

**Inspired
by
challenge**

KONČAR
Inspired by challenge

The Finest CEElection Investors Conference ONLINE DAYS
October 2022

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Company overview

A century of excellence

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



Company at a glance



KONČAR GROUP

14 companies and
2 affiliated
companies
2 joint ventures



TOTAL REVENUES

EUR 483 million (2021)



EMPLOYEES

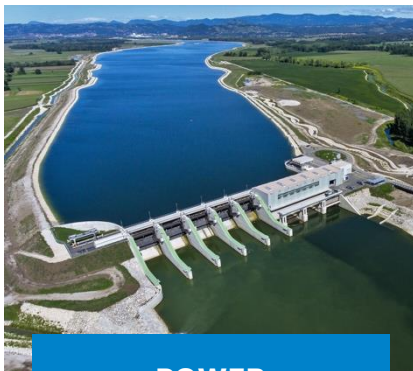
3,640



EXPORT

60% of the total sales
revenues (2021)

Business segments



**POWER
GENERATION**



**POWER
TRANSMISSION AND
DISTRIBUTION**



**RAIL
SOLUTIONS AND
INFRASTRUCTURE**



**DIGITAL SOLUTIONS
AND PLATFORMS**

Power generation

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



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Power transmission and distribution

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



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Rail solutions and infrastructure

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



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Digital solutions and platforms

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



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Key performance indicators H12022

Further income and order intake growth

Key performance indicators

Export

+23.0%

Sales income

+20,2%

Backlog

+14.2%

EBITDA

+119.5%

Book-to-bill ratio

1.37

Net profit

+205.5%

Results strongly impacted by one-off items

Compared to 2021

Backlog as at 31 December 2021

** Excluding the impact of Dalekovod Group*

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Key performance indicators

EBITDA

+20,2%

EBITDA margin

7.3%

Net profit

+20,8%

Net profit margin

4.1%

Normalized data:

Excluding income from:

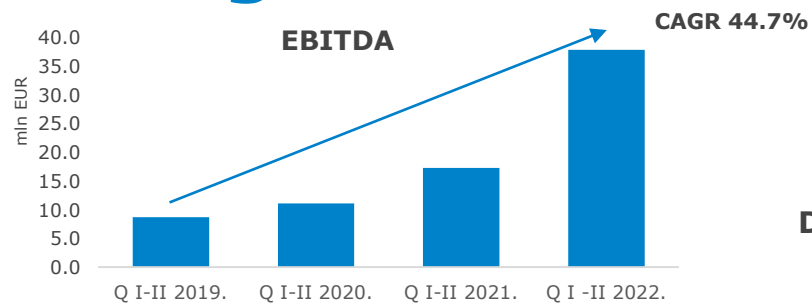
- Sale of assets
- Loss compensation income
- Other provisions
- Dalekovod transaction effects

a total of EUR 19.3 million

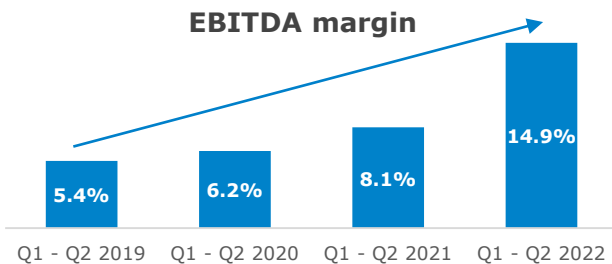
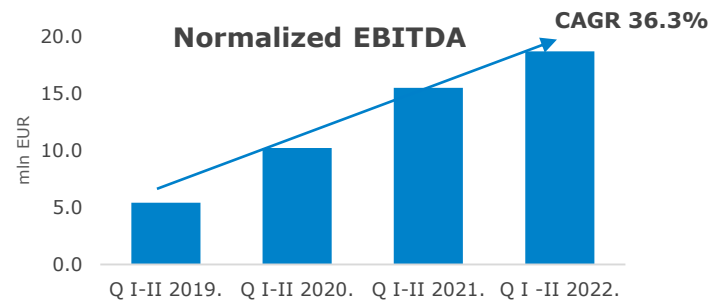
Compared to 2021

