the basis of managing all environmental aspects, including prevention and control of pollution.

In line with the requirements of the ISO 14001 standard:

- Systematic identification and assessment of environment aspects and associated effects is carried out,
- Operational controls are defined for preventing emissions into air, soil and water,
- Hazardous matter and chemicals are managed in line with the valid regulations,
- Procedures are in place for incidents and preventing accidental pollution,
- Compliance with the applicable environmental legislation is monitored.

Targets relating to reducing emissions, energy consumption, waste, and resource use are defined through the annual operating plans and environmental management programme, thereby ensuring continuous improvements of environmental effectiveness.

On the basis of the double materiality assessment, it was determined that the risks and impacts associated with pollution are effectively managed through the existing systems, and that no need was identified for the establishment of additional, separate strategic targets specific to the ESRS E2 beyond the existing management framework.

Pollution of air, water and soil

E2-4

Pollution management is integrated into operating processes, internal control systems, and compliance monitoring mechanisms.

Air emissions

Emissions of volatile organic compounds (VOC) and other relevant pollutants is the subject of regular measurements and supervision, in accordance with the legal requirements. Measurements are performed by authorised institutions, while technical systems (ventilation, filtration, and process equipment) are maintained through planned programmes of preventive maintenance.

In the reporting period, the measured values for most parameters were within the legally prescribed limit values. During 2025, an increase in the emissions of nitrogen oxides was recorded at one location, resulting from increased production.

Water emissions

The quality of wastewater is monitored pursuant to the conditions of the valid water use permits. Analysis includes relevant indicators of organic load, surface active matter, oils and fats, hydrocarbons, and metals. All measurement results in the reporting period were within the permitted limits.

Regular supervision of authorised bodies did not confirm any irregularities.

The company Ferokotao reports its emissions into water pursuant to the Ordinance on the register of environmental pollutants (OG 3/2022). The company KONČAR – D&ST does not have direct control over the water use permit at the Jankomir location, though it ensures monitoring of compliance through internal mechanisms of supervision and risk management.

Soil pollution and incidents

In the reporting period, no significant incidents were recorded that would result in pollution of the soil or groundwater. Procedures are in place to manage hazardous matter, prevent accidental emissions, and manage incidental situations, in line with the regulatory requirements and internal procedures.

Transparency and public accessibility of data

Since the emission of pollutants in the reporting period did not exceed the legally set limits, or the thresholds prescribed in the water use permits, and were not identified as material negative impacts within the double materiality assessment, the quantitative data on individual compounds are not separately reported in this report.

E5 Resource use and the circular economy

Material impacts, risks and opportunities

ESRS 2, IRO-1, SBM-3

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Resource inflows	PI	**Reducing the need for mining of raw materials** Transformers are designed for the full life cycle use with reduced environmental impact. Production of transformers to meet customer needs, containing a share of recycled materials reduces the need for virgin raw material extraction. Conducting supplier assessments regarding the application of circular design principles and the use of recycled materials and ensuring that packaging materials are from renewable sources. **(linked to E2 - Pollution)**	Upstream Own production	Short-term to long-term
	R	**Resource use** Inadequate management of materials can lead to an increase in the production of waste and ecological impacts, and to legal sanctions	Own production	Short-term to long-term
Resource outflows and waste	PI	**Effective management of resource inflows and waste** Implementation of an adequate plan of managing waste generated in production contributes to waste reduction and minimises negative impacts on people and the environment. Additionally, by informing customers about recycling options and proper disposal of specific transformer parts at the end of their life cycle, we further encourage responsible resource management. **(linked to E2 - Pollution)**	Upstream Own production Downstream	Short-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

The business model of the Group is based on the production of capital intensive electricity equipment, whose production is directly dependent on the availability and quality of key materials, including electrical steel, copper, aluminium, steel, and insulating materials. In the context of accelerated energy transition, the modernisation of electricity grids, and growing global demand for transformers, resource management presents a strategic issue of resilience in operations and long-term competitiveness.

Though the Group has no direct impact on mining activities, nor control over global flows of raw materials, exposure to price volatility, geopolitical risks, and restrictions in access to materials demands a systematic approach to managing the supply chain and material effectiveness. In that context, stability and sustainability of the value chain is recognised as key factors of risk management associated with resources.

The principles of the circular economy are integrated into product development and operational processes, with the aim of extending the life cycle of equipment, increasing possibilities for recycling, and reducing the material intensiveness of production. Special emphasis is placed on the optimisation of use of strategic materials, and on closing material flows in the final phases of the product life cycle.

The Group is continuously developing capacities to assess the environmental impacts of products throughout the entire life cycle. Including analyses of critical raw material dependencies and assessments of impacts on resources. Such an approach allows for the identification of opportunities to increase material effectiveness, reduce water, and develop sustainable technical solutions.

Further information on the policies, measures, and operational activities in the area of resource use and the circular economy are shown in the sections of this chapter below.

Policies related to resource use and the circular economy

E5-1

Circular economy principles are integrated into the comprehensive Environmental Protection and Occupational Health and Safety Policy, which serves as the fundamental framework for managing resource use and reducing waste. The Group applies the principles of effective resource use in all stages of production – from design and procurement of materials, to production, to waste and packaging management.

All companies within the Group are certified according to the ISO 14001 system, confirming the systematic management of environmental aspects, including resource use and waste management. The Management Board is responsible for the development, implementation, and regular reconsideration of policies, while employees are regularly informed and trained through internal communications and education channels.

Policies are publicly available to interested parties.

Measures and activities

E5-2

The goal of the Group is to reduce resource consumption, minimize waste generation, and maximise recycling and reuse of materials. This is achieved through optimization of procurement and production processes, product ecological design, responsible waste and packaging management, and collaboration with suppliers and customers throughout the value chain.

Procurement optimisation
Tanks and equipment, and transformers are designed for full-service life with the optimised use of strategic materials such as electrical steel, copper, aluminium, and insulating materials. Procurement is conducted in line with regulatory, industry and ethical standards, with ongoing research of alternative materials with a lower environmental impact.

Ecological product design
Product design is aligned with the requirements of the EU Eco-design Directive 2009/125/EC, with the aim of reducing losses, increasing energy efficiency, and extending the life cycle of transformers. Where technically possible and market feasible, recycled materials are used, with the approval of the customer.

Supplier assessment
Suppliers are assessed and reassessed with regard to their application of environmental standards, circular practices, and use of materials, in line with the procedures described in Chapter G1 – Business Conduct.

Waste management and closing material loops
Waste is sorted, tracked and disposed of in line with the valid legislation, with the aim of maximally using materials inflows. Special attention is placed on optimising the use of electrical steel, with part of the material returned into circulation as a semi-finished product or raw materials for further use, thereby reducing the quantity of waste and disposal costs.

In that way, 141.24 tonnes of electrical steel were successfully sorted for reuse in 2025 (compared to 347.87 tonnes in 2024) as a primary raw materials in cooperation with a long-term industrial business partner. This accounts for about 1% of the total used quantity of sheet metal in production at KONČAR – D&ST. With this, the costs of waste disposal are also reduced.

Packaging optimisation
Packaging is optimised through the principle of reuse and recyclable materials. A systematic approach has been developed to repurpose single-use packaging, with the aim of reducing waste and strengthening circular practices by the end of 2026.

All relevant guidelines and procedures related to packaging management are described in internal organisational and production procedures, which define the methods for handling, storing and tracking packaging materials and ensure compliance with applicable legal regulations and standards. We actively collaborate with suppliers to explore new packaging materials, creating opportunities for innovative and sustainable packaging solutions.

End-of-life disposal
Due to the long service life of transformers, the Group provides customers with information about the proper recycling and disposal of product at the end of their use, which stimulates responsible resource use and reduces waste.

Target values

E5-3

TARGETS ALIGNED WITH THE SUSTAINABILITY STRATEGY 2024–2026
(APPLIES TO THE PARENT COMPANY, KONČAR – D&ST)

PRIORITY AREA: CIRCULAR ECONOMY

Strategic goal 2: REDUCE WASTE AND ENSURE RESPONSIBLE USE OF RESOURCES IN PRODUCTION

- Retain a high rate of waste sorting (80%)
- Increased use of sustainably grown wood
- Increase the reuse of packaging
- Replace single-use plastic packaging in cooperation with suppliers

During 2025, a system was established to collect data on waste and packaging materials of subsidiaries, and based on these data, during 2026 the Sustainability Strategy for the forthcoming period will be established at the level of the KONČAR – D&ST Group.

Resource inflow

E5-4

Strategic materials inflows	Unit	2024	2025
Electrical steel	Tonnes	13,629.00	17,002.3
Insulating fluids	Tonnes	7,748.90	8,351.65
Carbon steel	Tonnes	12,399.00	13,556.18
Copper	Tonnes	4,581.50	4,701.48
Aluminium	Tonnes	3,159.00	3,187.94
Solid insulation	Tonnes	838.20	1,306.99
Wood	Tonnes	581	402.25
Other + non-wood packaging	Tonnes	7,423.28	5,130.73
Total	Tonnes	**49,778.88**	**55,175.50**

In 2025, a total of 55,175.50 tons of materials were procured (in comparison with 49,778.88 in 2024 due to an increase in production). This includes strategic materials such as transformer sheet, insulating liquid, carbon steel (used for transformer tanks, covers, conservators, coolers and other auxiliary equipment), copper, aluminium, and solid insulation, as well as various equipment, enclosures, and coating paints included under the "other" category. 82% of the input materials relate to the parent company KONČAR – D&ST, 13% to Ferokotao, and the remaining 5% to PET.

The KONČAR – D&ST Group currently does not track the share of recycled materials across all categories, which represents the next step in materials management, with the aim of enabling an increase in use where it does not compromise product quality and safety. The share of recycled materials is currently calculated at the level of individual projects for customers requiring precise product information.

Conflict metals and minerals

Conflict metals and minerals include ores, concentrates and metals containing tin, tantalum, tungsten, and gold (3TG). A rulebook has been established to control the definition and procurement of materials and components that are integrated into distribution, special and medium-power transformers and may potentially contain 3TG. According to Annex I of Regulation (EU) 2017/821, "List of minerals and metals within the scope of Regulation (EU) 2017/821 classified according to the Combined Nomenclature," and based on an analysis of the material quantities used annually in KONČAR – D&ST's production, the 3TG thresholds are not exceeded. Management of these materials is linked to topic S2 – Workers in the value chain.

To avoid risks associated with the procurement of minerals from conflict affected and high risk areas, the Conflict mineral and metal policy was adopted and is aligned with the OECD Guidelines on due diligence and the relevant European Union legislation. The policy defines the procedures of monitoring and controlling procurement of raw materials, so as to avoid financing conflicts and the violation of human rights in the supply chain.

The policy is regularly reviewed and updated in line with the regulatory requirements and stakeholder expectations, and is available to employees via internal channels, and to external stakeholders via the website or upon request.

Resource outflow

E5-5

Waste	Unit	2024	2025
Total amount of waste generated	Tonnes	3,837.66	4,652.19
Total amount of hazardous waste	Tonnes	443.47	443.52
Hazardous waste diverted from disposal	Tonnes	121.40	6.75
preparation for reuse	Tonnes	0	0
recycling	Tonnes	121.40	0.14
other recovery operations	Tonnes	0	6.61
Non-hazardous waste diverted from disposal	Tonnes	3,382.02	4,129.86
preparation for use	Tonnes	0	7.12
recycling	Tonnes	3,382.02	2,322.03
other recovery operations	Tonnes	0	1,800.71
Hazardous waste directed to disposal	Tonnes	322.08	436.77
incineration	Tonnes	0	191
landfilling	Tonnes	301.23	245.77
other disposal operations	Tonnes	20.85	0
Non-hazardous waste	Tonnes	12.17	78.81
incineration	Tonnes	0	0.54
landfilling	Tonnes	11.6	76.27
other disposal operations	Tonnes	0.57	2
Non-recycled waste	Tonnes	334.25	515.58
Share of non-recycled waste	%	8.71	11.08

In 2025, a total of 4,652.19 tonnes of waste was generated, distributed across 43 types by key waste codes, of which 4,208.67 tonnes were non-hazardous waste and 443.5 tonnes were hazardous waste.

In the context of the transformer production process, the majority of generated waste results directly from production activities.

Exceptions include three waste types – oil-contaminated water, sludge from separators, and mixed packaging – which are not directly linked to core production processes. All other identified waste streams arise exclusively from production or related support activities within the manufacturing system (e.g., packaging).

Methodology of measurement and data collection

Data on waste quantities, depending on the type of waste, are obtained through direct weighing of the generated waste and are managed via dedicated waste management software. The data are based on entries made in accompanying documentation by the authorized waste operator, who calculates their services according to the weight or volume of each waste type. The data is grouped, processed, and exported in the required format.

Social

S1 Own workforce

Material impacts, risks and opportunities

ESRS 2, SBM-2, SBM-3

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Working conditions	PI	**Job security** Priority employment through permanent contracts provides long-term job stability and enables employees to maintain a dignified standard of living.	Own production	Short-term to long-term
	PI	**Adequate wages** Ensuring fair and competitive wages that meet industry trends, match worker qualifications and responsibilities, and the scope of work.	Own production	Short-term to long-term
	NI	**Overtime due to rising demand and labour shortages** Inefficient shift planning and excessive working hours during periods of increased production may reduce rest time and negatively impact employee work-life balance.	Own production	Short-term to long-term
	PI	**Employee health and safety** We continuously invest in improving occupational safety, provide targeted training to our employees, and conduct rigorous inspections.	Own production	Short-term to long-term
	PI	**Work-life balance** We strive to maintain a healthy work-life balance for employees, contributing to their well-being, reducing stress, and increasing trust and satisfaction.	Own production	Short-term to long-term
Equal treatment and opportunities for all	PI	**Gender equality and equal pay for work of equal value** We promote gender equality in management and leadership positions and ensure equal pay between women and men for the same or equivalent jobs, with no gender-based discrimination in pay.	Own production	Short-term to long-term
	PI	**Continuous training and employee development** Ongoing training and development at all levels and creating advancement opportunities enable employees to acquire new skills and knowledge, ensuring high-quality product delivery and enhancing their competitiveness in the labour market.	Own production	Short-term to long-term
	PI	**Measures against workplace violence and harassment** Enforcing a strict zero-tolerance policy against violence and harassment, along with confidential reporting channels and whistleblower protection, fosters a safe work environment, strengthening trust among employees, and an environment in which human rights and ethical standards are respected. **(related to G1-Business conduct).**	Own production	Short-term to long-term
	PI	**Prohibition of child and forced labour** We oppose all forms of child exploitation, do not employ individuals below the legal minimum working age, and strictly prohibit any form of forced labour. We conduct regular audits and assessments to ensure compliance with labour laws and ethical standards. **(related to G1-Business conduct).**	Own production	Short-term to long-term
Risks	R	**Employee turnover and labour shortages** Risk of losing key employees and being unable to find or attract qualified replacements due to labour migration to countries with better working conditions.	Own production	Short-term to long-term
	R	**Compromised employee health and safety** Inadequate safety conditions and an increase in work-related accidents.	Own production	Short-term to long-term
	R	**Risk of discrimination and non-abidance of workers' rights** Risk of discrimination and violations of workers' rights (e.g., gender, racial, religious discrimination).	Own production	Short-term to long-term
	R	**Lack of trust in grievance mechanisms** Employee trust in grievance mechanisms is based on clear information about the reporting channels, protection of the whistleblower, and consistent, unbiased handling of filed grievances. If any of these elements is not perceived as efficient, these reporting channels may be less used, hindering the timely knowledge that irregularities have occurred.**(related to G1-Business conduct).**	Own production	Short-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

Employees are a key resource for the long-term sustainability and competitiveness of the Group. Through expert competencies, technical knowledge, and organisational capacities directly support the achievement of strategic goals, product quality and services, and the resilience of the business model in an environment marked by rapid technological transformation, global competition, and growing regulatory requirements concerning sustainability.Therefore, personnel management is integrated into strategic planning and risk management, with special emphasis on attracting, developing, and retaining talented employees. The Group is focused on ensuring safe and fair working conditions, supporting professional development, and creating an inclusive and motivating work environment. Such an approach enhances employee engagement, reduces turnover, and preserves the reputation of being a reliable and responsible employer, while also mitigating regulatory and operational risk associated with human resource management.

Interests and view of the workforce

Dialogue with employees is performed through structured formal and informal mechanisms, including regular meetings, annual presentations of strategic plans, surveys on satisfaction and the organisational climate, and individual discussions. The collected insights are integrated into management and organisational decisions, and the results and measures taken are transparently communicated to employees, thereby ensuring two-way communication and greater trust.

In the context of expected qualified labour shortages on the market, the Group is preparing to increase the share of recruitment of foreign, ensuring equal working conditions, support for integration, and systematic monitoring of the associated impacts, risks and opportunities.

Given the scope of policies and measures related to the workforce, the structure of this section is divided into thematic areas, within which the relevant management frameworks, measures and results are described.

Labour and human rights

Policies related to the labour force

S1-1

Labour rights

The KONČAR – D&ST Group ensures the protection of the labour rights of employees through internal acts and policies that are aligned with the valid national legislation and relevant international standards. Fundamental in this area are the Internal Work Regulation, which govern the terms of employment, employee rights and responsibilities, protection of health and privacy, working hours, rest and leave, professional development, cessation of the labour relations, and employee participation in decision-making.

In 2025, an analysis was conducted in the company PET to determine the possibility of alignment with the Internal Work Regulations of the KONČAR – D&ST Group, with certain specific adjustments to fit the Polish labour framework.

Further alignment in the companies PET and Ferokotao is planned during 2026 in areas where it is determined that there is a need for further normative or operative adjustments, with the aim of ensuring consistent application of internal rules at the Group level, and full compliance with the relevant legislative requirements.

