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Connecting worlds, building the future



CONTENT

Responsibility for Consolidated and Separate Annual Report	4
Management Report	5
- Management Report	5
- Consolidated Sustainability Report of the Dalekovod Group	18
Independent Auditor's Limited Assurance Report on the Consolidated Sustainability Report	168
Report on the Implementation of the Code of Corporate Governance	172
Independent Auditor's Report to the shareholders of Dalekovod d.d.	183
Consolidated and separate income statement	190
Consolidated and separate statement of other comprehensive income	191
Consolidated and separate statement of financial position	192
Consolidated and separate statement of changes in equity	194
Consolidated and separate statement of cash flows	196
Notes to the financial statements	198

OPERATING REVENUES, EBITDA AND NET PROFIT OF THE GROUP (MONTHS I-XII OF 2024)



OPERATING REVENUES, EBITDA AND NET PROFIT OF DALEKOVOD D.D. (MONTHS I-XII OF 2024)



STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board is responsible for preparing consolidated financial statements for each financial year that give a true and fair view of the financial position of the Company and its subsidiaries (collectively, the "Group"), their operating results and cash flows, in accordance with applicable accounting standards, and is responsible for the proper keeping of accounting records necessary for the preparation of financial statements at any time. The Management Board has overall responsibility for taking available measures to preserve the Group's assets and to prevent and detect fraud and other irregularities.

Management is responsible for selecting appropriate accounting policies in accordance with applicable accounting standards and for applying them consistently; making decisions and estimates that are reasonable and prudent and preparing consolidated financial statements based on the principle of indefinite operating time, unless the assumption that the Group will continue to operate is inappropriate. Following the conducted research, the Management Board reasonably expects that the Group has adequate funds to continue operating for the foreseeable future. For this reason, the Management Board continues to accept the principle of going concern when preparing consolidated financial statements.

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

- the Management Report, which includes the Sustainability Report;
- Report on the implementation of the Code of Corporate Governance; and
- Annual consolidated financial statements in a single electronic reporting format.

The Company's separate financial statements were issued separately, at the same time as the consolidated financial statements.

The Management Report, which includes the Sustainability Report, the Report on the Application of the Code of Corporate Governance as well as the annual consolidated financial statements in a single electronic reporting format, were jointly approved and signed by the Management Board on 15 April 2025 for submission to the Supervisory Board.

MANAGEMENT REPORT

Key messages

2024 was a very successful year for Dalekovod d.d. and Dalekovod Group. The industry in which Dalekovod Group competes shows a significant boom and exceptional dynamics for several key reasons: (i) the green and digital transition, the shift towards renewable energy sources and the general trend of transition from energy produced from traditional fossil sources to electricity produced from renewable sources requires an increase in transmission and distribution capacities and electrification of transport (ii) the transmission network is relatively old and requires renewal; (iii) as a result of the processes referred to in (i) and (ii), strong tender activity in energy and transport infrastructure continues, with a high level of predictability, both through the implementation of NRRP projects in the Republic of Croatia and through strong investment activity of other key investors in all markets in which Dalekovod Group operates; (iv) although the situation on the materials and raw materials market is stabilised, it exacerbates certain risks due to overall geostrategic and economic instabilities and requires continuous monitoring and a rapid response to changed circumstances.

Although macroeconomic and geopolitical circumstances always call for caution, in all markets in which Dalekovod Group operates (Croatia, Sweden, Norway, Slovenia, Bosnia and Herzegovina, Macedonia, Germany and the Middle East) there is therefore an increase in business and investment activities in our business segment.

In these circumstances, Dalekovod Group is successfully positioning, and the progress of business is particularly noticeable in tender activities and new contracting. As of December 31, 2024 the Group had a Contract Book in the amount of EUR 415 million (EUR 134 million more than at the end of 2023), which has a positive impact on the business outlook in the next period. There were significant contracts in all markets, and we can especially highlight the projects: reconstruction of the 110 kV transmission line Hudo - Kočevje in Slovenia (contract value ~14 million EUR), procurement of equipment and construction of the 110/20 kV Kamez substation in Albania (contract value ~13 million EUR), construction of the 400 kV transmission line Skogssätter – Kilanda in Sweden (contract value ~40 million EUR), construction of the 420 kV transmission line Blåfalli-Gismarvik in Norway (contract value ~63 million EUR), maintenance contract with HOPS (contract amount ~EUR 10 million) and in particular the reconstruction of the Landesbergen – Borken transmission line in Germany, as it represents the first contract directly with a transmission system operator in Germany (contract value ~EUR 32 million). As a result of such a better business and market position, at the Group level in 2024 an increase in operating revenues of 17 percent was recorded compared to the same period of the previous year, and they amounted to EUR 195.8 million. Almost all components of the Group contributed positively to this growth.