** Excluding the impact of Dalekovod Group*

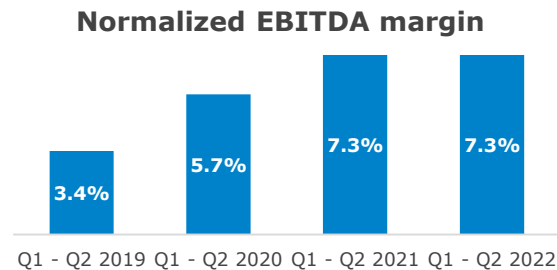
EBITDA and EBITDA margin



**Q1 - Q2 2022
excluding
Dalekovod Group**



**Strong
profitability
despite surging
prices of raw
materials and
commodities**

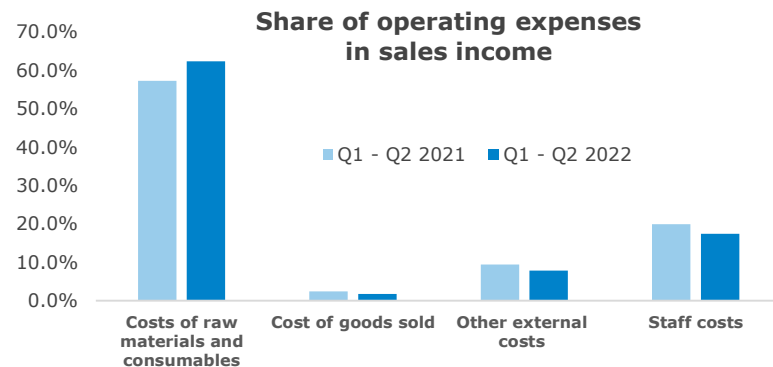
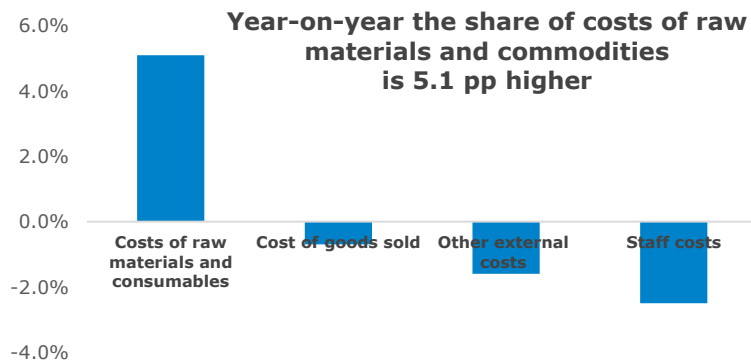


Key performance indicators

in EUR 000	KONČAR		Index	Dalekovod	KONČAR Group	Δ	Indeks
	Q I-II 2021	Q I-II 2022	2022/2021	Q II 2022.	Q I- II 2022		2022/2021
Operating income	216.806	277.951	128,2	34.971	312.922	96.116	144,3
Sales income - total	212.414	255.416	120,2	34.849	290.265	77.851	136,7
Sales income - export	127.786	157.149	123,0	28.748	185.897	58.111	145,5
Operating expenses	205.965	246.944	119,9	34.206	281.150	75.185	136,5
Operating profit	10.841	31.007	286,0	765	31.772	20.931	293,1
Operating margin	5,1%	12,1%		2,2%	10,9%		
Net profit	9.778	29.870	305,5	78	29.948	20.170	306,3
Depreciation and amortization	6.453	6.943	107,6	1.004	7.947	1.494	123,2
EBITDA	17.293	37.950	219,5	1.769	39.719	22.426	229,7
EBITDA margin	8,1%	14,9%		5,1%	13,7%		
EBITDA normalized ¹	15.537	18.674	120,2	1.768	20.442	4.905	131,6
EBITDA margin normalized ¹	7,3%	7,3%		5,1%	7,0%		
Cash balance (deposits+cash) ²	72.706	78.316	107,7	7.385	85.701	12.995	117,9
Loans (long term + short term)	40.037	70.081	175,0	4.852	74.933	34.896	187,2
Order intake	290.420	349.942	120,5	31.605	381.547	91.127	131,4
"Back log" ²	667.817	762.344	114,2	131.921	894.265	226.448	133,9
Book -to- bill-ratio	1,37	1,37		0,91			