The stability of employment and adequate wages are important elements of labour rights. Most employees are employed on unlimited time contracts, while the system of wages, add-ons and variable receipts are governed under internal rules that ensure transparency, fairness, and alignment with the market and legal framework. Salary movements are regularly monitored in relation to the costs of living, inflation, and comparable employers.

The Group stimulates the balance between work and home life, through the application of flexible forms of work where possible, abiding by the legal limitations on overtime, and systematic monitoring of workload, particularly during periods of increased demand or labour shortages.

Although no collective agreement is currently in force in all companies of the Group, the parent company KONČAR – D&ST is fully aligned with the Collective Agreement of the KONČAR Group via its own Internal Work Regulations, in which all material and other employee rights are fully ensured.

In 2025, the daughter companies (PET and Ferokotao) did not adopt the provisions of the Internal Work Regulations of the parent company, and the material and other employee rights are ensured in accordance with the valid national legislation and internal acts of those companies. In the forthcoming period, further analysis and gradual alignment of internal acts is planned, with the aim of achieving greater harmonisation of labour rights at the Group level, with the abidance of the specificities of the local legal framework.

Human rights

Respect for human rights is one of the core principles underpinning the operations of KONČAR – D&ST Group. The Group operates in line with the international conventions of the United Nations and the International Labour Organization (ILO), and with the valid national legislation. Any form of human rights violation, including forced labour, child labour, discrimination, harassment and violence, is not permitted.

The principle of the protection of human rights is defined at the level of the parent company through the Code of Business Conduct, Supplier Code of Conduct, and the Statement on the Prevention of Modern Slavery and Human Trafficking. These documents represent the fundamental framework for promoting dignity, equality, prohibiting discrimination, and ensuring a safe working environment in our own operations and in relations with our business partners.

In 2025, the process of alignment and harmonisation of these documents at the Group level was initiated. The company PET has drafted the relevant internal acts aligned with the principles of the parent company, though they have not yet been formally adopted. The company Ferokotao is planning to adopt and align its Code of Business Conduct during the first quarter of 2026.

Until the formal adoption of these documents in the daughter companies, the protection of employee rights is governed under the applicable national legislation and internal acts of each company.

The Group remains committed to the gradual and systematic alignment of standards to protect human rights at the level of all companies, with the aim of ensuring consistent application of the principles of responsible conduct in the whole value chain.

The employment of persons younger than the legally prescribed age limit is not permitted, and during recruitment, the appropriate control mechanisms are applied to prevent child labour and other forms of exploitation. In line with the development of operations and changes in the work structure, the Group is planning to further improve its formal policies and procedure in the area of human rights.

Equal treatment and opportunities for all

Policies relating to own workforce

S1-1

Diversity and inclusion

The KONČAR – D&ST Group is dedicated to creating a safe, inclusive, and stimulating work environment, in which all employees have equal opportunities, regardless of their sex, age, nationality, ethnicity, race, religion, language, social status, sexual orientation, or other personal traits. The principle of equality and non-discrimination is applied in all aspects of work and working conditions, including employment, professional development, advancement, and expert training. In December 2024, the Diversity policy of the KONČAR Group was signed, and is applied to all companies in the Group. It further confirms the institutional commitment to promoting equal opportunities, an inclusive work environment, and respect for diversities at all organisational levels.

These principles are also built into the Code of Business Conduct and internal regulations on work and employment, and prohibit any conduct that could violate employee dignity or create a hostile work environment.

Gender equality and equal pay for work of equal value

The Group applies a systematic approach to ensuring gender equality and equal opportunity, with the aim of transparent and fair employment, advancement, and rewards. The representation of women is regularly monitored at all organisational levels, including management and key positions.

The salary system is based on objective criteria, including job complexity and individual performance. We regularly analyse our pay structure to identify and eliminate any discrepancies. Managers included in the selection process are trained on the application of equal and legal recruitment criteria.

Policy implementation is tracked at the management level, with regular reporting to the Management Board and Supervisory Board. Insight from the survey on employee satisfaction and the organisational climate are used to continuously improve the work environment.

Measures and activities in the area of equal treatment and opportunities

S1-4

Employee wellbeing and benefits

The Group provides employees with a wide range of benefits that contribute to financial security, health and work-life balance, including additional payments and jubilee awards, contribution to the third pension fund, hot meals and transportation, paid leave, health insurance, parent benefits, and subsidised sports and recreational activities.

Certificates and external recognition

In 2025, KONČAR – D&ST received the certificate of *Employer Partner*, as confirmation of meeting the very high criteria and application of the best HR practices in the areas of development, rewarding, performance management, and organisational culture. Additionally, in the same year, the company received the *Inc.Q BEST Inclusive Employer Awards 2025* in the category of Best Large Company for benefits, Best Large Company for well-being, and Best Technology Company for professionals, thereby further confirming the Company's commitment to creating a supporting, inclusive, and adaptable workplace.

Promoting mental health awareness

The Mental Health Awareness Month project was organized at KONČAR – D&ST in 2025. During May, a series of lectures and workshops were held to encourage employees to focus on their mental health and engage in activities with a positive impact. As part of the initiative, we provided additional employee benefits, further emphasising the importance of employee well-being.

Students and pupils – Internships and trainee programs play a key role in the development of human resources. These programs are regulated under internal rules. In 2025, scholarships were awarded to excellent students through the program "Become a stipenD&ST", with the possibility of completing their thesis at the company, and employment after graduation.

Persons with disabilities – KONČAR – D&ST and Ferokotao meet the mandatory employment quota for people with disabilities. Through cooperation with protected workshops and professional rehabilitation institutions, the companies support employment, social inclusion, and professional integration of persons with disabilities.

Corporate volunteering – Employees are encouraged to participate in volunteer and socially beneficial activities, including projects in reforestation, environmental protection, and support for vulnerable groups. These activities contribute to connecting employees with the community and social responsibility of the Group, strengthening team spirit. Additionally, the children of employees are permitted to take part in these activities, as early inclusion of children and youth in socially valuable and educational activities is of the utmost importance.

Employee health and safety

Policies relating to own workforce

S1-1

Providing a safe and healthy working environment is an ongoing commitment of the KONČAR – D&ST Group. Occupational heath and safety is managed through policies and regulations that are aligned with the legislative requirements of the countries in which the Group operates. Clearly defined rules govern safe work practices, employee and employer responsibilities in terms of safety, and procedures in the event of workplace accidents. Risk assessments and health and safety training plans are integral parts of our management processes.

The Occupational Health and Safety Management System is aligned with ISO 45001. Occupational health and safety are managed through the Occupational Safety Committee and the Environmental Protection, Health and Safety Committee. These committees work in coordination to address issues within their respective domains.

The Management Boards of the companies are responsible for defining, adopting and reviewing the Environmental Protection and Occupational Health and Safety Policy, as well as for informing employees and all relevant stakeholders. Each year, objectives are adopted and effectiveness of the system is monitored regularly through committee reports and internal and external audit, enabling ongoing improvements and a proactive approach to the protection of employee health and safety.

Measures and activities in the area of employee health and safety

S1-4

Injury prevention - Group KONČAR - D&ST implements a systematic approach to preventing workplace injuries, with the active inclusion of employees, managers, and other interested parties in recognising and eliminating hazards. All incidents and irregularities are reported and handled in line with the prescribed procedure, specifically the "5 Whys" method, and the measures taken are tracked and verified until their completion.

The risk assessment process involves all employees, employee representatives, through formal reporting channels, employee initiatives, and digital tools. Special emphasis is placed on raising awareness among employees and contractors through education and on involving workers in consultation and decision-making processes to eliminate the number of irregularities and strengthen the safety culture. Employees have access to a grievance mechanism in the area of occupational health and safety.

Medical services and health insurance – Employees are referred for initial, periodic, and as required health examinations with an occupational health specialist, with regular examinations of the workplace and assessment of working conditions. Findings and trends associated with occupational illness or work-related illness are regularly presented to the Management Board via the Occupational Safety Committee.

KONČAR – D&ST and PET provide their employees with a voluntary health insurance policy that includes preventive and targeted medical check-ups, specialist consultations, and diagnostic tests, and supplemental health insurance. All employees are covered by accident and life insurance.

Promotion of a health lifestyle – The Group is committed to promoting a healthy lifestyle by subsidising sports and recreational activities and involving employees in organised sporting events. These events contribute to physical well-bring, strength the team spirit, and improve the overall well-being of employees.

Employee training and skills development

Policies relating to own workforce

S1-1

Professional development and employee training are essential for maintaining competitiveness, product quality, and long-term sustainability of operations of the KONČAR – D&ST Group. The Group implements targeted training, upskilling, and education activities to equip employees with the knowledge necessary for successful work performance and personal development.

Employee development is systematically planned through the annual Training Plan, based on identified needs, competence gaps, and the organisational development goals. Managers identify required training, and progress is tracked through annual reporting.

Additionally, the Internal Regulations on Postgraduate and Graduate Studies ensure transparent criteria for employee participation in formal education programmes, as an incentive for lifelong learning.

Measures and activities in the area of employee training and skills development

S1-4

Annual performance reviews – Employee development is supported through the structured annual review, including performance appraisal, constructive feedback, and the setting of new objectives. This process enables systematic skill development, the recognition of potential, and directing professional development.

Based on the assessment of competencies, individual development plans are drawn up, and many include mentorship, workplace training, internal or external education. The performance review system is gradually being implemented at the level of the KONČAR – D&ST Group, with further expansions of scope for senior management.

Knowledge and leadership programmes – The development of new and existing employees is supported through mentorship programmes and improved onboarding process, including a special Manager Handbook. The internal e-learning platform provides access to a large amount of educational content, thereby ensuring accessibility and flexibility in learning.

The development of leadership competencies is carried out through the Leadership Academy of the KONČAR – D&ST Group, focused on strengthening leadership skills, motivating and managing teams. Additionally, internal initiatives such as the Smart Wednesday programme stimulate the exchange of knowledge among employees and strengthen the learning culture.

Procedures for engaging with own workers and employee representatives concerning impacts

S1-2

The KONČAR – D&ST Group ensures regular and structured cooperation with employees and their representatives through open communications channels and formal consultation mechanisms. Employees interests and views are considered in the creation and implementation of policies through ongoing dialogue, annual satisfaction surveys, and targeted working condition surveys, and processes such as the double materiality assessment.

Cooperation with workers' representatives

Every four years, employees elect their Workers' Representative to the Supervisory Board via a direct and secret ballot. The representative participates in the Workplace Safety Committee and Health, Environment and Safety Committee and plays an active role in issues of occupational health and safety. This includes participation in inspections, investigating incidents, and monitoring the implementation of corrective measures. As the link between employees and the Management Board, they present worker initiatives and observations, and contribute to resolving identified issues.

Suggestions for process improvement

Employees are encouraged to active participation through the submission of suggestions for improving working conditions, productivity, environmental protection, and occupational health and safety. During 2025, the system for receiving suggestions was further improved with the addition of a form on the intranet, available on mobile phones and via a QR code, making it easier to anonymously submit a suggestion. In addition to the existing channels, a Committee for Employee Suggestions has been established to systematically review all received suggestions.

Suggestions are reviewed by this committee, and forwarded as appropriate to the relevant manager for further action and implementation. Employees are informed about the conclusions and status of initiate via internal communications channels. At the end of 2025, the best initiative was selected and rewarded, thereby further stimulating a culture of engagement, innovation, and sustainable operations.

Before important decisions are made, a targeted internal survey is performed to collect employee views, and the survey results and planned measures are transparently communicated.

Surveying employee satisfaction

In 2025, an employee satisfaction survey was conducted across KONČAR Group, covering all KONČAR – D&ST employees. The survey results serve as a basis for creating action plans to improve identified working conditions, rewards systems, and opportunities for professional development. The measures taken are linked to the results of previous surveys and represent continuity of systematically working to improve the organisational climate.

In 2025, 69% of KONČAR – D&ST employees responded to the survey, marking a significant increase over the year before and indicating a higher level of employee engagement. Satisfaction was analysed through the questionnaire that includes individual aspects of work, the total employee satisfaction index, and employee willingness to recommend the company to others as a good place to work (eNPS).

The lowest scores, once again, were recorded in the segments relating to salaries and recognitions, and opportunities for advancement, which confirms the need for further development of the system of rewards and career advancement. Meanwhile, the eNPS grew significantly over 2024 to 37, which indicates a strengthening trust and overall perception of the company as a desirable employer. We believe that this progress is the result of systematic work and implementation of the action plan directed at tackling the challenges identified in the 2024 survey.

Internal communication

Internal communication unfolds through defined channels and tools, including internal regulations on communication, an intranet portal, internal digital platforms, notification boards, and regular internal bulletins. These channels enable the timely exchange of information, accessibility of relevant documents and strengthens cooperation among employees. Activities directed at strengthening team spirit and organisation connection are also encouraged.

At the level of the KONČAR Group, all employees have access to the Jenz social network, where they can share private and official information with other members within the Group.

KONČAR – D&ST issues the quarterly bulletin Novosti listing all current topics in operations. The bulletin is available to all in print form, and is sent electronically to all employee emails. In the last reporting period, for the purpose of strengthening the spirit of togetherness and cooperation, teambuilding sessions were held for employees and designed in cooperation with employees.

Procedure for mitigating negative impacts and channels for workers to raise concerns

S1-3, linked to G1

The KONČAR – D&ST Group has established formal procedures for internal reporting of irregularities and mitigation of negative impacts for employees. All companies have defined the procedure for reporting irregularities and appointment of a confidential person, in line with the requirements of the EU Whistleblower Protection Directive and the applicable national regulations of the countries in which the companies operate.

The Internal Regulations clearly define the procedures for internal reporting, the process and method of appointing a confidential person, and the mechanisms for protecting whistleblowers. The confidential person and their deputy are appointed at the proposal of the employees, and in exceptional cases may be appointed by the organisation. Any individual who believes the information they report is true is entitled to protection. This protection includes exemption from liability for reporting, confidentiality of identity and information, and safeguards against retaliation.

Irregularities may be reported in writing or verbally. The confidential person is responsible for ensuring the security of the information and performing an investigation of the claim within the prescribed timeframe, and notifies the whistleblower of the received report and the outcome of the procedure. If an irregularity is confirmed, corrective measures are taken for its elimination and prevention from reoccurring.

In cases when a report does fall under the scope of the Directive on protection of whistleblowers, the same is forwarded to the Legal Department, which assesses the report in line with internal acts. The Legal Department may conduct an internal investigation, ascertain the facts, and propose corrective or preventative measures. Records on the report and measures taken are kept to ensure transparency and effectiveness of the procedure.

These procedures ensure that employees have secure and reliable channels for raising concerns, and enable the timely mitigation of negative impacts associated with labour and human rights.

In 2025, two reports of violations to dignity were made and considered in line with the valid legal regulations and internal acts. In both cases, procedures to ascertain the facts were launched. In neither case was it determined that there was a violation of worker dignity, nor a degradation of worker reputation.

Target values

S1-5

TARGETS ALIGNED WITH THE SUSTAINABILITY STRATEGY 2024–2026 (REFERS TO THE PARENT COMPANY, KONČAR – D&ST)

PRIORITY AREA: HEALTH AND SAFETY

Strategic goal 3: MAINTAIN A HEALTHY AND SAFE WORKING ENVIRONMENT FOR ALL EMPLOYEES

- Reduce workplace injuries (LTIFR<10)
- Provide supplemental and additional health insurance for 100% of employees
- 100% of employees included in stress prevention education and promoting the importance of mental health

PRIORITY AREA: EMPLOYEE DEVELOPMENT AND SATISFACTION

Strategic goal 4: PROMOTING INCLUSION, DIVERSITY AND EQUAL OPPORTUNITIES

- 20% female representation in management and expert positions
- Salary equality between men and women (pay gap <5%)
- Provide support to parents after completion of the maternity/parental leave

Strategic goal 5: ONGOING INVESTMENTS INTO EMPLOYEE PROFESSIONAL GROWTH AND DEVELOPMENT

- Increase the average number of education hours per employee
- 100% of managers included in education to develop leadership skills and competencies
- Stimulate an innovation and cooperation culture

PRIORITY AREA: YOUTH IN FOCUS

Strategic goal 6: ATTRACTING YOUTH AND STIMULATING COOPERATION WITH EDUCATION INSTITUTION

- Provide student and pupil practical training
- Ongoing cooperation with technical faculties
- Provide stipends for excellent students

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

During 2025, a system was established to collect data on waste and packaging materials of subsidiaries, and based on these data, during 2026 the Sustainability Strategy for the forthcoming period will be established at the level of the KONČAR – D&ST Group. Documentation relating to social indicators is being aligned at the level of the KONČAR – D&ST Group based on the needs of the subsidiaries.

Employee metrics

S1-6

Number of employees by sex	Unit	2024	2025
Males	Number	964	1337
Females	Number	248	288
Other/not stated	Number	0	0
Total	Number	1212	1625

Number of employees by country	Unit	2024	2025
CROATIA	Number	**1103**	**1497**
KONČAR - D&ST	Number	793	871
FEROKOTAO	Number	310	341
NOVI FEROMONT*	Number		285
POLAND (PET)	Number	**109**	**128**

*In the Group since December 2025

Employees by type of contract	Unit	2024			2025		
		F	M	Total	F	M	Total
Total employees	Number	248	964	1212	288	1337	1625
Permanent employees	Number	230	893	1123	257	1134	1391
Temporary employees	Number	18	71	89	31	203	234
Non-guaranteed hours employees	Number	0	0	0	0	0	0
Full time employees	Number	248	957	1205	288	1324	1612
Part-time employees	Number	0	7	7	0	13	13

In 2025, a total of 95 employees left the KONČAR – D&ST Group in comparison with 110 in 2024, resulting in a turnover rate of 9.9% in 2025 (9.36% in 2024).