The Group's EBITDA in the reporting period amounted to EUR 12.5 million and was higher by EUR 11.3 million compared to the previous period.

The positive results of the Group's business activities are mostly due to the dynamics of implementation, the high level of contracted deals and increased efficiency on projects. Such positive trends are expected to continue in the coming period.

Guided by these expectations, during 2024 the reorganization of the remuneration system was completed in Dalekovod d.d., with a significant increase in salaries with the main goal of retaining key employees and attracting new experts, and the implementation of a transparent reward system.

These processes will continue throughout 2025, especially in the components of the Group, and thus prove that the phrase "people are the most important" is not just a phrase for us.

With the implementation of the recapitalization and the financial and operational restructuring, Dalekovod Group continues a new development phase in which it can use all previous experience, acquired knowledge and proven successful implementation of complex projects with synergy effects within the Končar Group.

The Dalekovod Group will increase investments in sustainable development with the aim of achieving a balance between the environment, society and our activities in order to meet the requirements of development, without jeopardizing the prospects of future generations, whereby it is worth emphasizing that the projects that the Dalekovod Group is implementing in both the field of Energy and Infrastructure directly contribute to the realization of the goals of the green transition.

In conclusion, we believe that changes are a prerequisite for success and survival, that communication and cooperation are the basis of success, and the personal relationship of each of our employees to the quality of work and to property, tools and machinery is the way to achieve long-term sustainable successful business. And most importantly, everything we do, we do in a safe way! Therefore, we will continue to invest significantly in the health and safety of our employees, education and training, and the improvement of procedures and methods of performing our activities in the field.

Financial result for 2024

Indicators(in 000 EUR)		Dalekovod Gro	up
EUR)	2024	2023	Index
Operating income	195,847	167,819	117
Sales revenue	194,489	165,790	117
Operating expenses	(187,364)	(170,100)	110
Depreciation and amortization	(4,027)	(3,451)	117
EBITDA	12,510	1,170	+11,340€
EBIT	8,483	(2,281)	+10,763€
Net profit	6,067	(3,198)	+9,265€
Discontinued operations*	-	(12)	+12€
Net profit (loss) after discontinued operations	6,067	(3,210)	+9,277€
EBITDA margin	6.4%	0.7%	

Dalekovod d.d.				
2024	2023	Index		
138,301	122,353	113		
135,154	119,637	113		
(134,733)	(127,045)	106		
(3,575)	(3,060)	116		
7,143	(1,631)	+8,774€		
3,568	(4,691)	+8,259€		
2,616	(4,666)	+7,282 €		
-	(80)	+80€		
2,616	(4,746)	+7,362 €		
5.2%	-1.3%			

^{*}In accordance with international financial standards, the items of the profit and loss account and the statement of financial position of the Group and the Company in the previous period, i.e. in 2023 and also in 2024 were adjusted for the financial effect of the aforementioned transaction, i.e. discontinued operations.

The Group's operating revenues in 2024 amounted to EUR 195.8 million and are higher by 17 percent compared to the same period of the previous year, while the Company's operating revenues amounted to EUR 138.3 million and are higher by 13 percent compared to the same period of the previous year. EBITDA (operating income - operating expenses + depreciation) at the Group level amounted to EUR 12.5 million, which represents an increase of EUR 11.3 million compared to the same period of the previous year, mainly as a result of increased activity and improved efficiency and profitability of operations in all segments of the Group.

The Group's EBITDA margin increased from 0.7 percent in 2023 to 6.4 percent in 2024. EBITDA at the level of the Company amounted to EUR 7.1 million, which represents an increase of EUR 8.7 million compared to the same period of the previous year.

The net profit after the discontinued operations of the Group in 2024 amounts to EUR 6.1 million, while the net profit after the discontinued operations of the Company amounts to EUR 2.6 million. Positive indicators and trends in business recovery are the basis for an optimistic outlook ahead.