- Strong growth trends sustained despite volatile macro environment
- Continued pressures in global supply chains
- The surge of inflation, as a result of unpredictable high energy prices and soaring prices of commodities and raw materials, also impacted the operations of KONČAR Group

H1 highlights



- Business operations continue to take place in an environment of high uncertainty.
- Exceptional pressures on operational efficiency necessitate an appropriate response with consistent communication with customers and suppliers.
- The share of costs of raw materials and commodities in sales increased by 5.1 percentage points on Group level, reaching up to 10 percentage points in those Group members with long-term contracts.
- Cost savings, improvements in productivity and stable headcount were leveraged to boost the sales income by 20.2%.

H1 highlights

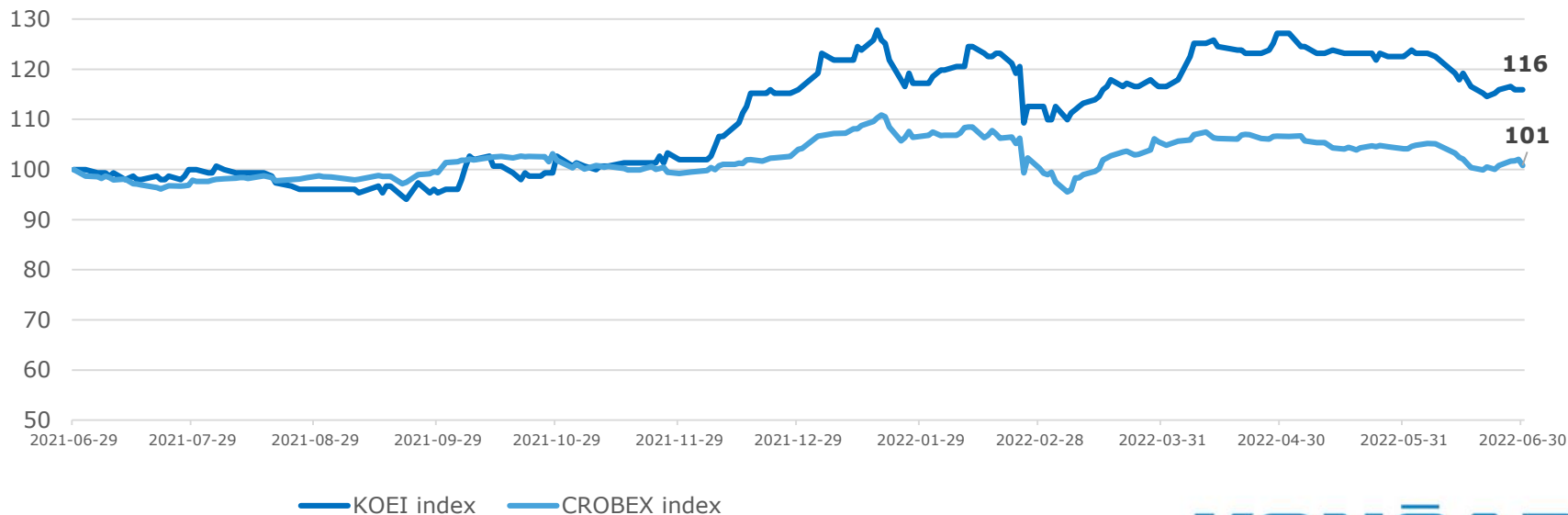


- In June, an agreement worth EUR 65 million was signed with Iraqi Ministry of Electricity for the **revitalization of Haditha hydropower plant.**
- Haditha is the largest hydropower facility in terms of installed power and was built by KONČAR in the mid-1980s.
- The agreement marks a return of KONČAR to the Iraqi market
- KONČAR – Engineering Co. (KET) will spearhead this project and **several other companies within KONČAR Group will also be involved in the project:** Generators and Motors, Electronic and Informatics, Metal Structures, Instrument Transformers, Switchgear and Power Transformers.

H1 highlights

- Integration of Dalekovod Group into KONČAR Group launched
- Further organizational developments - the digital segment of KONČAR - INEM (development and sales of software solutions) has spun off into a new subsidiary KONČAR - Digital
- General Assembly of KONČAR - Electrical Industry Inc. was held in early June. The Assembly approved the proposal on the dividend distribution to the Company's Shareholders in the amount of EUR 1.7 per share. The dividend was distributed on 10 July 2022 to all Shareholders registered in the Issuer's Register (Book of Shares) as at 25 June 2022
- Continued investment cycle
 - Activities on the construction of the new manufacturing facility at KONČAR - Distribution and Special Transformers which is expected to optimise the manufacturing processes
 - Activities on the construction of the Laboratory (LAVESP) at KONČAR - Electrical Engineering Institute
 - Investment in manufacturing equipment at KONČAR - Generators and Motors