All employee-related indicators are expressed as the number of employees at the end of the reporting period (31 December), while the average number of employees at year-end is calculated as the average of monthly headcounts throughout the year.

Data are collected through the information system. There are no significant gender distribution differences between companies. The highest share of male employees is in D&ST (81%), while the lowest is in PET (79%). The largest number of employees works at the Group's parent company, KONČAR – D&ST (65%). The Group does not employ workers who are not in an employment relationship (non-employees).

Temporary employees, as a rule, are those with fixed-term employment contracts in the case where there is a justified and legally permitted reasons (e.g., substitution of an absent worker, project or time limited increases in workload).

All new employees are hired on permanent contracts with a six-month probation period, pursuant to the valid labour legislation. The exception is for trainees who are employed under a one-year trainee contract, pursuant to regulations.

Part-time employment is used in a limited scope, primarily in cases when this is due to the needs of work organisation or the specificity of the labour market. In line with the national legislation, a share of workers in part-time employment are retirees who have the right to work alongside their pension.

The turnover data includes employees who left voluntarily, due to contract termination, or retirement.

Diversity indicators

S1-9

Diversity of the Management Board 2025	Unit	M	F
KONČAR - D&ST	Number	3	2
Ferokotao	Number	2	0
PET	Number	3	0
Total	Number	8 (80)	2 (20)

Within the companies of the KONČAR – D&ST Group, there are a total of 10 Management Board members, of which two are women—representing 20% female representation at the highest executive level. The top management level presented in this table includes members of the Management Boards of KONČAR – D&ST, PET, and Ferokotao.

All employees by age	Unit	2024	2025
< 30 years	Number	242	341
30 do 50 years	Number	771	1008
> 50 years	Number	199	276

Adequate wages

S1-10

All employees at the KONČAR – D&ST Group receive an adequate wage in line with the applicable legislation of the Republic of Croatia and internal rules on work and rewards. At least once annually, an internal review is conducted of the alignment of the lowest levels of total compensation for work with the legally prescribed minimum wage, and the relevant market values in the Republic of Croatia, with the application of controls within the human resources management system.

KONČAR – D&ST primarily operates in the territory of the Republic of Croatia where transformers are produced. Though the Group achieves a significant portion of revenues through project exports onto international markets, the labour relations with employees are governed under Croatian law. In cases of field assembly or official travel abroad for a limited period of time, workers remain in labour relations under the Croatian regulations, and relevant provisions on per diems and compensations are applied pursuant to the valid legislation.

This approach guarantees alignment with the national legal framework and transparent management of the rewards system, while preserving just and competitive working conditions.

Social protection

S1-11

At the level of the companies KONČAR – D&ST Inc., Ferokotao Ltd. and PET Sp. z o.o., employees are guaranteed social protection in line with the applicable national legislation, with certain differences in the level and structure of certain compensations depending on the company and the local legal framework.

In the case of temporary inability to work (sick leave), employees receive salary compensation pursuant to the valid regulations and internal acts of each company, where the level of compensation ranges from 70% to 90% of the average salary, depending on the reason for the absence. In certain cases, as stipulated by law, such as complications associated with pregnancy or workplace injuries, the compensation can be 100% of the average salary. The compensation for long-term sick leave, maternity and parental leave are granted in accordance with the applicable legislative framework of the country in which the company operates.

Legal rights relating to maternity, parental and paternal leave, and rights associated with the termination of employment, including the legally prescribed severance, are regulated in line with the national legislation and applicable internal acts. This framework of social protection of companies within the Group ensures employees have a core level of financial security in times of reduced or temporary loss of income. Efforts are being made to gradually align all practices at the Group level, taking into account the specificities of individual legal systems.

Training and skills development metrics

S1-13

Participation in regular performance and career development reviews	Unit	2025
Men	%	100*
Women	%	100*
Total	%	100*

Average number of training hours per employee	Unit	2024	2025
Men	Number	49	35
Women	Number	40	32
Total	Number	48	35

*In 2025, all employees of the companies of KONČAR – D&ST (100%) participated in regular performance and professional development reviews, regardless of gender. A performance management system was implemented, including employees in management functions. This indicator testifies to the continued dedication of the company to developing human resources and ensuring equal opportunities for all employees.

Data on participation in performance reviews were collected via the internal human resources management system (AppSkill, HR NET). The percentage of participation was calculated as the ratio of employees included in the reviews and the total number of employees.

Employee training is a key component of skills development within the company. In comparison with 2024, in 2025 all companies in the KONČAR – D&ST Group tracked the average number of training hours as a means to improve the system of tracking HR management metrics. In 2025, the average number of training hours for male employees was 35 hours, while for female employees it was 32 hours. At the organizational level, the average at the group level was 35 training hours per employee.

Data on the average number of training hours is based on records of training and education held. The number of hours includes all internal and external education, seminars and workshops, and learning via the e-learning platform. The methodology has certain limitations, particularly at the level of consolidation with subsidiaries, including possible variations in data collection regarding informal forms of learning and independent education of employees that are not always recorded.

Health and safety metrics

S1-14

Health and safety	Unit	2024	2025
Workforce covered by a health and safety management system	%	100	100
Fatalities among own workforce	Number	0	0
Fatalities among other workers	Number	0	0
Number of work-related accidents	Number	25	24
Work-related accident rate	Injuries per million working hours	10.39	8.76
Lost working days due to injury	Number	645	1046

100% of employees in the KONČAR – D&ST Group are covered by a health and safety management system. In 2025, there were no fatalities among own workforce or among other workers operating at company locations due to work-related injuries or ill health.

Data for 2025 show a decline in the number of workplace injuries over 2024, reduced to 24 from 25 (4%). Meanwhile, the rate of injuries per million work hours was reduced from 10.39 to 8.76, or by 15.7%.

Despite the reduced number of injuries and rate of injuries, the total number of lost working days due to injury increased from 645 to 1046. The increase in lost working days is primarily due to longer sick leave periods for individual employees after a workplace injury, and additional health issues established during the recovery period.

The Company continuously implements activities aimed at improving workplace health and safety, with the goal of further reducing the risk of injury and strengthening the culture of safety in all segments of operation.

Remuneration metrics

S1-16

Pay gap	Level of complexity	2024	2025
KONČAR – D&ST Group	Average	-1%	-7.5%
KONČAR – D&ST	Average	-9%	-14.3%
PET	Average	-9%	-0.9%
Ferokotao	Average	18%	11.7%

At the level of KONČAR – D&ST Group, there is a 7.5% pay gap in favour of women. All analyses were conducted based on the contracted Gross I salary, in which for PET, data were converted from PLN to EUR at the Croatian National Bank's middle exchange rate as of 4 February 2026 (1 EUR = 4.2181 PLN), while the salaries of the Management Board were excluded from the average salary calculation, pursuant to the defined sample. The results should be considered in the context of the consolidated data for multiple companies within the Group, where differences in the organisational structure, levels of responsibility, and methodologies of evaluating positions between companies may affect the full comparability of individual positions and salaries. Differences in salary levels between companies and the employment structure further affects the aggregate result, in which the Group is strongly dominated by a male workforce, particularly in the technical and manufacturing professions. Therefore, the aggregate result of the gender gap in salaries at the Group level primarily reflects the employment structure and organisational distribution of positions, and not necessary differences in salary for the same or equal work.

Ratio of total annual compensation

The ratio of total annual compensation of the highest-paid individual to the median annual total remuneration for all employees was 1:7 in comparison to 1:5 in 2024.

The calculation of average annual remuneration for employees is based on total yearly earnings (including salary, bonuses, in-kind benefits, and non-taxable allowances), excluding the earnings of the highest-paid individual to ensure a representative average for the remaining workforce. The data includes all active employees as of 31 December 2025. Employees who left the organisation during the year were not included. The calculation is based on actual data from the company's human resource management and payroll systems.

Incidents, complaints and severe human rights impacts

S1-17

In 2025, as in 2024, the KONČAR – D&ST Group recorded no complaints related to serious violations of human rights concerning the company's workforce.

Therefore, indicators such as the total amount of fines, sanctions, or compensation for such cases are not applicable.

S2 Workers in the value chain

Material impacts, risks and opportunities

ESRS 2, SBM-3, SBM-2

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Working conditions	PI	**Contribution to secure employment and adequate wages** Long-term partnerships and contracts with suppliers are nurtured, contributing to job stability. Special emphasis is placed on collaboration with local small and medium-sized suppliers, which can positively influence the survival and sustainability of their operations, ensuring stable employment and adequate wages for their workers. (linked to G1 – Business conduct)	Upstream	Short-term to long-term
	PI	**Contribution to occupational health and safety across the value chain** Suppliers are required to comply with local and international occupational health and safety guidelines. Regular audits are performed of key suppliers and, when necessary, advisory support provided in developing plans to improve safety conditions, which has a positive impact on workers in the value chain.	Upstream	Short-term to long-term
	PNI	**Violations of labour and human rights in the value chain** The risk of labour and human rights violations in the value chain, due to gaps in upstream due diligence processes, may result in the involuntary engagement of suppliers who do not comply with working conditions and human rights, or who collaborate with partners that breach acceptable standards.	Upstream	Short-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

We recognize the importance of workers in the supply chain and their impact on the quality of our products. Our business model integrates principles of social responsibility throughout the entire value chain.

Positive impacts are most evident in those parts of value chain in which we have direct relationships, while deeper in the chain, there are increased risks associated with labour and human rights, including unsafe working conditions, and the risk of child and forced labour. These risks prompt us to adapt our approach to managing the supply chain, with a focus on direct suppliers and expanding responsibility to lower tiers of the value chain.

Managing working conditions and human rights throughout the supply chain contributes to reducing reputational, legal, and operational risk, and strengthens trust among stakeholders, business resilience, and long-term sustainability.

Special risks are present in the parts of the value chain associated with the procurement of raw materials and high-risk industries, and among workers in external service providers, including migrant workers. These risks can be systematic in certain regions or associated with individual incidents, which is why they are continuously considered in supply chain management.

Stakeholder interests and views

The perspectives of workers in the value chain are incorporated through communication with their representatives, regular discussions, surveys, and assessments and audits of key suppliers, with the emphasis on labour and human rights, and compliance with sustainability standards. These processes enable the recognition of impacts, risks and opportunities, and advance cooperation and sustainable practices. In the forthcoming period, we are planning to further strengthen direct inclusion of vulnerable groups of workers through dialogues and cooperation with suppliers.

Our management approach

Policies relating to workers in the value chain

S2-1

Members of the KONČAR – D&ST Group are expected to uphold ethical principles and maintain professional conduct in relationships with suppliers, and their own employees, and all business partners. The key document through which KONČAR – D&ST manages labour in the value chain is the Supplier Code of Conduct, which clearly defines the obligation to comply with legal and international standards. The Code sets out rules including compliance with laws and international standards, respect for human and labour rights, occupational health and safety, preventing discrimination, forced and child labour, combatting corruption, and safeguarding confidential information.

Suppliers are required to provide a safe working environment and implement preventive measures to protect the health and safety of employees. The Code also includes guidelines that clearly prohibit discrimination, human trafficking, forced labour, and child labour. This approach promotes long-term cooperation based on transparency and integrity and contributes to reducing potential negative impacts in the value chain.

The Code applies to all suppliers of KONČAR – D&ST, their employees and subcontractors. The Code was shared with all key suppliers and is accepted at the start of any new business relationship, thereby ensuring consistent application of responsible business practices throughout the entire value chain. Other members of the Group are currently in the process of implementing the Code.

The KONČAR – D&ST Group is a signatory of the Code of Ethics of the Croatian Chamber of Economy, and, as a member of KONČAR Group, a member of the UN Global Compact initiative. With this, we are committed to upholding the UN leading principles on human rights, including the protection of international recognised human rights, prohibition of discrimination, forced and child labour, and promoting fair and safe working conditions for our own employees and those in the value chain. These principles are applied by our suppliers through the commitments taken on by signing the Code of Conduct.

Management conflict minerals and metals
In order to prevent the risks associated with the procurement of minerals from conflict-affected and high-risk areas, the Policy on Conflict Minerals and Metals was adopted and aligned with the OECD Due Diligence Guidelines and relevant European Union regulations. The policy defines the procedures for monitoring and controlling the procurement of raw materials to prevent conflict financing and human rights violations in the supply chain.

Policies are regularly reviewed and updated in accordance with regulatory requirements and expectations of stakeholders. Policies are available to employees through internal channels, and to external stakeholders through websites or on request.

Measures and activities

S2-4

Approach to managing suppliers and workers in the value chain
We foster long-term partnerships and contracts with suppliers, which can contribute to enhancing positive impacts and reducing risks in the supply chain, with a particular emphasis on working with local small and medium-sized suppliers. Through collaboration with industry partners and relevant organisations, we promote the exchange of knowledge and applicable of best practices in the area of protecting labour and human rights.

A series of measures have been established to manage key impacts, risks and opportunities related to workers in the value chain. These plans include clear guidelines for supplier assessments, requirements to comply with ethical standards, and cooperation to improve working conditions and occupational safety. These measures are continuously developed at applied at the level of all KONČAR - D&ST Group companies.

We require all key KONČAR - D&ST Group suppliers to sign the Supplier Code of Conduct, which is considered an integral part of the supplier contract. The Code defines the expectations in the sense of socially responsible and ethical operations, and serves as the basis for further cooperation and tracking compliance.

Supplier assessment and monitoring
Supplier assessment procedures include self-assessment, periodic audits, and cooperation to eliminate any identified irregularities. Compliance with the relevant legislative and international standards is tracked through documentation checks, factory visits, and discussions with employees. Details of the process are described in Section G1 – Business conduct.

Monitoring performance
We regularly evaluate key supplier performance in line with an improved model that includes quality and delivery reliability, technical competence, and commitment to sustainable development, which includes environment, social and governance standards. The results of the assessment serve as a basis for targeted improvement measures, including education, guidelines, and advisory support.

The effectiveness of measures is monitored through assessment results, audits, and feedback from suppliers and workers in the value chain, in addition to internal supervisory mechanisms. This ensures ongoing improvement to building a responsible and sustainable value chain.

Target values

S2-5

TARGETS ALIGNED WITH THE SUSTAINABILITY STRATEGY 2024–2026
(REFERS TO THE PARENT COMPANY, KONČAR – D&ST)

PRIORITY AREA: RESPONSIBILITY IN THE SUPPLY CHAIN

Strategic goal 7: ENSURE RESPONSIBILITY IN THE SUPPLY CHAIN AND ACTIONS IN LINE WITH KONČAR – D&ST VALUES

- 100% of strategic suppliers verified for ESG risks
- 100% of suppliers familiar with the Supplier Code of Conduct
- Improvement of supplier performance monitoring (revised target)

(targets linked to G1 - Business conduct)

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

During 2025, the necessary preparatory measures were conducted, with an in-depth analysis, and alignment of responsibilities in the supply chain and acting in accordance with the KONČAR – D&ST values.

S4 Consumers and end users

Material impacts, risks and opportunities

ESRS 2, IRO-1, SBM-3

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Impacts concerning informing customers and end users	PI	**Cooperation and product development** Active promotion of two-way communication and feedback from customers to meet the needs of customers, locations and markets	Downstream	Short-term to long-term
	PI	**Product quality and safety and informing customers** Implementation of effective quality management mechanisms and safety standards to protect customers and end users.Providing transparent and comprehensive product information, including safety features.	Downstream	Short-term to long-term
	PI	**Protection of customer data** Implementation of robust data protection policies that safeguard customer information in accordance with relevant privacy legislation.	Downstream	Short-term to long-term
Risks	R	**Product safety** Risks related to product safety include the possibility that products or services may not meet safety standards or user expectations. This may result in injuries, dissatisfaction, product recalls, and potential legal and reputational consequences.	Downstream	Short-term to long-term

(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

Transformers are a key component in electricity supply systems, playing a central role in ensuring stable and reliable power transmission, particularly in the context of green transition. Their long service life requires continuous technical support and close cooperation with users to ensure reliability of operations, reduce downtime, and ensure the safety of the electrical system, with positive impacts for the broader community.

The global presence of the KONČAR – D&ST Group is built on the quality of products and services and the integrated approach to managing impacts, risks and opportunities. Risk assessment and opportunity identification are embedded in business processes at all levels, with special focus on product quality and safety, the reliability of deliveries, and the protection of customer data.

Stakeholder interests and views

ESRS 2, SBM-2

Customers and strategic partners are actively involved in key business phases of the product life system, from conceptual design to after-sales support. Ongoing dialogue enables understanding their needs and anticipations while timely adapting to future technological and regulatory challenges. This approach ensures that the interests and views of customers remains integrated in the strategy and business model, while contributing to broader sustainability and energy transition goals.

Policies related to customers and end users

S4-1

At the core of business of the KONČAR – D&ST Group lies a commitment to quality, safety, and the availability of products and services. Additionally, the protection of customers' personal data is a key element in building trust and long-term relationships. This approach is defined through a set of policies that clearly outline responsibility and obligations in these areas.

We operate in line with internationally recognised frameworks, including the UN Global Compact, ILO Conventions, and key international and European instruments protecting human rights, which are integrated into internal policies and business practices.

Product quality and safety

Due to the strategic importance of transformers, product quality and safety are fundamental to our business model. The Quality Management Policy is certified according to the ISO 9001 standard, ensuring consistency of processes, compliance with regulatory requirements, and ongoing improvement of products and services. Product safety is considered to be a technical, business and ethical responsibility towards customers and society.

Accessibility of products and services

Reliable and timely delivery is ensured through policies managing deliveries and productivity, compliance with international standards, and principles of operational excellence. The focus is on effective management of the supply chain, cooperation with suppliers, and constant improvement of processes, to secure the continuity of delivery and customer satisfaction.