Financial position of the Group

Dalekovod Group	Dalekovod Group			Dalekovod d.d.		
(in 000 EUR)	2024	2023	Index	2024	2023	Index
ASSETS	156,441	137,929	113	132,729	121,716	109
Non-current assets	42,569	38,630	110	47,255	47,027	100
Current assets	113,872	99,299	115	85,474	74,689	114
Inventory	16,189	16,134	100	2,358	2,464	96
Trade and other receivables	85,020	70,571	120	73,126	61,759	118
Current tax assets	335	243	138	298	204	146
Cash and cash equivalents	12,328	12,345	100	9,692	10,262	94
Assets held for sale	-	6	-	-	-	-
EQUITY AND LIABILITIES	88,130	75,777	116	74,820	66,423	113
Provision	6,614	3,875	171	6,162	3,480	177
Long-term liabilities	9,218	9,212	100	9,433	9,593	98
Long-term borrowings	7,812	7,806	100	8,027	8,187	98
Deferred tax liabilities	1,406	1,406	100	1,406	1,406	100
Short-term liabilities	72,298	62,690	115	59,225	53,350	111
Short-term borrowings	5,021	4,148	121	5,224	4,359	120
Trade and other payables	65,489	54,816	119	52,447	45,676	115
Corporate income tax liability	1,788	3,685	49	1,554	3,315	47
Liabilities held for sale	-	41	-	-	-	-
Equity	68,311	62,152	110	57,909	55,293	105
Share capital	41,247	41,247	100	41,247	41,247	100
Capital reserves	12,387	12,387	100	12,387	12,387	100
Legal reserves	22	22	100	-	_	-
Own shares	(1,124)	(1,124)	100	(1,124)	(1,124)	100
Statutory and other reserves	5,453	5,453	100	1,124	1,124	100
Revaluation reserves	6,405	6,405	100	6,405	6,405	100
Translation reserves	(647)	(739)	88	-	-	-
Retained earnings/(Accumulated Loss)	4,568	(1,499)	(305)	(2,130)	(4,746)	45

Type of financial debt (in 000 EUR)
Lease liabilities
Bonds
Bank loans
Total financial debt
Cash
Net financial debt

Da	lekovod G	roup		C	Dalekovod (
2024	2023	Index		2024	2024 2023
7,452	4,699	159		7,258	7,258 4,604
1,345	1,540	87		1,776	1,776 2,033
4,035	5,717	71		4,217	4,217 5,909
12,833	11,956	107		13,251	13,251 12,546
12,328	12,345	100		9,692	9,692 10,262
505	(389)	(130)		3,559	3,559 2,284

The financial position of the Group and the Company after the recapitalization in 2022 is stable, and the changes are the result of increased business activities and the result of investments in the reconstruction and expansion of capacity for the implementation of newly contracted projects. Therefore, the increase in long-term liabilities compared to 31 December 2023 is mostly influenced by the increase in lease liabilities for newly purchased machinery and transport vehicles, and in February 2024 the regular instalment of bond payments was due, which reduced the debt on bonds compared to 31 December 2023.

Overview of the Group's key segments

During 2024 the Energy project implementation segment (construction of transmission lines and substations) recorded a 7% increase in revenues compared to the same period last year, and total revenues amount to EUR 109 million.

The construction of transmission lines is currently active on 27 large projects (4 in Norway, 5 in Sweden, 4 in the region, 3 in Germany and 11 in Croatia) and 4 smaller projects, and substations on 8 (2 in Croatia, 5 in Macedonia and 1 in Ukraine).

The segment of Infrastructure project realization recorded a 45% increase in revenue compared to the same period of the previous year, and total revenues amount to EUR 27 million. There are currently 5 active projects. The most important investors are HŽ Infrastruktura and Hrvatske ceste, and a significant increase in revenues was influenced by the project "Works on equipping a part of the Omiš bypass, section DC70 – Cetina bridge – Omiš – east". On the Dugo Selo – Križevci project, Dalekovod d.d. took over the works from DIV Grupa d.o.o. and the works were significantly intensified in order to complete the project within the newly established deadlines.

The production segment is realized through two companies - Dalekovod MK d.o.o. and Dalekovod OSO d.o.o.

The company Dalekovod OSO d.o.o. is in 2024. produced/processed 2096 tons of equipment, which is 6% more than in the same period of the previous year. The operating revenues of Dalekovod OSO d.o.o. in 2024 are higher by 16% compared to the same period of the previous year, which is the result of a different structure of contracted projects compared to the previous year. The realized EBITDA is higher by 40% compared to the same period last year, which is the result of the realization of projects contracted with a higher margin. Given the increased investment activities on the market, there is still a positive trend of increasing the contracting of new business, and accordingly, a significant investment cycle of investments in new machinery has been launched.