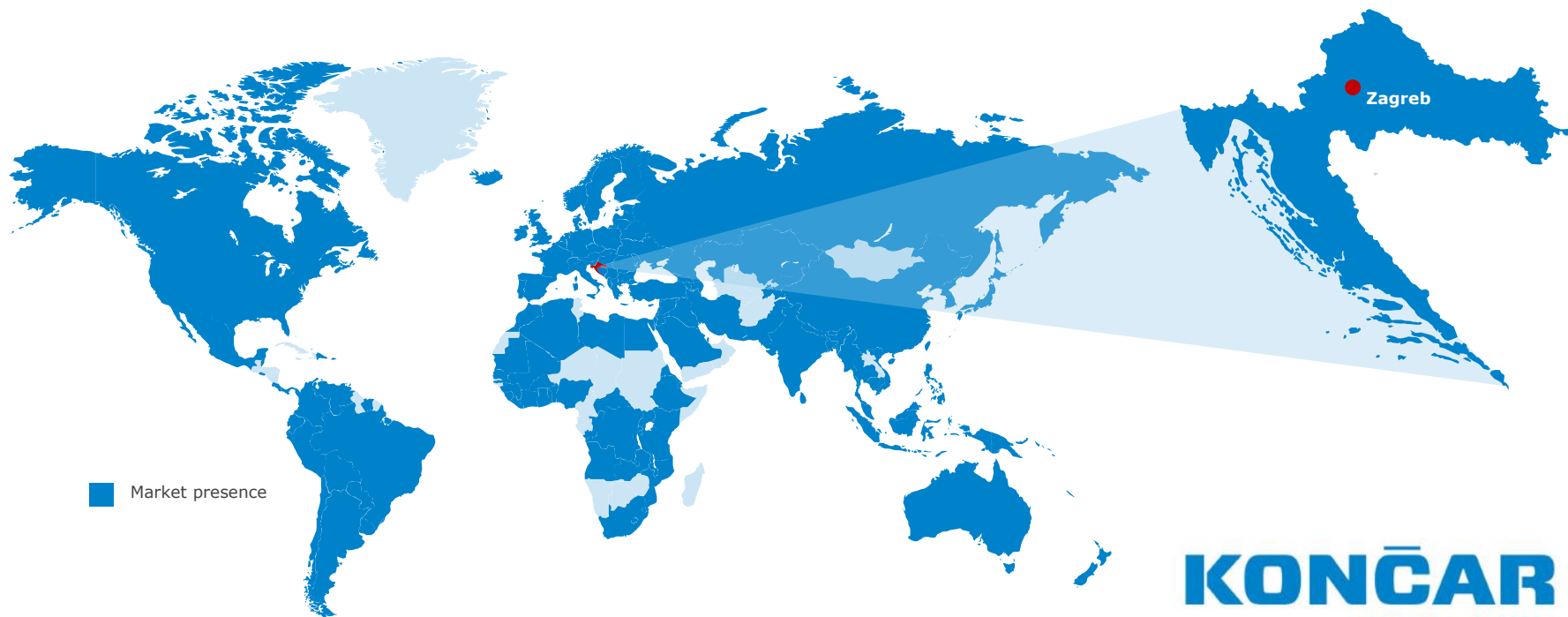
CROBEX and KOEI-R-A trajectories



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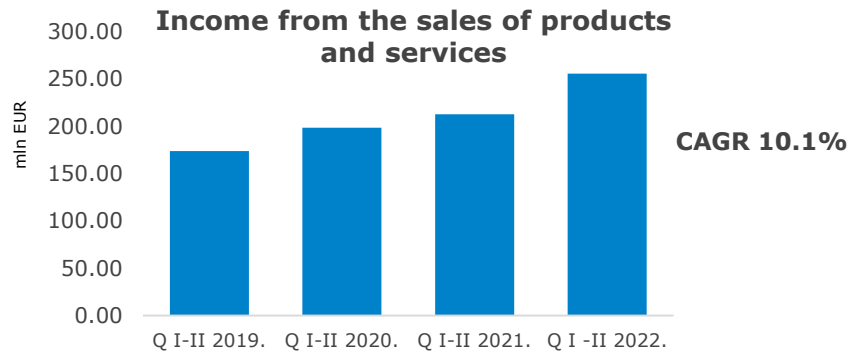