Protection of personal and business data

The protection of customer and partner privacy is ensured through technical and organisational measures aligned with the GDPR and other relevant regulations. Data protection and information security policies define the rules of processing, keeping and protecting confidential information, ensuring the rights of those surveyed and the security of business information.

Company management boards are responsible for the implementation and continuous improvement of these policies, which are available to employees and external stakeholders via internal communication channels and company websites, thus ensuring transparency and consistent application across the organisation.

Procedures in cooperation with customers and end users

S4-2

Our vision of sustainable business and innovative business is inseparably linked to the active involvement of our customers in product development processes and business solutions. Customer focus is a key strategic priority and one of the main drivers of long-term success, particularly in the context of energy transition and accelerated technological development of transformers.

The green transition has spurred the development of solutions with a lower environmental footprint and a high level of security, in which close collaboration with customers and partners enables timely adjustments of products to meet specific market demands. Through continuous dialogue, we are advancing the security properties of products, developing innovative solutions, and ensuring resilience to future regulatory and climate changes.

Cooperation with customers, certification bodies, and the scientific research community contributes to the development of advanced technology and more transparent environmental impacts of products. Such an approach enables building long-term trust, creating added value for customers, and strengthening our competitive position on existing and new markets.

Non-conformities and complaints

S4-3, S4-4

The quality control system includes managing internal non-conformities, supplier deviations, and customer complaints through receipt, process, and final inspections. Customers are able to report non-conformities through general channels and specific channels for product and service complaints.

As part of the quality management system according to ISO 9001, the Q module was introduced, enabling central recording, monitoring and resolving complaints, supplier deviations, and audit results. The system enables systematic analysis of the causes and implementation of corrective and prevention measures in cooperation with customers, with regular monitoring at internal quality meetings.

Customer satisfaction is assessed through regular meetings, annual surveys, and complaint tracking. The results are used as input for assessment and improving the quality management system.

Customers receive technical documentation and safety instructions for products, including adapted instructions and risk assessments as needed, and ongoing technical support and post-sales support throughout the entire lifecycle of the transformer.

Target values

S4-5

As part of our business strategy and our first Sustainability Strategy, we are continuously working to minimise material negative impacts, enhance positive impacts, and manage key risks and opportunities related to customers. Collaboration with customers is integrated across all phases of our operations and is not defined as a separate goal, but as an integral part of product development, quality assurance, and safety.

One of the strategic goals is to enhance information security, envisioning that by 2026, 100% of employees with an assigned email address will be include in training. The business strategy also defines goals related to product and service quality, which are essential for ensuring reliability, customer satisfaction, and the long-term sustainability of our operations.

In line with the quality management system, measurable quality objectives are set at the beginning of each year within profit centres, and implementation and achievements are regularly tracked. Key areas of goals include:

- Reduction of customer complaints,
- Reduction of technical non-conformities in production processes,
- Continuous improvements of quality management systems.

These goals support the consistent fulfilment of customer requirements, and strengthen trust and long-term business relationships.

Governance

G1 Business conduct

Material impacts, risks, and opportunities

ESRS 2, IRO-1, SBM-3

MATERIAL TOPIC	IRO		VALUE CHAIN	TIME HORIZON
Corporate culture	PI	**Clearly defined and ethically grounded corporate culture** A clearly defined and ethically grounded corporate culture fosters responsible behaviour within the organization, contributes to employee satisfaction, and supports the creation of a positive working environment.	Own production	Short-term to long-term
Whistleblower protection	PI	**Availability of grievance mechanisms and whistleblower protection** Ensuring safe mechanisms for reporting irregularities and protecting whistleblowers is key to preventing and detecting illegal and/or unethical practices. (linked to S1 – Own workforce)	Own production	Short-term to long-term
Managing supplier relations	PI	**Maintaining fair and transparent supplier relations** Fair contracting, respecting payment deadlines, and responsible sourcing reduce risks, foster long-term partnerships, and enable a more resilient supply chain.	Own production	Short-term to long-term
Corruption and bribery	R	**Delayed detection of corruption and/or inadequate reaction** Failing to detect corruption or respond appropriately to corruption reports may lead to reduced stakeholder trust, legal consequences, and threaten our reputation and legal compliance.	Upstream Own production	Short-term to long-term
	R	**Erosion of trust in whistleblowing channels** Employee trust in whistleblowing mechanisms is based on clear information about reporting channels, protection for whistleblowers, and consistent, unbiased procedures for received reports. If any of these elements is not perceived as sufficiently effective, this can result in decreased use of reporting channels, hindering timely detection of irregularities. (linked to S1 – Own workforce)	Own production	Short-term to long-term

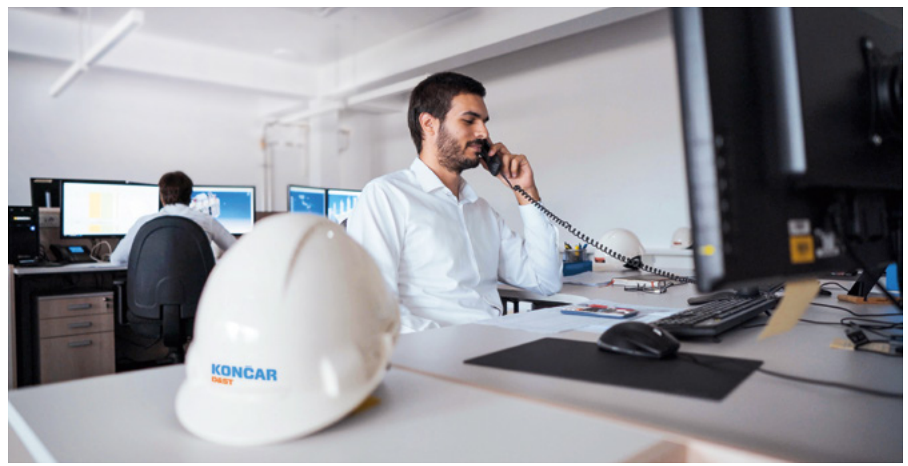
(P)PI/NI - (potential) positive impact /negative impact, R/PR/TR - risk/physical risk /transitional risk, OP – opportunity

During the double materiality assessment process, several material impacts and risks relevant to business operations were identified. Business is founded on clearly defined ethical principles and values that guide all aspects of operations and ensure compliance with regulatory requirements, reduce reputational and legal risks, and strengthen stakeholder trust and long-term business resilience.

Fair and transparent relationships with suppliers, including responsible tendering, fair contracting, and adherence to payment terms, are key to ensuring fair and transparent relations with suppliers.

However, a lack of timely detection of corruption or an inadequate response to reported irregularities can seriously undermine stakeholder trust, lead to regulatory sanctions. The efficiency of the whistleblowing system depends on the level of employee awareness and their faith in the protection mechanisms, which in turn impacts the broader social context.

Therefore, we are continuously working on strengthening a culture of ethical conduct, open communication, and raising awareness about the importance of reporting irregularities, with the aim of further improving the efficiency of these mechanisms.



Policy of business conduct and corporate culture

G1-1

The operations of the KONČAR – D&ST Group are based on a clearly defined and ethically grounded corporate culture that fosters a culture of integrity, open communication, and fair business practices. This approach ensures compliance with regulatory requirements, reduces legal and reputational risks, and strengthens stakeholder trust, and long-term business resilience.

The parent company of the Group has established a Code of Business Conduct that sets clear guidelines for professional and ethical behaviour of all employees and business partners. Its purpose is to promote the Group's core organisational values such as legality, professionalism, transparency, social responsibility, and sustainability. The Code also prohibits corruption, discrimination, forced and child labour, protects employee dignity and confidentiality of information, and laid down the rules for conflicts of interest. The Code is publicly available and regularly updated so as to remain aligned with the legislative changes and best practices.

Though not all companies of the Group have established their own Code, the shared ethical values and principles are built into the internal policies and procedures, and are consistently applied throughout the entire organisation. The company KONČAR – D&ST is signatory of the Corporate Conduct Code of the Zagreb Stock Exchange and HANFA, and the Code of Ethics of the Croatian Chamber of Economy, as a further commitment to high standards of transparency, governance, and protecting stakeholder interests. As part of the KONČAR Group, we confirm our commitment to responsible and sustainable business through membership in the UN Global Compact.

Company Management Boards are responsible for overseeing implementation of the Code and associated policies, while managers play a key role in their daily implementation, informing employees, and identifying the need for education. New recruits are familiarised with the Code, and employees have access to additional materials and education via internal channels. Education on the Code became compulsory for all employees in 2025.

Reporting irregularities and whistleblower protection

Linked with S1

All companies within the KONČAR – D&ST Group have established whistleblowing systems in line with the legislation and EU Directives. The system enables anonymous reporting via available channels, ensuring protection of the whistleblower against retaliation. Reports are received by the confidential person appointed by the employer, who ensures an unbiased, confidential and timely procedure in line with the internal rules.

Reporting mechanisms are accessible to employees, and individual companies also permit reports from external stakeholders. Special attention is paid to protecting the dignity of employees and preventing discrimination and harassment. Information on reporting procedures is available via the internal communications channels.

Aware of the risks of distrust in reporting mechanisms, we are continuously working to strengthen the culture of ethical conduct, open communication and trust, to ensure that irregularities are reported and resolved in a timely, transparent, and responsible manner.

Managing supplier relations

G1-2

To ensure the continuity and quality of procured products and services, we continuously monitor the procurement market, geopolitical developments, and supplier performance through our risk management system, as well as track supplier performance. Maintaining fair and transparent relationships, diversification of procurement sources, and avoiding dependence on any single suppliers. Supplier audits are conducted as needed.

To support the domestic economy and reduce transport-related emissions, the Group strives to collaborate with **local and regional suppliers** whenever possible. Such an approach contributes to shortening transport routes, reducing emissions associated with inflow logistics, and strengthens the resilience of the supply chain.

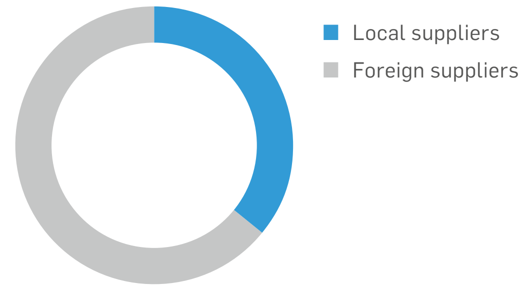
During 2025, KONČAR – D&ST procured approximately **36% of materials are sourced from domestic suppliers**, marking an increase over **2024 when the share of local suppliers was 29%**. This increase indicates the positive shift in strengthening local supply capacities and gradual reduction of transport-related emissions.

The remaining materials are primarily procured within the European Union, while a small share is secured from other regions, depending on the availability of specific materials and the technical operating requirements. The Group is continually analysing the possibility of increasing the share of local and regional procurement, and optimising logistics flows, for the purpose of **reducing the carbon footprint of the supply chain.**

Supplier assessment and verification

Supplier assessment is performed through a multi-level model, including:
- supplier self-assessment using standardised forms,
- initial assessment prior to starting business cooperation,
- on site audits, as needed,
- periodic re-audits based on risk assessments.

As a rule, audits are performed prior to starting cooperation in order to assess the operational, technical and production capabilities of the supplier, and their compliance with the applicable legislation, quality standards, environmental protection, and occupational health and safety.



Re-audits are performed as needed, particularly in the following cases:
- significant changes in supplier operations, observed non-compliances,
- increased risk in the supply chain,
- demands of customers or certification bodies.

Annual surveying of key suppliers makes it possible to assess the level of maturity of their sustainability practices, and to identify areas for improvement.

Environment and safety criteria of assessments

Within the framework of supplier management procedures, special attention is given to the following criteria:
- possession of management system certificates, particularly ISO 14001 (environmental management) and ISO 45001 (OHS management), or equivalent systems;
- compliance with the valid environmental, labour rights, and safety legislation;
- existence of a formally adopted environmental protection and workplace safety policy, and defined goals and measures;
- management of emissions, waste, hazardous materials, and resource use;
- transparency and availability of data on environmental and safety aspects of materials, compounds, and production process.

Suppliers are required to ensure that the delivered products and materials are compliant with the REACH Regulation and RoHS Directive, thereby ensuring the control and restricted use of hazardous materials in products and components.

Supplier Code of Conduct

All partners in the supply chain are expected to adhere to the standards defined in the Supplier Code of Conduct of the KONČAR Group. This document sets the requirements in the fields of legality, human and labour rights, occupational health and safety, environmental responsibility, anti-corruption, and data confidentiality. A special emphasis is placed on prohibiting discrimination and child and forced labour, and ensuring safe and just working conditions.

The acceptance and application of the Code is mandatory for all key suppliers, and represents a core requirement for the establishment and continuation of business cooperation with the KONČAR – D&ST Group.

Prevention and detection of corruption and bribery

G1-3

The KONČAR – D&ST Group enforces a zero-tolerance policy for bribery and corruption, and consistently works to prevent, detect, and sanction corrupt practices. Corruption includes any abuse of power or position for unfair advantage, whether for financial gain, favouring associated persons, or selective application of regulations.

Anti-corruption measures are embedded in internal regulations, including the Code of Business Conduct, Supplier Code of Conduct, Internal Work Regulations, and procedures governing ethical and professional behaviour in procurement. The Code of Business Conduct of the parent company KONČAR – D&ST was updated in early 2024 to reinforce provisions related to anti-corruption.

Special attention is dedicated to functions most exposed to corruption and bribery risks, particularly those in sales and procurement, and other positions that include negotiations and contracting. Continuous education of employees and business partners is key for reducing corruption risks, while non-compliance in the application of ethical standards may be sanctioned, including with the termination of business cooperation.

Since 2024, an internal anti-corruption training programme has been in place that covers anti-corruption policies, rules on gifts and hospitality, practical examples of desirable and undesirable behaviour, and mechanisms for reporting suspected corruption. The training is available via the e-learning platform and is mandatory for all KONČAR – D&ST employees. Plans are underway to extend the training to other companies in the Group.

Anti-Corruption and Bribery training	At risk functions	Managers	AMSB	Other own employees
Training coverage				
Total persons in 2025 (total in 2024)	52 (52)	59 (55)	13 (12)	747 (693)
Total received training in 2025 (total in 2024)	51 (42)	58 (50)	7 (7)	248 (202)
Delivery method and duration				
Computer-based training	1 hour per person	1 hour per person	1 hour per person	1 hour per person
Frequency				
Training frequency	Once per year	Once per year	Once per year	Once per year
Covered topics				
Definition of corruption	x	x	x	x
Examples of desirable and undesirable behaviour	x	x	x	x
Anti-corruption policies	x	x	x	x
Procedures in case of suspicion/delivery	x	x	x	x
Rules on gifts and hospitality	x	x	x	x

Employees are expected to act impartially and professionally in the performance of their duties. If an employee finds themselves in a situation that may be perceived as corrupt behaviour, they are obligated to inform their immediate manager or the Management Board.

The companies KONČAR – D&ST and Ferokotao have established procedures for the prompt investigation of incidents and timely notification of the Management Board. These procedures outline how to proceed in the event of illegal or other incident-related situations.

The Management Board takes all necessary actions depending on the severity and impact of the incident or failure on business processes. The company PET is currently developing its procedures, with implementation expected by the end of 2026.

To resolve complaints, the Management Board typically appoints an ad hoc committee to investigate. The goal is for committee members to be qualified professionals who are not affiliated with the management line involved, to ensure objectivity and impartiality in the process. If necessary, the Management Board will take further steps and notify the relevant national authorities. All actions are reported regularly to the Supervisory Board during scheduled meetings.

Cases of corruption or bribery

G1-4

In 2025, the KONČAR – D&ST Group recorded no cases of corruption or bribery, and therefore indicators such as the number of convictions and the number of fines related to breaches of anti-corruption and anti-bribery regulations, as well as measures taken to address breaches of procedures and standards, are not applicable.

Payment practices

G1-2, G1-6

Timely settlement of financial obligations is critical to the stability and sustainability of the business ecosystem. Aware of the importance of liquidity—particularly for small and medium-sized enterprises—KONČAR – D&ST enforces a clear policy to prevent late payments. This policy ensures transparency in financial transactions, compliance with agreed payment terms, and the development of long-term, reliable relationships with business partners, regardless of company size.

By consistently applying this policy, we aim to minimise the risk of payment delays, ensure predictable cash flows for our suppliers, and support a healthy business environment. Our goal is to act responsibly and ethically, recognising that timely payments are not only a financial obligation but also a marker of corporate responsibility and respect for partners—especially those whose business success strongly depends on timely inflows.

The liquidity management team meets weekly to analyze the current situation and medium-term outlook. Based on these insights, strategies are developed and implemented to ensure effective liquidity management.

Where available cash resources are not sufficient to meet obligations to suppliers within a given period, the Company obtains additional funding sources to ensure the uninterrupted and timely settlement of its liabilities.

Payment terms with suppliers vary depending on the nature of the business relationship and generally range from 30 to 90 days, which is in line with the Company's accounts payable turnover. No legal proceedings related to delayed payments have been initiated against the Company.

To calculate the average time taken to pay invoices in relation to the contractual or statutory payment term, for all companies within the Group, we used a sample consisting of the top 90% of supplier transactions by volume. The Company has established standard contractual payment period for each supplier. Due to the relatively small difference in payment periods between the majority of suppliers, the Company deems that additionally classify suppliers into categories by days to payment would not provide any significant or relevant additional information for report users.

Exceptionally, for certain suppliers, primarily from Asia whose goods are procured via maritime transport, the payment maturity date is not counted from the date of issuance of the invoice, but of the date on the bill of lading, with the contracted additional time period of 90 days. This practice reflects the specificity of logistics processes and delivery conditions for high value goods.