The company Dalekovod MK d.o.o. had challenges in the realization in 2024 and in the part of revenue and profitability, partly under the influence of machine downtime, but more significantly under the influence of the slow realization generated from Dalekovod d.d., which was not compensated by the realization to third clients. Given the achieved result, and taking into account the need for significant investments in capacity renewal, market circumstances and business projection in the next period, the value of the business share of Dalekovod MK d.o.o. has been harmonized and an initiative has been launched with the aim of analyzing optimal strategic options for Dalekovod MK d.o.o., Dalekovod Group and Končar Group, which are focused on the continuation of value-added business activities, especially in the part of the steel-lattice structure and creating preconditions for maintaining and increasing the level of employment and improving material conditions for employees.

The design segment related to the activities of Dalekovod Projekt d.o.o. in 2024 recorded a 17% increase in operating revenues compared to the previous year, and they amount to EUR 6.7 million (in 2023 they amounted to EUR 5.7 million). The increase in revenues is a consequence of the activation of domestic contracts (growth of 26% compared to the previous period). Taking into account the cyclical nature of design activities, a satisfactory level of profitability was maintained, and given the stable level of contracted jobs, the realization for the next period was ensured.

Delekovod Emu d.o.o. operates at locations in Zagreb and Vela Luka and generated revenue of 339 thousand EUR in 2024. The company performs activities in the segment of measurement and testing of electromagnetic fields of high and low frequencies and calibration of electricity meters. EMF measurements are a legal obligation for companies that own sources of HF and NF radiation, and measurements are performed throughout Croatia. The second business segment, the calibration of meters in its own calibration facility in Vela Luka, is still at the level of HEP's annual needs for the installation of meters in new facilities, while the complete replacement of old meters with new smart meters is expected in the coming period.

Dalekovod Ljubljana d.o.o. generated EUR 21 million in revenue in 2024 where the most significant amount of revenue of EUR 13.75 million comes from the revenue of the 2x110 KV Divača-Pivka-Ilirska Bistrica project, while EUR 6.15 million comes from the revenue of the 2x110 kV Hudo-Kočevje project. With the continuation of the implementation of the projects 2x110 kV Divača-Pivka-Ilirska Bistrica and 2x110 kV Hudo-Kočevje, the realization for the next period has been secured. The company's EBITDA in 2024 amounted to EUR 321 thousand.

In 2024 Dalekovod d.o.o. Mostar generated revenues of EUR 17.4 million, which represents an increase in revenue of 53% compared to the previous year. The company's EBITDA in that period amounted to EUR 842 thousand and, in accordance with a significant increase in revenues with a slightly lower increase in costs, it was higher by 71% compared to the previous year. Significantly higher revenues are the result of a high degree of contracted work as well as accelerated implementation of projects contracted during the previous two years. In addition to stable revenues at key clients – electric power companies – the greatest contribution to a significant increase in revenues is the earlier faster realization compared to the planned deadlines of contracted built and reconstructed facilities, and the delivery of medium power and distribution transformers, as well as other equipment, mainly for substations of various voltage levels for a large number of private RES investors.

Company name
(in 000 EUR)
Dalekovod d.d.
Proizvodnja MK d.o.o.
Proizvodnja OSO d.o.o.
Dalekovod Ljubljana d.o.o.
Dalekovod Projekt d.o.o.
Dalekovod Mostar d.o.o.
Cinčaonica usluge d.o.o.*
Dalekovod EMU d.o.o.
Other affiliated companies
Eliminations
It's a total group

Operating income					
2024	2023	Index			
138,301	122,353	113			
10,344	13,100	79			
18,574	15,946	116			
20,799	14,451	144			
6,685	5,712	117			
17,470	11,385	153			
-	23	0			
339	430	79			
21	20	105			
(16,686)	(15,601)	107			
195,847	167,819	117			

EBITDA*				
2024	2023	Index		
7,142	(1,632)	+8,774€		
(925)	798	-1,723 €		
2,640	1,885	+755€		
321	338	-17€		
266	466	-200 €		
842	492	+350€		
-	(12)	+12€		
(97)	14	-111€		
(12)	(10)	-2 €		
2,332	(1,169)	+3,501 €		
12,509	1,170	+11,339€		

^{*}company in liquidation

Strategy – business guidelines for the coming periods

The industry in which Dalekovod Group competes is expected to experience a significant boom in the future for several key reasons: (i) the green and digital transitions and the shift towards renewable energy sources and the general trend of transition from energy produced from traditional fossil sources to electricity produced from renewable sources requires an increase in transmission and distribution capacities and electrification of transport (ii) the transmission network is relatively old and requires renewal; (iii); As a result of the processes referred to in (i) and (ii), strong tender activity in energy and transport infrastructure continues.