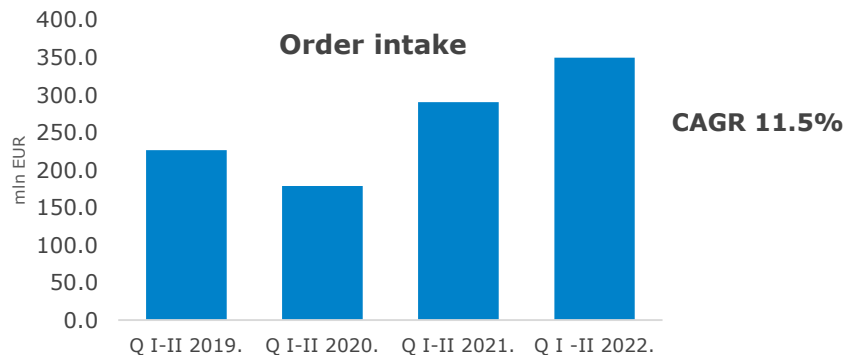
Markets overview

Markets overview



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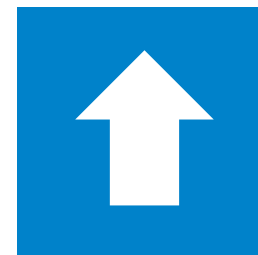
Order intake growth continues...