In the case of supply chain disturbances, or extended duration of transport outside the contracted deadlines, the payment maturity date is extended until the time of actual receipt of the goods. These cases pertain primarily to strategic raw materials, whose procurement value is significant, and the timely and complete delivery is key for continuity of business processes.

The Company regularly tracks payment deadlines and aims to retain correct and long-term business relations with suppliers, taking into account the contractual obligations, logistics circumstances, and specificity of certain procurement categories.

Payment practice	Unit	2024	2025
Percentage of payments made in accordance with the company's standard payment terms	%	78%	68%
Average time taken to pay invoices from the start date of the contractual or statutory payment term	Number of days	45	43

Target values

TARGETS ALIGNED WITH THE SUSTAINABILITY STRATEGY 2024–2026
(REFERS TO THE PARENT COMPANY, KONČAR – D&ST)

PRIORITY AREA: RESPONSIBLE AND TRANSPARENT GOVERNANCE

Strategic goal 8: ENSURING RESPONSIBLE AND ETHICAL GOVERNANCE, AND INTEGRATING SUSTAINABILITY INTO OPERATIONS

- Integrate ESG criteria into risk assessment and risk management plans by 2025
- Strengthen the ESG governance structure
- Incorporate ESG criteria into managerial KPIs
- Compulsory ongoing education of management on ESG topics
- Provide ESG education for all employees
- Zero-tolerance policy for bribes and corruption
- Improve information security
- Participate in global sustainability initiatives and continuous improvement of the ESG rating

PRIORITY AREA: RESPONSIBILITY IN THE SUPPLY CHAIN

Strategic goal 9: ENSURE RESPONSIBILITY IN THE SUPPLY CHAIN AND ACTIONS IN LINE WITH THE KONČAR - D&ST VALUES

- 100% of strategic suppliers verified for ESG risks
- 100% of suppliers familiar with the Supplier Code of Conduct

The Group companies have not previously monitored the data covered by this report on a consolidated basis, which is why relevant common indicators and data were not available to define targets for PET and Ferokotao.

In 2025, adjustments of metrics and documentation were carried out so that in 2026 we would be ready to adopt a sustainability strategy at the Group level and the alignment of goals related to business behaviour.

Annex I: List of Disclosure Requirements in the ESRS covered by the undertaking's sustainability statement

ESRS 2 IRO-2

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SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S2 - Workers in the value chain: Our impacts, risks and opportunities	67
		ESRS 2 - General disclosures: Double materiality	32
S2-1	Policies related to value chain workers	S2 - Workers in the value chain: Our management approach	67-68
S2-2	Processes for engaging with value chain workers about impacts	S2 - Workers in the value chain: Our management approach	Quick fix
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	S2 - Workers in the value chain: Our management approach	Quick fix
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	S2 - Workers in the value chain: Measures and activities	68
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2 - Workers in the value chain: Metrics and targets	68

S4 - CONSUMERS AND END USERS

		Chapter	Page
SBM-2	Interests and views of stakeholders	S4 - Consumers and end-users: Our material impacts, risks and opportunities	69
		ESRS 2 – General disclosures: Double materiality	30
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	S4 - Consumers and end-users: Our material impacts, risks and opportunities	69
		ESRS 2 – General disclosures: Double materiality	32
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	G1 – Business Conduct: Our material impacts, risks and opportunities	69
		ESRS 2 – General disclosures: Double materiality	31
S4-1	Policies related to consumers and end-users	S4 – Consumers and end-users: Our management approach	69-70
S4-2	Processes for engaging with consumers and end-users about impacts	S4 - Consumers and end-users: Measures and activities	70
S4-3	Processes to remediate negative impacts and channels for consumers and end users to raise concerns	S4 - Consumers and end-users: Measures and activities	70
S4-4	Taking action on material impacts on consumers and end users, and approaches to managing material risks and pursuing material opportunities related to consumers and end users, and effectiveness of those actions	S4 - Consumers and end-users: Measures and activities	70
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4 - Consumers and end-users: Targets	70

G1 - BUSINESS CONDUCT

		Chapter	Page
GOV-1	The role of the administrative, supervisory and management bodies	ESRS 2 – General disclosures: Managing sustainability	19-22
		Organization and governance of the Group in 2025	-
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and the business model	G1 – Business Conduct: Our material impacts, risks and opportunities	72
		ESRS 2 – General disclosures: Double materiality	32
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	G1 – Business Conduct: Our material impacts, risks and opportunities	72
		ESRS 2 – General disclosures: Double materiality	31
G1-1	Corporate culture and business conduct policies and corporate culture	G1 – Business Conduct: Our management approach	73
G1-2	Management of relationships with suppliers	G1 – Business Conduct: Our management approach	73-74
		S2 - Workers in the value chain: Actions and measures	68
G1-3	Prevention and detection of corruption and bribery	G1 – Business Conduct: Our management approach	74
G1-4	Confirmed incidents of corruption or bribery	G1 – Business Conduct: Metrics and targets	74
G1-5	Political influence and lobbying activities	Not material	-
G1-6	Payment practices	G1 – Business Conduct: Metrics and targets	75

Annex II: List of data points in cross-cutting and topical standards deriving from other EU legislation

The table below includes all data points stemming from other EU legislation, as referenced in ESRS 2, Appendix B, along with references to the chapters and pages of this report where the respective information can be found. Data points are not included if they relate to a topic deemed “Not material” or “Not applicable” to the business activities of KONČAR – D&ST Group.

Reqmt	Data point		Reference to SFDR	Reference to Pillar 3	Reference to Benchmark Regulation	Reference to European Climate Law	Section/ Chapter
ESRS 2 GOV-1	21d	Board’s gender diversity	x		x		ESRS 2 – Managing sustainability S1 – Metrics and targets
ESRS 2 GOV-1	21e	Percentage of board members who are independent			x		ESRS 2 – Managing sustainability
ESRS 2 GOV-4	30	Statement on due diligence	x				ESRS 2 – Managing sustainability
ESRS 2 SBM-1	40d-i	Involvement in activities related to fossil fuel activities	x	x	x		Not applicable
ESRS 2 SBM-1	40d-ii	Involvement in activities related to chemical production	x		x		Not applicable
ESRS 2 SBM-1	40d-iii	Involvement in activities related to controversial weapons	x		x		Not applicable
ESRS 2 SBM-1	40d-iv	Involvement in activities related to cultivation and production of tobacco			x		Not applicable
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				x	E1 – Our material impacts, risks, and opportunities
ESRS E1-1	16g	Undertaking excluded from Paris-aligned		x	x		E1 – Our material impacts, risks, and opportunities
ESRS E1-4	34	GHG emission reduction targets	x	x	x		E1 – Metrics and targets
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x				Not applicable
ESRS E1-5	37	Energy consumption and mix	x				E1 – Metrics and targets
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sector	x				E1 – Metrics and targets
ESRS E1-6	44	Gross scope 1,2,3, and total GHG emissions	x	x	x		E1 – Metrics and targets
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x		E1 – Metrics and targets
ESRS E1-7	56	GHG removals and carbon credits				x	Not material
ESRS E1-9	66	Exposure to the benchmark portfolio to climate related physical risks			x		Application of phase-in provision
ESRS E1-9	66a	Disaggregation of monetary amounts by acute and chronic physical risks		x			Application of phase-in provision
ESRS E1-9	66c	Location of significant assets at material physical risk		x			Application of phase-in provision
ESRS E1-9	67c	Breakdown of the carrying value of its real estate assets by energy-efficiency classes			x		Application of phase-in provision
ESRS E1-9	69	Degree of exposure of the portfolio to climate related opportunities	x				Not material
ESRS E2-4	28	Amount of each pollutant listed in annex II of the E-PRTR regulation emitted to air, water, and soil	x				Not material

Reqmt	Data point		Reference to SFDR	Reference to Pillar 3	Reference to Benchmark Regulation	Reference to European Climate Law	Section/ Chapter
ESRS E3-1	9	Water and marine resources	x				Not material
ESRS E3-1	13	Dedicated policy	x				Not material
ESRS E3-1	14	Sustainable oceans and seas	x				Not material
ESRS E3-4	28c	Total water recycled and reused	x				Not material
ESRS E3-4	29	Total water consumption in m3 per net revenue on own operations	x				Not material
ESRS 2 SBM-3 E4	16a-i	Activities negatively affecting biodiversity sensitive areas	x				Not material
ESRS 2 SBM-3 E4	16b	Land degradation, desertification, or soil sealing	x				Not material
ESRS 2 SBM-3 E4	16c	Threatened species	x				Not material
ESRS E4-2	24b	Sustainable land/agriculture practices or policies	x				Not material
ESRS E4-2	24c	Sustainable oceans/seas practices or policies	x				Not material
ESRS E4-2	24d	Policies to address deforestation	x				Not material
ESRS E5-5	37d	Non-recycled waste	x				E5 – Metrics and targets
ESRS E5-5	39	Hazardous waste and radioactive waste	x				E5 – Metrics and targets
ESRS 2 SBM-3 S1	14f	Risk of incidents of forces labour	x				Not material
ESRS 2 SBM-3 S1	14g	Risk of incidents of child labour	x				Not material
ESRS S1-1	20	Human rights policy commitments			x		S1 – Our management approach
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8	x				S1 – Our management approach
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				Not material
ESRS S1-1	23	Workplace accident prevention policy or management system	x				S1 – Our management approach
ESRS S1-3	32c	Grievance/complaints-handling mechanisms	x		x		S1 – Our management approach
ESRS S1-14	88b, 88c	Number of fatalities and number and rate of work-related accidents	x				S1 – Metrics and targets
ESRS S1-14	88e	Number of days lost to injuries, accidents, fatalities, or illness	x		x		S1 – Metrics and targets
ESRS S1-16	97a	Unadjusted gender pay gap	x				S1 – Metrics and targets
ESRS S1-16	97b	Excessive CEO pay ratio	x				S1 – Metrics and targets
ESRS S1-17	103a	Incidents of discrimination	x		x		S1 – Metrics and targets
ESRS S1-17	104a	Non-respect of UNGPs on Business & Human Rights, or OECD guidelines	x				S1 – Metrics and targets
ESRS 2 SBM3 S2	11b	Significant risk of child labour or forces labour in the value chain	x				S2 – Our management approach
ESRS S2-1	17	Human rights policy commitments	x				S2 – Our management approach
ESRS S2-1	18	Policies related to value chain workers	x		x		S2 – Our management approach
ESRS S2-1	19	Non-respect of UNGPs on Business & Human Rights, or OECD guidelines	x				S2 – Our management approach

Reqmt	Data point		Reference to SFDR	Reference to Pillar 3	Reference to Benchmark Regulation	Reference to European Climate Law	Section/ Chapter
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8	x				S2 – Our management approach
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x				S2 - Measures and activities
ESRS S3-1	16	Human rights policy commitments	x		x		Not material
ESRS S3-1	17	Non-respect of UNDPs on Business & Human Rights, ILO principles, or OECD guidelines	x				Not material
ESRS S3-4	36	Human rights issues and incidents	x				Not material
ESRS S4-1	16	Policies related to consumers and end-users	x		x		S4 – Our management approach
ESRS S4-1	17	Non-respect of UNGPs on Business & Human Rights and OECD guidelines	x				Not material
ESRS S4-4	35	Human rights issues and incidents	x				Not material
ESRS G1-1	10b	United Nations Convention against Corruption	x				G1 – Our management approach
ESRS G1-1	10d	Protection of whistleblowers	x		x		G1 – Our management approach
ESRS G1-4	24a	Fines for violation of anti-corruption and antibribery laws	x				G1 – Metrics and targets
ESRS G1-4	24b	Standards of anti-corruption and anti-bribery	x				G1 – Metrics and targets

Annex III: Topics that are not material and explained

For all topics that are not material, the Group regularly conducts revision assessments at the annual level, in order to ensure that the changes in the business environment or regulatory requirements are adequately reflected in future reports.
Pursuant to the assessment of double materiality, the following topics are not material for the Group, and therefore were not included in the report:

ENVIRONMENT TOPICS

o Soil pollution, living organisms, and food resources: Group activities are not associated with significant emissions into the soil or any other form of pollution of soil or living organisms, given the nature of the activities and the use of materials
o Substances of concern and very high concern: the Group does not use substances classified as being of very high concern in its production processes
o Microplastics: Group business activities do not include the production or significant use of microplastics, nor has a risk been identified of the generation of microplastics from plastic materials used
o Water and marine resources: the Group does not depend on significant quantities of water or use marine resources in its production processes
o Biodiversity and ecosystems: the Group does not have operations that would directly threaten biodiversity and ecosystems. All activities that present interventions in the environment are pre-approved in the investor documentation, aligned with the legal regulations and environmental impact studies, and all necessary protection measures are carried out, without any additional impacts on biodiversity and ecosystems.

SOCIAL TOPICS

o Equal treatment and opportunities concerning workers in the value chain: In the near value chain, which primarily encompasses the EU area and neighbouring areas, no risks were recorded within this topic.
o Civil and political rights of the community: the Group does not act in areas of increased risk for civil or political rights.
o Rights of indigenous peoples: Group operations, to the extent of the current knowledge, do not impact indigenous peoples.
o Social inclusion of consumers and end users: The main Group customers are investors and industrial entities, and not direct end users who would, on the basis of social inclusion, have a return effect on the Group product.

GOVERNANCE TOPICS

o Political engagement and lobbying: the Group clearly defines its neutrality in issues of political engagement, and no significant impacts, risks or opportunities were identified relating to this topic.

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

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

To the Shareholders of KONČAR- Distributivni i specijalni transformatori d.d.

Limited assurance conclusion

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

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

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *Double materiality* section thereof; and
- Compliance of the disclosures in the *EU Taxonomy* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

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

Basis for conclusion

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

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

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

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

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

Responsibilities for the Sustainability Report

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *Double materiality* section of the Sustainability Report. This responsibility includes:

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

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

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

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

Inherent limitations in preparing the Sustainability Report

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

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

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

Our responsibilities

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

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

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *Double materiality* section.

Our other responsibilities in respect of the Sustainability Report include:

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

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

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

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

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

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

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

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

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

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

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

KPMG Croatia d.o.o. za reviziju **13 April 2026**
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

Signed on the Croatian original

Report on the Application of the Corporate Governance Code

The parent company of the Group is listed on the Zagreb Stock Exchange and applies the Corporate Governance Code in compliance with the rules of the Zagreb Stock Exchange.

KONČAR-D&ST Inc. implements most of the provisions of the Corporate Governance Code drafted by the Zagreb Stock Exchange and HANFA, and published on the website of the Zagreb Stock Exchange (www.zse.hr). The only exceptions are certain provisions that the Company deems it not necessary to implement them in the prescribed form, in particular:

The Supervisory Board and the Audit Committee consist primarily of members who are not independent, which is considered to be appropriate in this situation where the Company exists within the KONČAR Group.

The Company holds that the non-implementation of certain provisions of the Code does not undermine the high level of transparency of Company operations and that this will not substantially influence either current or potential investors in making investment decisions.

The compliance questionnaire includes precise answers to questions as to which provisions of the Code the Company implements and which it does not, and this is publicly available on the official website of the Zagreb Stock Exchange (www.zse.hr) and the Company website (www.koncar.hr/dst).

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

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

Statement of Management's Responsibility

KONČAR D&ST

GROUP KONČAR – Distribution and Special Transformers Inc. for manufacturing

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

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

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

- Management Report, which includes the Sustainability Report;
- Corporate Governance Report; and
- Annual consolidated financial statements in single electronic reporting format.

The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

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

Vanja Burul
President of the Management Board

Martina Mikulić
Member of the Management Board

Dominik Trstoglavec
Member of the Management Board

Mario Ljubić
Member of the Management Board

Kristina Dimitrov
Member of the Management Board

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

Independent Auditor's Report

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

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

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

- the consolidated statement of comprehensive income;

the consolidated statement of changes in equity;

the consolidated statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information

("the financial statements").

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

Basis for Opinion

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

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

Key Audit Matters

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

Warranty provisions

Warranty provisions related to customer contracts recognised in the statement of financial position as at 31 December 2025 amounted to EUR 16,168 thousand (31 December 2024: EUR 19,212 thousand). Please refer to notes: Material accounting policy information 2s) *Provisions*, Key accounting estimate 3b) *Warranty provisions* and note 27 *Provisions* in the financial statements.

Key audit matter	How we addressed the matter

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

Revenue recognition

Revenue from customer contracts for the sale of transformers recognized in profit or loss in 2025 amounts to EUR 511,708 thousand (2024:EUR 467,479 thousand).

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

Key audit matter	How we addressed the matter

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

Other Information

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and the Corporate Governance Report included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

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

We have performed a limited assurance engagement on the Sustainability Statement that forms part of the other information and provided a separate unmodified assurance practitioner's conclusion thereon that is included within the other information.

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

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

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

the Management Report and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

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

Consistency with Additional Report to Audit Committee

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

Non-audit Services

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

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on whether the financial statements of the Group as at and for the year ended 31 December 2025, as included in the attached electronic file koncardstgrupa-2025-12-31-0-hr, have been prepared, in all material respects, in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

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

- the preparation of the financial statements in the applicable XHTML format and their publication;

the selection and application of appropriate iXBRL tags, using judgment where necessary;

creating and properly anchoring extension elements where no suitable element exists;

performing block-tagging where required;

ensuring consistency between digitised information and the financial statements presented in human-readable format; and

the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group'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 Group's ESEF preparation process;

evaluating the design and implementation, and operating effectiveness of relevant controls over the iXBRL tagging process;

assessing the XHTML structure and the completeness of tagging;

evaluating the appropriate application of core taxonomy elements, the creation and anchoring of extension elements, and the application of block-tagging where required; and, where relevant,

assessing consistency between machine-readable and human-readable versions and the signed audited financial statements.