Also, in all markets in which Dalekovod Group operates (Croatia, Bosnia and Herzegovina, Macedonia, Germany, Norway, Slovenia, Sweden and the Middle East), there is an increase in business activities with the expected continuation of strong investment momentum.

Therefore, Dalekovod Group, with its strategy of focusing on energy, railway infrastructure and equipping tunnels on roads and motorways, while not neglecting other opportunities, is excellently positioned for relevant market circumstances.

A high level of capitalization and working capital, the Group's structure that achieves control of all parts of the process, from design, through procurement and production of key components to the construction itself, and the synergy achievable within the Končar Group, enables this strategy to be implemented in an efficient and sustainable manner.

The Dalekovod Group will continue to invest significantly in the health and safety of its employees as well as material conditions and increase investments in sustainable development with the aim of achieving a balance between the environment, society and our activities in order to meet the requirements of development, without jeopardizing the prospects of future generations, whereby it is worth emphasizing that the projects implemented by the Dalekovod Group in both the field of Energy and Infrastructure directly contribute to the realization of the goals of the green transition.

Dalekovod Group

As at 31 December, the Dalekovod Group (the Group) comprises the parent company Dalekovod, d.d. (hereinafter referred to as the "Company") and eleven subsidiaries owned by the parent company and one company managed as a joint venture (2023: 12 subsidiaries owned by the parent company and one company operated as a joint venture) – notes 19 and 20.

The Society was established in accordance with the laws and regulations of the Republic of Croatia. The Society's headquarters are located in Zagreb at Marijana Čavića 4. The Company's shares are listed on the Zagreb Stock Exchange.

The main activity of the Company is the design, production, construction and installation of electric power facilities, road, rail and urban transport facilities and telecommunications infrastructure.

Description of products and services

Dalekovod d.d. has specialized in the execution of contracts on a turnkey basis in the following areas:

- power facilities, especially transmission lines from 0.4 to 750 kV
- transformer stations of all levels and voltage levels up to 500 kV
- air, underground and underwater cables up to 110 kV
- Telecommunications facilities, all types of networks and antennas
- production of suspension and connection equipment for all types of transmission lines and substations from 0.4 to 750 kV
- production and installation of all metal parts for roads, especially for road lighting,

Guardrails and traffic signalling, tunnel lighting and traffic management

• electrification of railway lines and trams

Own shares

In 2024 the Company did not acquire its own shares.

Investment in subsidiaries, affiliates and joint ventures

Investments in subsidiaries are presented in more detail in note 20 of the financial statements. Investments in associates are presented in more detail in note 21 of the financial statements.

Events after the balance sheet date

In 2024 there were no events that required publication.

Objectives and policies related to financial risk and capital risk management

The Company and the Group are exposed to market, price, credit and liquidity risks, which together with capital risk management are described in detail in Note 3 of the financial statements.

Shareholder structure (as at 31 December 2024)

In accordance with the Company's Articles of Association, the voting rights of shareholders are not limited to a certain percentage or number of votes, nor are there time limits for exercising voting rights. Each ordinary share gives the right to one vote at the General Assembly.

The rights and obligations of the Company arising from the acquisition of own shares are exercised in accordance with the provisions of the ZTD and the Company's Articles of Association.

Cubina	Number	of shares	% of shares		
Subject	31.12.2024	31.12.2023	31.12.2024	31.12.2023	
Napredna energetska rješenja d.o.o.	31.000.000	31.000.000	75,16%	75,16%	
Financial institutions	8.711.743	8.543.017	21,12%	20,71%	
Non residents	4.229	3.776	0,01%	0,01%	
Individuals	1.443.811	1.630.438	3,50%	3,95%	
Own shares	988	988	0,00%	0,00%	
Others	86.422	68.974	0,21%	0,17%	
Total	41.247.193	41.247.193	100,00%	100,00%	

Affiliates and subsidiaries

REPUBLIC OF CROATIA

1. DALEKOVOD MK d.o.o., Vukomerička 9, 10410 Velika Gorica	79970472123/ 080437239
2. DALEKOVOD OSO d.o.o., Vukomerička 9, 10410 Velika Gorica	55411035652/ 081296773
3. DALEKOVOD EMU d.o.o., 43.ulica br. 36., Vela Luka	52516402606/ 090027780
4. DALEKOVOD-PROJEKT d.o.o., Marijana Čavića 4, Zagreb	30467839701/080445749
5. EL-RA d.o.o., Vela Luka (Municipality of Vela Luka)	30113948970/060033055

In 2024 the liquidation of the company CINČAONICA USLUGE u liquidacija d.o.o. was completed.