Following the integration of Dalekovod, income increased by an additional EUR 34.9 million with a rise in order intake of EUR 31.6 million

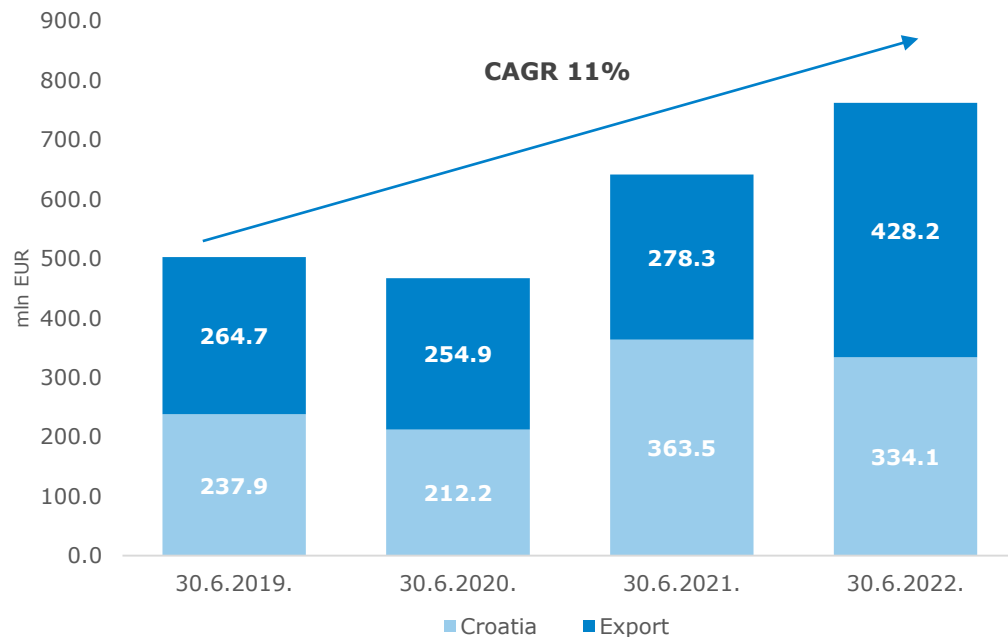
Book-to-bill ratio

1.37



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KONČAR Group backlog grew 33.9%



With the integration of Dalekovod Group, backlog increased by approximately EUR 133.4 million

New order intake by countries and regions

EU countries +56.0	EUR million	% growth/decline
Germany	48.5	+76%
Sweden	27.1	+30%
Spain	21.8	+465%

Non-EU countries +12.4	EUR million	% growth/decline
Great Britain	16.1	+159%
Norway	4.1	+164%
Switzerland	3.7	+76%

Neighbouring countries +3.5	EUR million	% growth/decline
Bosnia and Herzegovina	4.7	+253%
Albania	2.9	-36%
North Macedonia	3.1	+76%

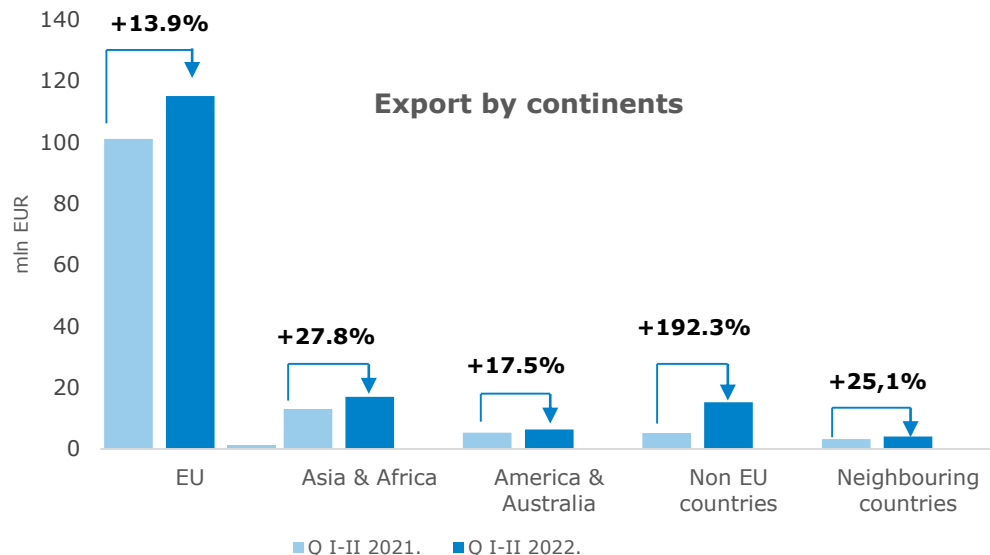
Asia & Africa +29.5	EUR million	% growth/decline
Ghana	1.2	n/a
Iraq	33.8	+3.621%
Israel	1.5	+348%