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

Opinion

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

13 April 2026

KPMG Croatia d.o.o. za reviziju

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

Signed on the Croatian original

Independent Auditor's Report and

Consolidated Financial Statements, Including Notes

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 EUR'000	2024 EUR'000
Revenue	4	511,708	467,479
Bargain purchase gain	33	1,246	-
Other operating income	5	1,429	1,882
Operating income		**514,383**	**469,361**
Change in inventories of work in progress and finished goods		15,878	463
Materials, consumables, goods and services used	6	(273,968)	(259,653)
Personnel costs	7	(66,942)	(53,743)
Depreciation and amortisation		(6,641)	(5,506)
Other operating expenses	8	(14,381)	(9,727)
Operating expenses		**(346,054)**	**(328,166)**
Operating profit		**168,329**	**141,195**
Finance income		5,166	3,392
Finance expenses		(346)	(785)
Net finance result	9	**4,820**	**2,607**
Share of profit of equity accounted investee	16	258	135
Profit before tax		**173,407**	**143,937**
Corporate income tax	10	(31,171)	(26,225)
PROFIT FOR THE YEAR		**142,236**	**117,712**

	Note	2025 EUR'000	2024 EUR'000
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Change in fair value of the financial assets	33	819	-
Items that can be reclassified to profit or loss:			
Foreign operations – foreign currency differences		(146)	346
Other comprehensive income		**673**	**346**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**142,909**	**118,058**
Profit for the period attributable to:			
Owners of the Company		**141,043**	**116,574**
Non-controlling interest		**1,193**	**1,138**
Comprehensive income for the period attributable to:			
Owners of the Company		**141,716**	**116,920**
Non-controlling interest		**1,193**	**1,138**
Earnings per share (basic and diluted) in EUR	11	278.22	230.25

 The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2025

	Note	31 December 2025 EUR'000	31 December 2024 EUR'000
ASSETS			
Non-current assets			
Intangible assets	12	1,036	434
Property, plant and equipment	13	89,126	64,193
Right-of-use assets	14	3,719	662
Investment property	15	281	304
Investments under the equity method	16	1,391	1,189
Financial assets at FVOCI	17	5	233
Loans to related parties	21	8,000	-
Financial assets at amortized cost	22	150	-
Deferred tax assets	10	2,669	2,833
		106,377	**69,848**
Current assets			
Inventories	18	145,127	122,755
Trade and other receivables	19	112,044	99,075
Other assets	20	13,083	11,624
Loans to related parties	21	24,000	19,000
Financial assets at amortized cost	22	149,467	79,916
Cash and cash equivalents	23	119,948	88,092
		563,669	**420,462**
TOTAL ASSETS		**670,046**	**490,310**

	Note	31 December 2025 EUR'000	31 December 2024 EUR'000
EQUITY AND LIABILITIES			
Share capital		20,449	20,449
Legal reserves		1,018	1,018
Statutory reserves		32,865	32,865
Other reserves		6,103	6,103
Reserves from exchange rate recalculation		2,437	1,764
Retained earnings		278,063	177,684
- from which profit for the year		*141,043*	*116,574*
Attributed to the owners of the Company	24	340,935	239,883
Non-controlling interest	33	9,526	6,842
CAPITAL AND RESERVES		**350,461**	**246,725**
Borrowings	25	16,366	5,815
Financial liabilities through profit or loss	26	9	109
Provisions for warranty repairs	27	13,066	11,294
Other provisions	27	2,248	1,776
Deferred tax liability		705	394
Non-current liabilities		**32,394**	**19,388**
Borrowings	25	5,270	2,197
Financial liabilities at FVTPL	26	324	432
Income tax liability		7,481	3,363
Trade and other payables	28	71,611	66,578
Contract liabilities	29	199,388	143,653
Provisions for warranties	27	3,102	7,918
Other provisions	27	15	56
Current liabilities		**287,191**	**224,197**
Total liabilities		**319,585**	**243,585**
TOTAL EQUITY AND LIABILITIES		**670,046**	**490,310**

 The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 EUR'000	2024 EUR'000
Cash flows from operating activities			
Cash proceeds from trade receivables		572,762	515,080
Cash proceeds from insurance reimbursements		8	22
Cash proceeds from tax returns		15,322	14,254
Cash paid to suppliers		(318,145)	(272,462)
Cash paid to employees		(60,822)	(51,083)
Taxes paid		(34,793)	(41,104)
Cash paid for insurance related to reimbursements		(589)	(410)
Other cash proceeds and payments		(2,468)	(2,152)
Cash from operations		**171,275**	**162,145**
Interest paid		(279)	(148)
Net cash flows from operating activities		**170,996**	**161,997**
Cash flows from investment activities			
Cash proceeds from sale of non-current tangible and intangible assets		45	48
Cash proceeds from the sale of financial instruments		49,083	-
Cash proceeds from dividend		58	68
Cash proceeds from interest		4,617	2,973
Cash receipts from deposit maturity		185,000	3,744
Cash receipts from loan repayments	21	18,000	8,000
Cash outflows for purchase of non-current tangible and intangible assets		(26,560)	(19,412)
Acquisition of a subsidiary, net of cash acquired	33	(3,296)	-
Cash outflows for purchase of financial instruments		(63,299)	(14,903)
Cash outflows for term deposits		(240,000)	(68,736)
Cash outflows for loans given	21	(31,000)	(27,000)
Other investment proceeds and payments		7	(37)
Net cash used in investing activities		**(107,345)**	**(115,255)**

	Note	2025 EUR'000	2024 EUR'000
Cash flows from financing activities			
Cash proceeds from borrowings	25	12,000	-
Cash outflows for repayment of borrowings	25	(2,787)	(2,060)
Principal portion of lease payments	25	(311)	(284)
Dividends paid		(40,664)	(16,403)
Other cash proceeds and payments		(33)	(321)
Net cash used in financing activities		**(31,795)**	**(19,068)**
Net increase in cash and cash equivalents		**31,856**	**27,674**
Cash and cash equivalents at the beginning of the period		88,092	60,418
Cash and cash equivalents at the end of the period	**23**	**119,948**	**88,092**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to the owners of the Company							
	Share capital	Legal reserves	Statutory reserves	Other reserves	Translation and fair value reserves	Retained earnings	Non-controlling interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January 2024	**20,449**	**1,018**	**32,865**	**6,103**	**1,418**	**77,342**	**5,876**	**145,071**
Profit for the year	-	-	-	-	-	116,574	1,138	**117,712**
Other comprehensive income								
Reserves from exchange rate recalculation	-	-	-	-	346	-	-	**346**
Total comprehensive income	**-**	**-**	**-**	**-**	**346**	**116,574**	**1,138**	**118,058**
Dividends	-	-	-	-	-	(16,232)	(172)	**(16,404)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(16,232)**	**(172)**	**(16,404)**
As at 31 December 2024	**20,449**	**1,018**	**32,865**	**6,103**	**1,764**	**177,684**	**6,842**	**246,725**
Profit for the year	-	-	-	-	-	141,043	1,193	**142,236**
Other comprehensive income								
Reserves from exchange rate recalculation	-	-	-	-	(146)	-	-	**(146)**
Fair value remeasurement of financial assets	-	-	-	-	819	-	-	**819**
Total comprehensive income	**-**	**-**	**-**	**-**	**673**	**141,043**	**1,193**	**142,909**
Dividends	-	-	-	-	-	(40,664)	-	**(40,664)**
Total transactions with owners	-	-	-	-	-	**(40,664)**	-	**(40,664)**
Impact of the acquisition of a subsidiary	-	-	-	-	-	-	1,491	**1,491**
As at 31 December 2025	**20,449**	**1,018**	**32,865**	**6,103**	**2,437**	**278,063**	**9,526**	**350,461**

 The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

1. General Information about the Company and Group

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

The Group consists of the Company and three subsidiaries, Power Engineering Transformatory Sp z.o.o., fully owned, Ferokotao Ltd., owned 51% and Novi Feromont Ltd., owned 81.2 % (from December 2025). The primary activity of Power Engineering Transformatory Sp. z.o.o. is the design, production, marketing, and servicing of medium power transformers up to 63 MVA and voltage up to 145 kV. The primary activity of the company Ferokotao Ltd. is the production of metal products, machinery manufacturing, and supplying metal parts for the transformer industry. The primary activity of the company Novi Feromont Ltd., which was acquired in December 2025, is also the manufacture of transformer tanks.

The Group also has an associated company, Elkakon Ltd., in which it holds a 50% stake. As of 31 December 2025, the Group had 1,625 employees, while as of 31 December 2024, it had 1,210 employees.

Members of the Supervisory Board

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

Members of the Management Board

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

Remunerations payable to members of the Management Board and Supervisory Board are presented in Notes 8 and 31 to the financial statements.

The fees paid to auditors for the audit of both separate and consolidated financial statements for the year 2025 amounted to EUR 114 thousand (2024: EUR 83,6 thousand), while the audit fees for the audit of the financial statements of subsidiaries amounted to EUR 42 thousand (2024: EUR 46,5 thousand). The audit services provided in 2025 mainly relate to the costs of auditing and reviewing consolidated annual report (including consolidated financial statements and consolidated management report which contains sustainability report), as well as auditing statements prepared for regulatory purposes. During 2025, as well as during 2024, non-audit services were not provided by the auditors.

2. Material accounting policy information

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

Basis of preparation

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

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

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

The consolidated financial statements are denominated in Euro (EUR) as the Group's functional and reporting currency and are presented in thousands of euros (EUR '000). The reported amounts are rounded to the nearest thousand euros.

The Group has prepared these consolidated financial statements in accordance with the Croatian laws. The Company has also prepared separate financial statements in accordance with IFRS, which were approved by the Management Board simultaneously with these consolidated financial statements.

Application of new and revised international financial reporting standards

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

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

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

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

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

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

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

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

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

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

a) Basis for consolidation

The consolidated financial statements of the Group include the financial statements of the Parent company and the financial statements of the companies controlled by the Parent company (subsidiaries).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from minority shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

b) Investments in associates

Associate companies are companies in which the Group has between 20% and 50% of voting power and in which the Group has significant influence but not control. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting.

c) Business combinations (mergers)

Business combinations are accounted for by applying the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

e) Revenue recognition

The Group recognises revenue from:

- Sales of distribution transformers
- Sales of medium power transformers
- Sales of services
- Sales of materials including metal transformer components (tanks, etc.).

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

Revenue from the sale of transformers: In general, the contracts the Group enters into with customers related to the sale of transformers contain multiple

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performance obligations, which include the sale of the transformer itself and, depending on the contract, accompanying services such as transportation or installation. The Group recognizes each of these performance obligations separately in accordance with IFRS 15, whereby revenue from the sale of transformers is recognized at a point in time, while revenue from services is recognized over time. It is important to note that the performance of these services is short in duration and generally coincides with, and does not significantly deviate from, the delivery of the transformer and the recognition of the related sales revenue.

The moment of revenue recognition for transformer sales is generally upon delivery and installation, given the comprehensive technical requirements that must be met and confirmed by the customers for the transformers to be considered accepted. Furthermore, the manufactured and designed transformers have alternative use, as they can be sold within the same or similar energy grid.

When a party to a contract with a customer meets its obligation, contracts with customers are presented as a contract liability, contract asset or receivable in the consolidated statement of financial position, depending on the relationship between the Group's performance and the customer's payment. Contract assets and liabilities are presented as short-term because they arose within the normal operating cycle.

Sales of services: Revenue is recognised over time on a straight-line basis or as services are provided, i.e. according to the measurement of expenses incurred up to a certain date in relation to the total expected costs required for the performance of the contract obligations as described in the previous section.

Sales of materials including metal transformer components (tanks, etc.): Revenue is recognised at a time when control of goods passes to the buyer, usually after the delivery of the goods. Invoices are issued at that time and are usually paid within the deadlines defined by the contractual provisions.

f) Financial income and expenses

Finance income and expenses include accrued interest on borrowings and loans calculated using the effective interest rate method, interest receivables on invested funds, dividend income, foreign exchange gains and losses, gains and losses on financial assets measured at fair value through profit or loss, and impairment losses on financial assets within the scope of IFRS 9.

g) Taxes

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

Tax benefit for investments

Tax benefits for investments are considered to be benefits derived from state incentive measures that enable the Company to reduce the tax liability of income tax or other specified taxes in future periods, and are related to the construction or acquisition of certain assets and/or the implementation of certain activities and/or the satisfaction of certain specific conditions prescribed by the relevant regulation for investment incentives by competent authorities.

Tax benefits for investments are initially recognized as deferred tax assets and tax income/benefit in the amount lower than the maximum allowed amount of the benefit and the amount of benefit that the Group is estimated to be able to achieve during the period of the related incentive measure. Deferred tax assets recognized as a result of the tax credit for investments are cancelled during the period of the incentive measure, that is, until the end of the credit (if specified) in accordance with the availability of tax liabilities in the following years that can be reduced as a result of using the benefit.

h) Segment information

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

i) Earnings per share

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

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

j) 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 Group's shareholders.

k) Foreign currency transactions

Foreign currency transactions are initially converted into euro by applying the exchange rates prevailing on the transaction date. Cash, receivables and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the current year.

Foreign exchange losses and gains arising on translation are included in profit or loss for the current year and are presented in Note 9 in net amounts (the stated amounts include foreign exchange differences from principal activities as well as foreign exchange differences on borrowings).

l) Non-current intangible and property, plant and equipment

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

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

Non-current intangible assets and real estate, facilities, and equipment are initially recognized at cost, which includes the purchase price, including import duties and non-refundable taxes after deducting trade discounts and rebates, as well as all costs directly attributable to bringing the assets to the location and operational condition for intended use.

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

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

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

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

m) Financial assets and liabilities

Classification and measurement of financial assets

The items of assets are classified and measured as disclosed in Note 29.

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

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

Impairment of financial assets

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

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

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

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

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

- Significant financial difficulties of the issuer or debtor and/or
- Breach of contract, e.g., payment delays or non-payment of interest or principal and/or
- probability that the borrower will enter bankruptcy or financial restructuring.

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

Share capital

Ordinary and preference shares

Share capital represents the nominal value of shares issued.

Reserves are stated at nominal amounts defined in the allocation from net earnings, with legal reserves, statutory reserves (under the current Articles of Association) and other reserves stated separately.

n) Inventories

The Group's inventories include the following categories: raw materials and supplies, including small inventory and spare parts, work in progress and semi-finished goods and finished goods. Cost of consumed raw materials and supplies is calculated using the weighted average cost method.

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

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

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

o) Receivables

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

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p) Cash and cash equivalents

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

q) Borrowings

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

r) Leases

Leases are recognized as right-of-use assets and corresponding liabilities as from the date from which the leased assets are available for use by the Group. The 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 is readily determinable, or by applying the Group's incremental borrowing rate.

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

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

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

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

Low-value assets comprise printers.

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

Lease activities

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

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

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

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

s) Provisions

The Group recognizes the following categories of provisions: provisions for estimated warranty repair costs, provisions for onerous contracts, and provisions for termination benefits and jubilee awards as described in point (t). Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Increases in provisions are reflected within other operating expenses, as well as the elimination of provisions recognized net of the cost of new provisions, given that this inherently represents a change in estimate rather than revenue from sales or other income.

t) Employee benefits

i. Pension obligations and post-employment benefits

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

ii. Termination benefits

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

iii. Regular retirement benefits

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

iv. Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

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v. Short-term employee benefits

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

vi. Share based payments

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

Share based payments comprise:
- variable remuneration where the remuneration recipient may choose settlement in cash or in shares ("settlement alternative");
- additional shares (with no cash settlement alternative) as part of variable remuneration (only in cases where the recipient of variable remuneration opts for settlement in shares); and
- a long-term incentive plan (LTIP) in shares, including a base award, bonus shares and loyalty shares.

The table below presents an overview of the components, settlement methods, fair value measurement and recognition:

Component	Settlement method (IFRS 2)	Fair value measurement	Recognition
Variable remuneration – base award (settlement alternative)	Cash-settled until the election; reclassified to equity-settled after the election	Fair value of the liability (fixed cash amount of the award); remeasured at each reporting date	Expense recognised over the vesting period (generally during the financial year to which it relates)
Variable remuneration – additional shares	Equity-settled	Fair value of the share at grant date; non-market conditions reflected through the estimate of the number of shares	Expense recognised over the vesting period up to the date of settlement of the additional shares
LTIP – base award	Equity-settled	Fair value at grant date (market conditions included in fair value; Monte Carlo simulation); non-market conditions reflected through the estimate of the number of shares	Expense recognised over the relevant vesting period, tranche by tranche
LTIP – bonus shares; loyalty shares	Equity-settled	Fair value at grant date (including probabilities/conditions in accordance with the policy; market conditions included in fair value	Expense recognised over the vesting period up to the date of settlement

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3. Key accounting estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may result in amounts that may differ from actual results. The following estimates and assumptions have been determined by the Group's Management:

a) Revenue recognition

International Financial Reporting Standard 15 Revenue from Contracts with Customers (IFRS 15) requires Management to assess and determine the revenue recognition methodology for the Group's core activities, which includes evaluating the timing of revenue recognition, the number of performance obligations, and the existence of a significant financing component, as described below:

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

Based on all of the above, Management believes that the revenue recognition methodology applied in these consolidated financial statements is in accordance with the provisions of IFRS 15 and that the risk of a potential subsequent adjustment to the amount of sales revenue is not significant.

b) Warranty provisions

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

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4. Revenue

	2025 EUR'000	2024 EUR'000
Type of goods or services		
Sales of distribution and special transformers	176,649	179,347
Sales of medium power transformers	297,862	256,064
Sales of materials and metal components	26,017	22,906
Sales of services	11,180	9,162
Total revenue from contracts with customers	**511,708**	**467,479**
Geographic areas		
Croatia	30,707	20,644
EU member states	426,685	394,055
Bosnia & Herzegovina, Macedonia, Serbia, Montenegro	6,103	8,437
Other European countries	33,258	38,755
Africa	158	371
Asia	14,778	5,186
Other countries worldwide	19	31
Total revenue from contracts with customers	**511,708**	**467,479**
Revenue recognition time:		
At a point in time	500,528	458,317
Over time (services)	11,180	9,162
Total revenue from contracts with customers	**511,708**	**467,479**

Revenue from services is recognized over time as the services are performed rather than at a specific point in time. However, due to the nature, amount, and short duration of these services (such as field maintenance and similar services), this does not have a significant impact on the reported level of revenue from contracts with customers.