COMPANIES OUTSIDE THE REPUBLIC OF CROATIA

- 7. Power Line Plt, Namibia
- 8. DALEKOVOD TKS a.d., Doboj, Bosnia and Herzegovina (in bankruptcy proceedings, registered in 2019)
- 9. DALEKOVOD MOSTAR d.o.o., Bosnia and Herzegovina, Ante Starčevića bb, Mostar, BIHJIB: 4227105910001
- 10. DALEKOVOD LJUBLJANA d.o.o., Zavetiška ul. 1, 10000 Ljubljana, SLO, SI 28940024
- 11. DALEKOVOD UKRAINE d.o.o., Ukraine, 4 Lunacharskogo str. 02002 Kiev, Ukraine, MBS: 36683014
- 12. LIBYA ENGINEERING TRANSMISSION LINE, Joint Undertaking, Libya
- 13. NORGE AS TRANSMISSION LINE, Norway, Sandviksveien 26, 1363 Høvik, Norway, MBS: 998628253

BRANCHES AND REPRESENTATIVE OFFICES

- 14. NUF Power Line, Norway, Sandviksveien 26, 1363 Høvik, Norway
- 15. DALEKOVOD Skopje, 50th Division No. 36, Skopje-Center, Skopje, Macedonia
- 16. TRANSMISSION LINE GERMANY, Germany, Weberstrasse 60, 60318 Frankfurt
- 17. DALEKOVOD UKRAINE representative office in Ukraine, 4 Lunacharskogo 02002 Kiev, Ukraine
- 18. DALEKOVOD Branch Of Kosovo, Kosovo, St. Garibaldi 3/7, 10000 Prishtine, Kosovo
- 19. DALEKOVOD D.D. branch in Sweden c/o Amesto Accounthouse AB, Roselundsgatan 54, 118 63 Stockholm, Sweden
- 20. DALEKOVOD D.D. Zagreb Mostar Branch, Ante Starčevića bb, 88000 Mostar
- 21. DALEKOVOD, d.d., branch office Ljubljana, Zavetiška ulica 1, 1000 Ljubljana

Dalekovod Joint Stock Company for Engineering, Production and Construction

Marijana Čavića 4, 10 000 Zagreb, Croatia

10001 Zagreb, P.P. 128

URL: www.dalekovod.hr, www.dalekovod.com

E-mail: dalekovod@dalekovod.hr

Share capital: EUR 41,247,193.00. Number of shares: 41,247,193

IBAN: HR8323600001101226102 ZABA Zagreb MBS: 080010093, Commercial Court in Zagreb

MB: 3275531

OIB: 47911242222

Activity code: 4222 (Construction of power lines and telecommunications)

Signed on behalf of the Management Board on 15 April 2025.

Eugen Paić-Karega

President of the Management Board

Tvrtko Zlopaša

Member of the Management Board

SUSTAINABILITY REPORT, DALEKOVOD GROUP

General information

INTRODUCTORY SPEECH BY THE PRESIDENT OF THE MANAGEMENT BOARD 2024

Last year, in 2024 to which this extensive document refers, we celebrated the great 75 years of our company's business, remembered all the historical successes, breakthroughs, but also challenges, which we faced and overcame. In addition, we reminded ourselves of all the values that are woven into the foundations of the Dalekovod Group as it is today, and once again recognized the guidelines for a more successful and sustainable Dalekovod. It was a year in which we tried, and largely succeeded, to surpass the achievements of the previous year.

Although crucial, financial indicators are only one of the criteria for success. They are certainly the result of a well-thought-out strategy and successfully implemented business activities, but at the center of every success are people – our employees. Their dedication, competence and daily concern for safety, well-being and sustainable business are the basis of our achievements. It is thanks to them that we successfully manage business processes at all levels, taking into account the responsible use of resources, environmental protection and continuous improvement of working conditions.