America and Australia +6.5	EUR million	% growth/decline
USA	6.8	+309%
Australia	2.4	-13%
Canada	1.3	+207%



Export share
61.5%

Export growth across all markets



- Export accounts for 61.5 percent of the total product and service sales income.
- The most significant export volume realised in the German market, amounting to EUR 26.6 million or 16.9% of total export.
- The most significant growth in export was realised in the EU market with an expansion of EUR 18.8 million. EU accounts for 73% of total export
- The integration of Dalekovod resulted in a turn in the amount of EUR 21,4 million and at June-end it amounted to EUR 185,9 million (64%). Dalekovod boosted exports to Sweden (by EUR 9.0 million) and Norway by EUR 8.6 million.

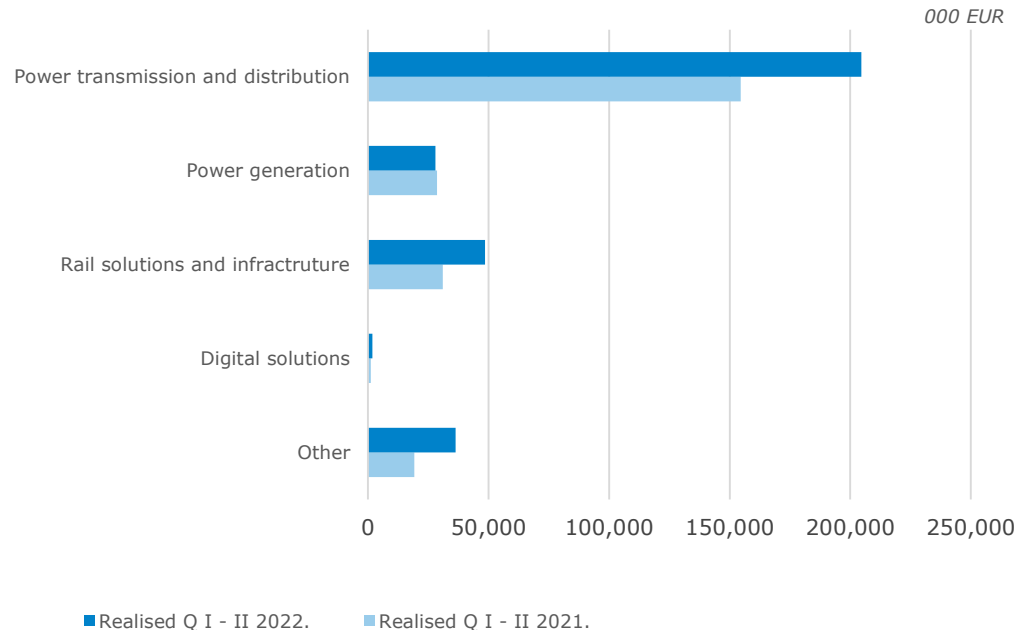
Sales income by segments

000 EUR

Segment	Realised Q I - II 2021.	Share in total	Realised Q I - II 2022.	Share in total
Power generation	28.728	12,2	28.020	8,8
Power transmission and distribution	154.601	65,8	204.536	64,1
Transmission	53.833	22,9	84.444	26,4
Distribution	100.768	42,9	120.092	37,6
Rail solutions and infrastructure	31.000	13,2	48.534	15,2
Rail solutions	27.372	11,7	44.263	13,9
Rail infrastructure	3.628	1,5	4.271	1,3
Digital solutions	1.257	0,5	1.891	0,6
Other	19.304	8,2	36.345	11,4
Total sales unconsolidated	234.890	100	319.327	100,0
Intercompany eliminations	22.476		29.062	
Total sales income consolidated	212.414		290.265	