5. Other operating income

	2025 EUR'000	2024 EUR'000
Revenue from approved discounts, rebates, and similar items	387	552
Inventory surplus	73	175
Net profit from the sale of fixed assets	38	136
Rental income	36	35
Insurance claim compensations	16	22
Other income	879	962
	1,429	**1,882**

6. Materials, consumables, goods and services used

	2025 EUR'000	2024 EUR'000
Raw materials and consumables	230,922	222,180
Cost of goods sold	937	951
Transport services	9,553	10,078
External production related services	6,800	6,422
Maintenance and servicing	5,214	3,132
Other external costs	20,542	16,890
	273,968	**259,653**

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7. Personnel costs

	2025 EUR'000	2024 EUR'000
Net salaries and wages	37,447	31,798
Taxes and contributions from salaries	17,504	12,925
Contributions on salaries	8,413	6,722
Reimbursement of employee expenses, gifts and grants	3,578	2,298
	66,942	**53,743**

In 2025, pension fund contributions amounted to EUR 10,802 thousand (2024: EUR 7,501 thousand).

In 2025, personnel costs include EUR 295 thousand of retirement and termination benefits (2024: EUR 163 thousand).

The average number of employees during 2025 was 1,290 employees (2024: 1,172 employees).

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

8. Other costs

	2025 EUR'000	2024 EUR'000
Change in provisions for warranty repairs	1,256	5,948
Value adjustment of inventories, net	1,158	(3,625)
Net effects of penalty costs and similar accrued costs	(228)	(1,543)
Net effects of jubilee and termination provisions	352	(138)
Representation services	1,298	989
Transportation costs for employees	1,203	1,166
Bank charges and commissions	1,462	1,027
Insurance	1,121	762
Daily allowances and business trip related costs	892	732
Premiums and benefits for voluntary pension pillar	367	322
Professional training costs	558	315
Intellectual services	647	356
Fees payable to Supervisory board members	40	40
Effects of provisions for ongoing legal disputes	-	(135)
Effects of provisions for onerous contracts	-	(185)
Other non-production related costs	1,106	1,125
Other operating costs	3,146	2,571
	14,381	**9,727**

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9. Net finance result

	2025 EUR'000	2024 EUR'000
Interest income	5,095	3,377
Dividends and share in profits	3	3
Other financial income	68	12
Total finance income	**5,166**	**3,392**
Interest and similar expenses	319	190
Foreign exchange losses	27	595
Total finance expenses	**346**	**785**
Net finance result	**4,820**	**2,607**

10. Corporate income tax

	2025 EUR'000	2024 EUR'000
Current tax	31,186	26,164
Deferred tax	(15)	61
Income tax expense	**31,171**	**26,225**

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

	2025 EUR'000	2024 EUR'000
Accounting profit (before tax)	173,407	143,937
Tax at 18%	31,213	25,909
Adjustments for:		
Non-deductible expenses	395	138
Non-taxable profit reductions	(88)	144
Temporary differences for which no deferred tax assets were recognized	66	(21)
Change in recognized deferred taxes, including incentives	400	502
Deferred tax assets recognised in respect of temporary differences from previous years	(263)	-
Effect of different tax rate	(494)	(416)
Share of profit of equity accounted investee	(58)	(31)
Income tax expense	**31,171**	**26,225**
Effective tax rate	17.98%	18.22%

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Investment incentives

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

Additionally, through business combinations during 2023, the Group acquired the right to utilize additional tax relief for investment promotion by reducing tax liabilities by 100%, with a potential utilization framework of EUR 1.3 million. The Group recognized deferred tax assets on this amount, considering the full utilization of this framework is expected. The amount used under this incentive was EUR 541 thousand in 2025 (EUR 536 thousand in 2024).

As of 31 December 2025, the Group did not have any unused carried forward tax losses for which deferred tax assets were not recognized.

Deferred tax asset and relevant movement was as follows:

	31 December 2025	Recognized in profit and loss	Recognized in other comprehensive income	31 December 2024	Recognized in profit and loss	31 December 2023
Deferred tax assets:						
Impairment of receivables	27	4	-	23	23	-
Impairment of non-current assets	59	-	-	59	(1)	60
Inventory impairment	486	447	-	39	(678)	717
Carried forward unutilised tax losses	-	-	-	-	(12)	12
Unrecognized provisions	455	7	-	448	173	275
Unused amount of tax relief under the Investment Promotion Act	603	(541)	-	1.144	(536)	1.680
Taxable deferred income	1.218	98	-	1.120	970	150
Deferred tax assets	**2.848**	**15**	**-**	**2.833**	**(61)**	**2.894**
Fair value remeasurement of financial assets through OCI	(179)	-	(179)	-	-	-
Net deferred tax asset	**2.669**	**15**	**(179)**	**2.833**	**(61)**	**2.894**

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11. Earnings per share

Basic and diluted earnings per share:

	2025	2024
Net result in EUR thousands	142,236	117,712
Total and weighted average number of shares	511,232	511,232
Earnings per share in euros	**278.22**	**230.25**

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

12. Non-current intangible assets

	Licenses, software and other rights EUR'000	Assets under construction EUR'000	Total EUR'000
Cost			
As at 1 January 2024	**2,475**	**74**	**2,549**
Additions	32	82	114
Transfer	156	(156)	-
Disposals and write offs	(7)		(7)
As at 31 December 2024	**2,656**	**-**	**2,656**
Additions	42	701	743
Effect of acquiring a subsidiary (Note 33)	143	-	143
Transfer	469	(469)	-
Disposals and write offs	(15)	-	(15)
As at 31 December 2025	**3,295**	**232**	**3,527**
Accumulated amortization			
As at 1 January 2024	**2,031**	**-**	**2,031**
Charge for the year	197	-	197
Disposals and write offs	(6)	-	(6)
As at 31 December 2024	**2,222**	**-**	**2,222**
Charge for the year	284	-	284
Disposals and write offs	(15)	-	(15)
As at 31 December 2025	**2,491**	**-**	**2,491**
Carrying amount			
As at 31 December 2024	434	-	434
As at 31 December 2025	**804**	**232**	**1,036**

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13. Property, plant and equipment

	Land	Buildings	Plant and equipment	Tools and furniture	Assets under construction and advances	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost						
As at 1 January 2024	**5,021**	**38,253**	**43,791**	**5,324**	**2,624**	**95,013**
Additions	-	-	-	-	21,702	**21,702**
Transfers	731	3,378	2,352	504	(6,965)	**-**
Disposals and write offs	(16)	-	(470)	(96)	(42)	**(624)**
Exchange rate difference	3	38	54	(40)	11	**66**
As at 31 December 2024	**5,739**	**41,669**	**45,727**	**5,692**	**17,330**	**116,157**
Additions	808	-	-	-	24,926	**25,734**
Effect of acquiring a subsidiary (Note 33)	946	1,996	1,961	203	105	**5,211**
Transfers	7,937	14,938	10,117	1,409	(34,401)	**-**
Disposals and write offs	(184)	(85)	(382)	(131)	(22)	**(804)**
Exchange rate difference	3	26	8	1	6	**44**
As at 31 December 2025	**15,249**	**58,544**	**57,431**	**7,174**	**7,944**	**146,342**
Accumulated depreciation						
At 1 January 2024	**9**	**16,283**	**27,271**	**3,920**	**-**	**47,483**
Charge for the year	2	1,745	2,799	434	-	**4,980**
Disposals and write offs	-	-	(417)	(82)	-	**(499)**
As at 31 December 2024	**11**	**18,028**	**29,653**	**4,272**	**-**	**51,964**
Charge for the year	27	2,028	3,319	476	-	**5,850**
Disposals and write offs	(38)	(85)	(371)	(104)	-	**(598)**
As at 31 December 2025	**-**	**19,971**	**32,601**	**4,644**	**-**	**57,216**
As at 31 December 2024	5,728	23,641	16,074	1,420	17,330	64,193
As at 31 December 2025	**15,249**	**38,573**	**24,830**	**2,530**	**7,944**	**89,126**

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As at 31 December 2025, the net book amount of mortgaged properties amounts to EUR 33,391 thousand (31 December 2024: EUR 18,422 thousand). Mortgages have been registered over these properties and moveable properties worth EUR 3 million (31 December 2024: EUR 3 million) in the total amount of EUR 72 million (31 December 2024: EUR 62 million). There is a pledge of EUR 8 million on movable assets (31 December 2024: EUR 8 million) with a net carrying amount of EUR 1,107 thousand (31 December 2024: EUR 1,394 thousand) (Note 25). As at 31 December 2025 total advances for property, plant and equipment amounted to EUR 3,529 thousand (31 December 2024: EUR 5,207 thousand).

14. Right-of-use assets

Right-of-use assets relate to the following:

	31.12.2025 EUR'000	31.12.2024 EUR'000
Buildings	3,221	320
Plant and equipment	41	47
Transport vehicles	329	278
Land	128	17
	3,719	**662**

The movement during the year is shown below:

	31.12.2025 EUR'000	31.12.2024 EUR'000
As at 1 January	662	911
Increase - new leases	3,871	1,116
Decrease – termination of leases	(336)	(1,070)
Depreciation	(484)	(306)
Exchange rate difference	6	11
As at 31 December	**3,719**	**662**

15. Investment property

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

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

16. Investment accounted for using the equity method

	31.12.2025 EUR'000	31.12.2024 EUR'000
Investment in an associate accounted for using the equity method		
Elkakon Ltd., Zagreb (50% share)	1,391	1,189
	1,391	**1,189**

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The Group holds a 50% ownership share in Elkakon Ltd., company engaged in the production of industrial conductors and a strategic and associate of the Company. The relevant financial information with respect to the equity-accounted investee is as follows:

	Elkakon d.o.o. 2025 EUR'000	Elkakon d.o.o. 2024 EUR'000
Income	17,359	16,433
Expenses	(16,728)	(16,101)
Profit before tax	631	332
Corporate income tax	(115)	(62)
Profit after tax	**516**	**270**
Non-current assets	1,206	1,250
Current assets	3,787	3,234
Total assets	**4,993**	**4,484**
Total liabilities	**2,210**	**2,112**

Changes in the investment in the equity-accounted investee during the year were as follows:

	Elkakon d.o.o. EUR'000
As at 1 January 2024	**1,119**
Profit of the associate (50% share)	135
Dividend payment by the associate	(65)
31 December 2024	**1,189**
Profit of the associate (50% share)	258
Dividend payment by the associate	(56)
31 December 2025	**1,391**

17. Financial assets at FVOCI

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

Fair value measurement

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

18. Inventories

	31.12.2025 EUR'000	31.12.2024 EUR'000
Raw materials and consumables	53,771	49,464
Production work-in-progress	53,992	46,782
Finished products	37,364	26,509
	145,127	**122,755**

The cost of goods sold in 2025 amounted to EUR 249,794 thousand (2024: EUR 242,520 thousand).

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19. Trade and other receivables

	31.12.2025 EUR'000	31.12.2024 EUR'000
Receivables from foreign customers	89,437	89,048
Receivables from domestic customers	14,770	3,907
VAT receivable	3,939	3,335
Other receivables	3,437	2,309
Prepayments	461	476
	112,044	**99,075**

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
Not yet due	89,855	75,649
< 60 days	12,601	16,491
60-90 days	637	340
90-180 days	1,050	383
180-365 days	20	25
> 365 days	44	67
	104,207	**92,955**

Maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The following table explains the changes in the expected credit loss for trade receivables between the beginning and the end of the period:

	2025 EUR'000	2024 EUR'000
As at 1 January	**140**	**75**
Net change in ECLs	(18)	(28)
Written-off	38	92
Effect of change in foreign exchange rate	-	1
As at 31 December	**160**	**140**

20. Other assets

	31.12.2025 EUR'000	31.12.2024 EUR'000
Assets recognized based on costs of obtaining contracts with customers	12,569	11,384
Advances paid for inventories	260	240
Contract assets from contracts with customers	254	-
	13,083	**11,624**

21. Loans to related parties

	31.12.2025 EUR'000	31.12.2024 EUR'000
Loans to companies within the KONČAR Group	32,000	19,000
	32,000	**19,000**
Of which:		
- non-current	8,000	-
- current	24,000	19,000

The Group approved loans to related parties in the total amount of EUR 31 million during 2025 (2024: EUR 27 million). In 2025, at the group level, KONČAR conducted an analysis of market interest rates, based on which interest rates were calculated in the range of 2.9% - 4.09% annually (2024: 2% - 4%).

Changes in the loans granted during the year were as follows:

	Loans granted EUR'000
As at 1 January 2024	**-**
Cash outflow	27,000
Cash receipts	(8,000)
As at 31 December 2024	**19,000**
Cash outflow	31,000
Cash receipts	(18,000)
As at 31 December 2025	**32,000**

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22. Financial assets per amortized cost

	31.12.2025 EUR'000	31.12.2024 EUR'000
Deposits in banks over 3 months	120,150	65,000
Treasury bills of the Republic of Croatia	29,467	14,916
	149,617	**79,916**
Of which:		
-non-current	150	-
-current	149,467	79,916

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

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
A+	70,000	34,000
A-	50,000	21,000
BBB	-	10,000
Without grade	150	-
	120,150	**65,000**

23. Cash and cash equivalents

	31.12.2025 EUR'000	31.12.2024 EUR'000
Cash in bank	38,146	26,852
Cash on hand	4	2
Overnight and deposits up to 3 months	81,798	61,238
	119,948	**88,092**

Interest rate on the Group's cash in bank and deposits up to 3 months is from 1.3% - 4.22% (2024: 2.05% - 2.95%).

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

	31.12.2025 EUR'000	31.12.2024 EUR'000
A+	35,868	3,362
A-	42,506	14,712
BBB+	40,259	23,000
BBB	625	15,757
BBB-	-	10,476
Without grade	686	20,783
	119,944	**88,090**

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24. Capital and reserves

Share capital is determined in the nominal amount of EUR 20,449 thousand (31 December 2024: EUR 20,449 thousand), The ownership structure of the Company was as follows:

	31.12.2025		31.12.2024	
Shareholder	No of shares	Ownership share %	No of shares	Ownership share %
Intercapital Securities / KONČAR Inc.	269,596	52.73	269,596	52.73
OTP banka d.d. / AZ Mandatory Pension Fund B class	23,336	4.56	24,903	4.87
Agram brokeri Inc. / Knežević Nikola	19,354	3.79	20,014	3.91
Hita - Securities Inc. / Berkopić Dražen	14,405	2.82	14,110	2.76
Floričić Kristijan	11,500	2.25	12,500	2.45
Zagrebačka banka d.d. / Collective Custodian Account Zagrebačka banka d.d. / DF	9,453	1.85	9,498	1.86
Interkapital Securities / Radić Antun	7,886	1.54	7,886	1.54
Raiffeisenbank Austria d.d. / Collective Custodian Account DF	5,051	0.99	4,800	0.94
Other	150,651	29.47	147,925	28.94
	511,232	**100**	**511,232**	**100**

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

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

25. Borrowings

	31.12.2025 EUR'000	31.12.2024 EUR'000
Non-current borrowings		
Leases	2,606	227
Bank loans	13,760	5,588
	16,366	**5,815**
Current borrowings		
Leases	1,009	137
Bank loans	4,261	2,060
	5,270	**2,197**
Total borrowings	**21,636**	**8,012**

Liabilities to banks as at 31 December 2025 relate to the following:

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

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- loan granted from Raiffeisenbank Austria Inc, amounting to EUR 6,050 thousand, approved in July 2021, with a fixed interest rate of 1.10% per annum, is used for the closure of principal and fees for the early repayment of existing loan tranches with Privredna banka Zagreb Inc. Security instruments include 2 blank promissory notes, 1 debenture in the amount of EUR 6,050 thousand, mortgage rights on real estate and movable property to be executed based on 4 promissory notes, each amounting to EUR 2,100 thousand euros, totalling EUR 8,400 thousand.
- loan granted from Raiffeisenbank Austria Inc, amounting to EUR 1 million, approved in July 2021, with a fixed interest rate of 1.10% per annum, is intended for working capital. Security instruments include 2 blank promissory notes, 1 debenture in the amount of EUR 1 million euros, and mortgage rights on real estate and movable property to be executed based on 4 promissory notes described in the previous loan.
- A loan granted on 20 April 2022 by HBOR under the Credit Portfolio Guarantee Programme for Exporter Liquidity – COVID-19 measures of the Republic of Croatia, in the amount of EUR 1,321 thousand, for the financing of working capital, with an availability period until 31 December 2022. The loan is repayable in 48 equal monthly instalments, with the first instalment due on 31 January 2024 and the final instalment due on 31 December 2027. The interest rate was 0% during the drawdown period and the first three years of repayment, while for the fourth and fifth years the interest rate amounts to 1.5% per annum, The loan is secured by a promissory note in the amount of the approved loan.
- A loan granted on 4 December 2023 by Hrvatska poštanska banka d,d, in an amount of up to EUR 1,500 thousand, intended to finance the borrower's liquidity. The loan is repayable in 36 equal monthly instalments, with the first instalment due on 31 January 2024 and the final instalment due on 31 December 2026. The initially agreed interest rate was a fixed rate of 6%; however, pursuant to Addendum I to the agreement, concluded on 5 June 2025, the interest rate was amended. The new interest rate is the six-month EURIBOR increased by a fixed margin of 2.00%. The loan is secured by a promissory note in the amount of the approved loan and a deposit of EUR 150 thousand.