Consequently, the report in front of you is not only a summary of our business results, but also a confirmation of our commitment to sustainability, innovation and responsible business. As a company with more than 75 years of tradition, we are aware of the responsibility we have towards our employees, the community and the environment. That is why Dalekovod systematically and strategically continues to build a sustainable future, aligning its goals with the European Green Deal and the European Union's ambitions to become climate neutral by 2050.

This year marked an important step forward – for the first time, we produced a report according to the European Sustainability Reporting Standards (ESRS), in accordance with the Sustainability Reporting Directive (CSRD). By doing so, we raise transparency and accountability in our business to an even higher level, thus enabling all stakeholders to have a better insight into the impact of our activities on the environment, society and economy.

With the Dalekovod Sustainability Strategy for 2024-2026, we have set ambitious goals in key areas – reduction of greenhouse gas emissions, circular economy, energy efficiency, biodiversity protection, as well as improving working conditions and employee

support. We have integrated a dual materiality approach, looking at how our business affects the environment and society, and how sustainability affects the company's business results and long-term stability.

In addition, our commitment to improving all business segments and building a more successful society is manifested through continuous investments in additional training and education of employees, new partnerships with academic institutions, and initiatives aimed at strengthening inclusivity and creating equal opportunities for all employees. We develop *green* skills within the company, adapt to new market demands and create a stimulating work environment that attracts and retains young talents.

We pay special attention to responsible resource management and innovations that reduce our ecological footprint. By investing in renewable energy sources, reducing waste and optimizing materials in production, we contribute to the achievement of climate goals and strengthen our competitiveness in the European and global markets.

Our journey towards sustainability, in every sense, never ends. Each new year brings opportunities to improve our business, further integrate ESG principles and create long-term value for all our stakeholders.

Sustainability is not just an obligation for Dalekovod – it is an opportunity to develop, innovate and build a better future for everyone.

Executive summary

Dalekovod Group includes the following six companies:

- Dalekovod d.d.
- Dalekovod EMU d.o.o.
- Dalekovod Projekt d.o.o.
- Cinčaonica usluge d.o.o.
- Dalekovod MK d.o.o.
- Dalekovod OSO d.o.o.

Sustainability strategy

Dalekovod continues its sustainable development and forms strategic guidelines towards sustainable business. In 2024 great strides have been made in identifying key topics through a detailed analysis of double materiality and the identification of risks and opportunities taking into account ESG topics.

The industries in which Dalekovod Group competes expect a significant boom in the future due to aging transmission network technology that requires renewal and expansion. Also,

an increase in the demand for green energy from renewable sources and the transition from fossil fuels to electricity from renewable sources are expected.

Dalekovod Group also contributes to the UN Sustainable Development Goals through our nine strategic goals that contribute to a total of six UN goals and sub-goals: SDGs 7, 8, 9, 12, 13, 15 and 16.

UN Sustainable Development Goal	UN Sustainable Development Goals (SDGs)	Business objectives of the Dalekovod Group	Material topics	Indicators from the GRI Standard (ESG indicators)
7 PRISTUPAČNA ENERGIJA IZ ČISTIH IZVORA	- 7.2 - Increase the sustainability of the share of renewable energy in the global energy mix by 2030	 operating in accordance with the policies and objectives established within the quality, environmental, energy, risk management systems 	ProjectManagementResults ofbusiness	GRI 3-3/201- 1/201-2/201- 3/201-4/203- 1/205-1
8 DOSTOJANSTVEN RADI EKONOMISKI RAST	 Progressively improve global resource efficiency in consumption and production by 2030 and strive to decouple economic growth from nature and environmental degradation, in line with the 10-year framework of programmes on sustainable consumption and production, with developed countries leading the way. 8.8 protect labour rights and promote a safe working environment for all workers 	 operating in accordance with the Code of Corporate Governance of the Zagreb Stock Exchange and the Code of Conduct in the Dalekovod Group business in accordance with the policies and objectives established within the quality, risk, occupational safety and safety management system according to ISO standards 	 Our workers Health and safety protection Responsibility of the supply chain to society and human rights 	GRI 3-3/401- 1/401-2/401- 3/403-1/403- 2/403-3/403- 4/403-5/403- 7/403-8/403- 9/404-1/404- 2/404-3/405- 1/405-2/414- 1
9 INDUSTRIJA, NOVACUE I INFRASTRUKTURA	- Develop high-quality, reliable, sustainable and adaptable infrastructure, including regional and cross-border infrastructure, to support economic development and human wellbeing, with a focus on low-cost and equitable access for all.	- operating in accordance with the policies and objectives established within the quality, environmental, energy, risk management, occupational safety and safety management systems according to ISO standards	ProjectManagementResults ofbusiness	GRI 201- 1/201-2/201- 3/201-4/203- 1/414-1-
12 ODRŽIVA POTROSNJAI PROIZVODNJA	- 12.2 Achieve sustainable management and efficient use of natural resources by 2030	 Operating in accordance with the policies and objectives established within the quality, environmental and energy 	ProjectManagementMaterials &RawMaterials	GRI 3-3/301- 1/301-2/306- 3/306-4/306- 5/308-1