- **Power transmission and distribution** - great results in income and order intake
- **Rail solutions and infrastructure** - continued delivery to HŽ (Croatian Railways)
- **Power generation** - customer driven changes to deliveries - increased deliveries expected in the upcoming quarters
- **Digital solutions** - KONČAR - Digital as the Principal set up as of 1 July 2021
 - Excellent order intake extends into Q2 2022

Sales income by segments



- The **transformer segment** achieved excellent results with EUR 49.9 million income growth, despite surging prices of commodities and raw materials (copper, aluminium, transformer sheet, transformer oil, steel), soaring energy prices, shortages and supply-chain disruptions.
- Faced with the same challenges, **rail solutions and infrastructure segment** also realised significant gains in income - EUR 18.5 million rise year-on-year.

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Dalekovod integration

Dalekovod

Initial recognition and one-off effects

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

Dalekovod

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

- Income in the amount of EUR 35.0 million
- EBITDA amounting to EUR 1,7 million
- Net profit stands at EUR 0.1 million
- Dalekovod boosted exports to Sweden (by EUR 9.0 million) and Norway by EUR 8.5 million.
- Order intake EUR 131.9 million

5

Future outlook



Research and strategic development

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

Four strategic research projects include:

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

Sustainability

as the core of our business continuity



Decarbonizing our business

Decarbonized products, services and solutions for our customers

Climate neutral own operations

Decarbonized supply chain



Responsible operations

• Inclusion & diversity
• Health & safety
• Cultural transformation

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

• Human rights
• Conservation of resources
• Circular economy



Sustainability

as the core of our business continuity

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

Sustainability

as a business opportunity

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

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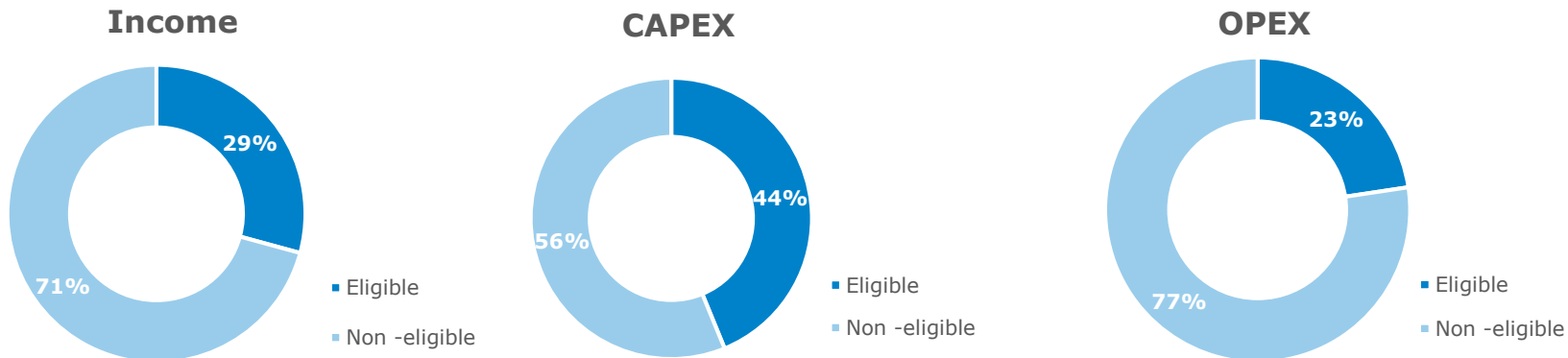
New product development for the green transition

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

Sustainability

EU Taxonomy

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



Future outlook

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

Thank you for your time!

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