Changes in borrowings during the year are as follows:

	Bank loans EUR'000	Leases EUR'000	Total EUR'000
As at 1 January 2024	**9,708**	**422**	**10,130**
Cash outflows (repaid)	(2,060)	(284)	(2,344)
Other non-monetary transactions	-	223	223
Foreign exchange rate changes	-	3	3
As at 31 December 2024	**7,648**	**364**	**8,012**
Acquisition of subsidiary	1,160	24	1,184
Cash receipts	12,000	-	12,000
Cash outflows (repaid)	(2,787)	(311)	(3,098)
Other non-monetary transactions	-	3,540	3,540
Foreign exchange rate changes	-	(2)	(2)
As at 31 December 2025	**18,021**	**3,615**	**21,636**

Non-current liabilities to banks mature as follows:

	31.12.2025 EUR'000	31.12.2024 EUR'000
up to 1 year	4,261	2,060
1 - 2 years	3,645	1,977
2 - 3 years	2,957	1,860
3 - 4 years	1,704	1,501
4 - 5 years	1,454	250
over 5 years	4,000	-
	18,021	**7,648**

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26. Financial instruments at fair value through profit or loss

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

During the year, the Group used forward contracts entered into with commercial banks with the intention of managing the fluctuations of foreign currencies (SEK, NOK). The nominal value of currency forwards as at the reporting date amounted to EUR 17,338 thousand, with the contracts maturing in the period from 2026 to 2027. Gains and losses recognized as changes in the market value of the currency forward contracts are recorded in the statement of comprehensive income within 'Net finance result'.

27. Provisions

	Warranties EUR'000	Jubilee awards and retirement benefits EUR'000	Provisions for onerous contracts EUR'000	Other provisions EUR'000	Total EUR'000
As at 1 January 2024	**15,872**	**2,024**	**185**	**224**	18,305
Increase	5,948	232	-	50	6,230
Release	-	(370)	(185)	(185)	(740)
Exchange rate fluctuations	19	4	-	2	25
Utilised	(2,627)	(128)	-	(21)	(2,776)
As at 31 December 2024	**19,212**	**1,762**	**-**	**70**	21,044

	Warranties EUR'000	Jubilee awards and retirement benefits EUR'000	Provisions for onerous contracts EUR'000	Other provisions EUR'000	Total EUR'000
Acquisition	50	-	-	100	150
Increase	5,462	463	-	-	5,925
Release	(4,206)	(111)	-	(9)	(4,326)
Utilised	(4,366)	(2)	-	(11)	(4,379)
Exchange rate fluctuations	16	1	-	-	17
As at 31 December 2025	**16,168**	**2,113**	**-**	**150**	18,431
of which:					
- non-current	13,066	2,098	-	150	15,314
- current	3,102	15	-	-	3,117

Provisions for warranty periods

Warranty provisions are determined on the basis of Management's best estimate. The provision is made based on the Group's estimates and experience, as well as that of other transformer manufacturers. The Group provides to customers long-term warranties for delivered transformers, which typically last over 5 years and can extend exceptionally up to 10 years. Based on historical data regarding repair costs during the warranty period, the number of sold transformers, industry statistics on failure incidence, and the prevailing duration of the warranty period, the Management estimates and creates a provision for repairs during the warranty period. The amount of provisions recognised in the manner described above as at 31 December 2025 amounts to EUR 16.2 million (2024: EUR 19.2 million).

Provisions for long-term employee benefits

The long-term portion of the provisions for termination benefits and jubilee awards in the amount of EUR 2,098 thousand (2024: EUR 2,278 thousand) relates to the estimated amount of termination benefits and jubilee awards in line with the Collective Agreement, to which Group employees are entitled to at the end of their employment (either upon retirement or meeting the conditions for obtaining jubilee awards). The present value of these provisions is calculated by an independent actuary based on the number of employees, number of years of service at the Group and the the legally regulated non-taxable amount of termination benefits and jubilee awards and the discount rate of 2.87% (2024: 2.94%).

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28. Trade payables

	31.12.2025 EUR'000	31.12.2024 EUR'000
Payables to domestic suppliers	13,994	11,807
Payables to foreign suppliers	25,025	31,000
Payables to employees	5,106	2,127
Other taxes, contributions and fees payable	5,823	3,119
Deferred income	-	144
Unused holiday	1,450	948
Interest payable	19	24
Liabilities for share in profits	43	29
Agent commissions	15,071	13,791
Other accrued costs	1,890	1,137
Other liabilities	3,190	2,452
	71,611	**66,578**

29. Contract liabilities

	31.12.2025 EUR'000	31.12.2024 EUR'000
Contract liability – advances received from customer	172,645	125,892
Contract liability from contracts with customers	26,743	17,761
Total contract liability	**199,388**	**143,653**

Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to EUR 238,300 thousand (2024: EUR 194,678 thousand).

Contract liabilities at the reporting date relate to contracts with customers with a total value of EUR 326,601 thousand (31 December 2024: EUR 295,442 thousand), for which performance obligations should be satisfied in the next reporting period. This amount represents the best estimate based on current knowledge and the estimated delivery dates of transformers; however, deviations are possible in cases of delivery delays by the customer, adjustments based on the agreed escalation formula, and similar. At the end of the reporting period, there are unfulfilled performance obligations based on advances received from customers, amounting to EUR 593,056 thousand (31 December 2024: EUR 532,584 thousand).

30. Off-balance-sheet items

Off-balance sheet items as of 31 December 2025 include the following: joint guarantees issued on behalf of the PET subsidiary to banks and clients in the amount of EUR 5,898 thousand and guarantees issued on behalf of related parties in the amount of EUR 2,646 thousand (31 December 2024: EUR 11,310 thousand and EUR 2,111 thousand). In total, the Company issued insurance instruments (bank guarantees) to related companies and third parties in the amount of EUR 627,006 thousand (31 December 2024: EUR 379,746 thousand), while related companies and third parties issued insurance instruments to the Company in the amount of EUR 63,895 thousand (31 December 2024: EUR 36,698 thousand). The management estimates that the fair value of issued guarantees/warranties is not significant, using an exceptionally low probability of a damaging event occurring, taking into account the fact that no guarantee has been activated in the past.

Balance of the Group's concluded contracts (order book) based on active projects as of 31 December 2025 amounts to EUR 987.5 million (31 December 2024: EUR 822.4 million).

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31. Related party transactions

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

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

2025	Operating and financial activities					
	Receivables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances receivedi EUR'000	Revenue EUR'000	Expenses EUR'000
KONČAR Group companies:	508	280	374	642	3,608	3,252
KONČAR – Electrical Industry Inc. (parent company)	251	1,788	-	-	1,867	10,346
Associates	101	382	-	-	398	12,138
	860	**2,450**	**374**	**642**	**5,873**	**25,736**

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

2024	Operating and financial activities					
	Receivables EUR'000	Liabilities EUR'000	Advances given EUR'000	Advances receivedi EUR'000	Revenue EUR'000	Expenses EUR'000
KONČAR Group companies:	399	661	147	-	7,141	4,432
KONČAR – Electrical Industry Inc. (parent company)	389	1,159	-	9	1,775	7,259
Associates	71	835	-	904	492	14,671
	859	**2,655**	**147**	**913**	**9,408**	**26,362**

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

Key management renumerations

During 2025 total remuneration of EUR 1,056 thousand (fixed and variable) was paid to Management Board of the Group (31 December 2024: EUR 824 thousand) which include EUR 551 thousand of variable remuneration for 2024 (in 2024 a total of EUR 364 thousand of variable consideration was paid relating to 2023). Accrued variable Management remuneration as at the reporting date amounts to 616 thousand (31 December 2024: EUR 417 thousand). Management Board has 5 members (2024: 5 members). During 2025 Management Board of subsidiary Power Engineering Transformatory Ltd received total remuneration of EUR 178 thousand (2024: EUR 155 thousand). Management Board of subsidiary has 3 members (2024: 3 members). During 2025, the management of the subsidiary Ferokotao d,o,o, was paid EUR 204 thousand in compensation (2024: EUR 144 thousand). The management of this subsidiary consists of 2 members (2024: 2 members).

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

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32. Risk management

Capital risk management

Financial leverage ratio

	31.12.2025 EUR'000	31.12.2024 EUR'000
Debt (current and non-current) = D	(21,636)	(8,012)
Short-term deposits in banks (over 3 months)	120,150	65,000
Cash and cash equivalents	119,948	88,092
Net cash / (debt)	218,462	145,080
Equity = E	(350,461)	(246,725)
Financial leverage ratio = D/(D+E)	**5.81%**	**3.15%**

Financial risk management

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

	FV hierarchy	31.12.2025 EUR'000	31.12.2024 EUR'000
Equity instruments at FVOCI	Level 3	-	228
Other financial assets at FVOCI	Level 3	5	5
Total financial assets at FVOCI		**5**	**233**
Trade receivables	n/a	104,207	92,955
Loans given	n/a	32,000	19,000
Deposits and other investments	n/a	149,617	79,916
Cash and cash equivalents	n/a	119,948	88,092
Total financial assets at amortised cost		**405,772**	**279,963**
Total financial assets		**405,777**	**280,196**
Lease liability	n/a	3,615	364
Bank loans	n/a	18,021	7,648
Trade payables	n/a	39,019	42,807
Total financial liabilities at amortised cost		**60,655**	**50,819**
Derivative instruments	Level 2	333	541
Total financial liabilities at FVTPL		**333**	**541**
Total financial liabilities		**60,988**	**51,360**

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A) Fair value of financial assets and liabilities

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

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

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

Derivative financial instruments

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

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

Receivables and bank deposits

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

Borrowings

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

Other financial instruments

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

1. MARKET RISK

Market risk is the fluctuation risk of fair value or future cash flows of financial instruments resulting from changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks.

There were no significant changes to the Group's exposure to market risk or the manner in which it measures and manages the risk.

a) Foreign currency risk

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

The Group is exposed to currency risk through sales, purchases, and loans denominated in a currency other than the Group's functional currency. The currency primarily subject to risks is GBP and SEK. The Group mitigates its exchange rate risk by entering into forward currency contracts with commercial banks for all currencies based on materiality criteria.

The relevant exchange rate for EUR and SEK were as follows:

	Spot exchange rate		Spot exchange rate	
	31.12.2025 EUR'000	**31.12.2024** EUR'000	**31.12.2025** EUR'000	**31.12.2024** EUR'000
GBP	0.8712	0.82950	0.8568	0.84662
SEK	10.8180	11.4865	11.0663	11.4325

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The Group's exposure to the currency risk of the specified currencies as of the reporting date is shown below. Also, an analysis of the effect of changes in relevant exchange rates on the net result was presented, except for the euro currency, considering the introduction of the euro as a functional currency on 1 January 2023.

	Denominated in GBP	
	31.12.2025 EUR'000	31.12.2024 EUR'000
Trade receivable	2,312	1,827
Cash and cash equivalent	254	2,576
Derivatives	(63)	(541)
	2,503	**3,862**
Effect of 1% change in exchange rates on profit	**25**	**39**

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

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

b) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. An overview of loans by defined interest rates is presented below:

	31.12.2025 EUR'000	31.12.2024 EUR'000
Bank loans based on a fixed interest rate	17.521	7.648
Bank loans based on a variable interest rate	500	-
Leases based on a fixed interest rate	3.615	364
	21.636	**8.012**

The Group analyses the exposure to interest rates at the reporting date by taking into account the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is deemed a reasonably possible change in interest rates. The estimated effect of the reasonably possible change in variable interest rates on the result before tax is not material, The Group does not hedge against interest rate risk.

2. CREDIT RISK

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

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

Total exposure to credit risk at the reporting date is as follows is set out in Note 32 to the consolidated financial statements. The Group does not have a significant credit exposure that is not covered by security instruments or not reflected in the estimates of indications of impairment as at the reporting dates.

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3. LIQUIDITY RISK

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

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

as at 31 December 2025	**Net book value** EUR'000	**Contractual cash flows** EUR'000	**up to 1 year** EUR'000	**1 - 2 years** EUR'000	**2 - 5 years** EUR'000	**over 5 years** EUR'000
Non-interest bearing liabilities:	**39,019**	**39,019**	39,019	-	-	-
Trade payables						
Interest bearing liabilities:	**3,615**	**3,897**	1,011	966	1,920	-
Leases payable	**18,021**	**19,415**	4,621	3,958	6,668	4,168
Bank loans	**21,636**	**23,312**	**5,632**	**4,924**	**8,588**	**4,168**
	60,655	**62,331**	**44,651**	**4,924**	**8,588**	**4,168**

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

as at 31 December 2024	**Net book value** EUR'000	**Contractual cash flows** EUR'000	**up to 1 year** EUR'000	**1 - 2 years** EUR'000	**2 - 5 years** EUR'000	**over 5 years** EUR'000
Non-interest bearing liabilities:	**42.807**	**42.807**	42.807	-	-	-
Trade payables						
Interest bearing liabilities:	**364**	**403**	155	94	154	-
Leases payable	**7.648**	**7.892**	2.164	2.051	3.677	-
Bank loans	**8.012**	**8.295**	**2.319**	**2.145**	**3.831**	**-**
	50.819	**51.102**	**45.126**	**2.145**	**3.831**	**-**

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33. Business combinations

On 17 December 2025, the Company acquired control over the company Novi Feromont Ltd., from Donji Kraljevec, obtaining an ownership interest of 81.2%. Prior to the acquisition date, the Group held an ownership interest of 18.93% in this company. The value of the existing equity interest was remeasured to fair value, resulting in a gain of EUR 0,8 million, which was recognized within comprehensive income in accordance with the Group's accounting policies.

Cost of acquisition	EUR'000
Purchase price for 81.2% ownership stake	5,249

Fair value recognized during acquisition

The fair value of the identifiable assets and liabilities of Novi Feromont Ltd., as at the acquisition date was as follows:

	EUR'000
Assets	
Intangible assets	143
Land and buildings	2,942
Property and equipment	2,269
Long-term loans and receivables	150
Inventories	3,013
Trade and other receivables	3,817
Cash and cash equivalents	728
	13,062
Liabilities	
Deferred tax	311
Total liabilities	4,824
	5,135
Total recognized net assets at fair value	**7,927**

(Bargain purchase gain) / goodwill

	EUR'000
Acquisition cost adjusted for premium	5,190
Non-controlling interest	1,491
Total recognized net assets at fair value	7,927
(Bargain purchase gain) / goodwill	**(1,246)**

From the acquisition date (17 December 2025) until the end of the previous year, i,e, 31 December 2025, there were no significant transactions. Consequently, for the purpose of calculating the effects of the acquisition of the controlling interest in Novi Feromont Ltd., the Group used the financial information of this company as at 31 December 2025. Accordingly, no effects of this company's operations from the acquisition date to the end of the year have been recognized in the Group's comprehensive income or cash flows.

If all acquisitions were carried out on 1 January 2025, the total revenue and profit of the Group would be as follows:

	2025 EUR'000
Sales revenue until the acquisition date	
Novi Feromont Ltd.	21,594
Consolidated revenues of the Group	511,708
Total revenues if the acquisition was conducted at 1.1.2025	**533,302**
Profit until the acquisition date	
Novi Feromont Ltd.	2,048
Net profit of the Group	140,990
Total net profit if the acquisition was conducted at 1.1.2025	**143,038**

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Methods and assumptions for calculating the fair value of net identifiable assets:

Asset/liability item	Valuation technique
Property, plant and equipment	When assessing the value of land, the market approach was used, specifically the method of comparable transactions. This method relies on the assumption that the value of the asset can be determined based on the analysis of recent market purchase prices. For assessing the value of buildings, the income approach was utilized, employing the method of earnings capitalization. This approach is based on the assumption that the value of the asset is the present value of its future cash flows belonging to the owner of the asset. In evaluating the value of a significant portion of plant and equipment, the cost approach was used, applying the method of depreciated replacement cost. This approach assumes that the value of the asset is equal to the costs of reproduction or replacement of the asset, adjusted for depreciation. For assessing the value of vehicles and forklifts, the market approach was used, specifically the method of comparable transactions. This method is based on the assumption that the value of the asset can be determined based on the analysis of recent market purchase prices.
Intangible assets	• It mainly consists of software. The fair value of intangible assets corresponds to its book value.
Inventories	The fair value of inventory acquired in a business combination is estimated as follows: • Raw materials – at replacement cost as of the Valuation Date, • Work in progress (WIP) – at the selling price reduced by completion costs, disposal costs, and a reasonable profit margin for completion and sale, • Finished goods and merchandise – at the selling price reduced by disposal costs and a reasonable profit margin.
Current receivables and current liabilities	Accounts receivable, other receivables, accounts payable, and other liabilities are estimated at their present value of the amounts expected to be collected, which is determined based on appropriate interest rates, adjusted for impairment allowances and collection costs if necessary. Since these receivables and liabilities are short-term in nature, their fair value is approximately equal to their carrying value.
Financial liabilities	Financial liabilities are valued at their present value of the amounts that will be paid in settlement of obligations determined by the appropriate interest rate.

34. Events after the reporting period

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

The Group is in the process of releasing pledges over its real estate and movable assets registered by the financial institutions, as described in Note 25.

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

KONČAR
D&ST

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