	- 12.5 by the end of 2030, significantly reduce waste generation and increase the amount of recovered waste	management system according to ISO standards - Manages environmental, social and human rights impacts by vetting new suppliers on practices	- Supply Chain Responsibilit y - Environment	
13 ZAŠTITA KLIME	- 13.1 – Strengthen adaptability and capacity to adapt to climate-related and natural disaster risks in all countries	-operating in accordance with the policies and objectives established within the framework of the environmental and energy management system according to ISO standards -manages environmental, social and human rights impacts by vetting new suppliers on practices;	 Project Management energy consumption Supply Chain Responsibility Environment 	GRI 3-3/305- 1/305-2/305- 3/305-4
15 OČUVANJE ŽIVOTA NA ZEMLJI	- 15.1 – By the end of 2020, ensure the conservation, restoration and sustainable use of terrestrial freshwater ecosystems and their environment, in particular forests, wetlands and mountains;	- operating in accordance with the policies and objectives established within the ISO environmental management system - manages environmental, social and human rights impacts by vetting new suppliers on practices; - implementation of all measures prescribed in the decisions on the acceptability of the project on the environment and/or ecological network when applicable to the companies of the Dalekovod Group	 Project Management Materials & Raw Materials Supply Chain Responsibilit y - Environment 	GRI 3-3/303- 3/303-4/303- 5/304-2/308- 1
16 MIR, PRAVDA I SNAŽNE INSTITUCIJE	 16.5 significantly reduce corruption and bribery in all their manifestations 16.6 develop effective, accountable and transparent institutions at all levels 	- operating in accordance with the Code of Corporate Governance of the Zagreb Stock Exchange and the Code of Conduct in the Dalekovod Group	Results of businessProject Managemen t	GRI 2-7/2- 16/2-23/2- 26/2-30

The adoption of the Sustainability Strategy was the beginning of a new strategic cycle and the initial phase of implementing comprehensive changes and initiatives to ensure the effective integration of environmental, social and governance factors into the business. This report is in line with the European Sustainability Reporting Standards (ESRS) and

represents the next step in the implementation of the strategy and the monitoring of progress towards achieving sustainable goals year after year.

ESRS 2 – General information

Request for publication of BP-1 – General basis for the preparation of sustainability reports

Dalekovod d.d. has been a member of the UN Global Compact since 2007, and since 2010 the *Reports on Social Responsibility have been published on the website*. With our membership, we have committed ourselves to continuous harmonization and improvement of business with an emphasis on human rights, labor law, environmental protection and responsible corporate governance.

This is the first Sustainability Report of the Dalekovod Group, prepared in accordance with the requirements of the Accounting Act and the European Standard for Sustainability Reporting (ESRS), which is a standard prescribed by the EU Corporate Sustainability Reporting Directive (CSRD) and includes all the requirements of Chapter VIII. of the Accounting Act.

The sustainability report has been prepared on a consolidated basis and the scope of the consolidation of this sustainability report is the same as for the financial statements.

The report covers the entire value chain of the Dalekovod Group. For a complete overview of the parts of the value chain that are considered to be material, please refer to chapter ESRS2 General Information SBM-1 – Strategy, Business Model and Value Chain and ESRS2 General Information SBM-3 Material Impacts, Risks and Opportunities and their Interaction with the Strategy and Business Model. The dual materiality assessment process includes the due diligence process described in international instruments, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. When assessing materiality, impacts and financial materiality, the criteria set out in ESRS 1 in sections 3.4 and 3.5e were applied

In the sustainability report, Dalekovod Group includes relevant segments of the value chain (upstream and downstream) that are materially related to its impacts, risks and opportunities:

1. Scope of materiality assessment

- The assessment of double materiality includes both Dalekovod Group's own operations and those parts of the value chain (primarily suppliers, subcontractors

and partners in the phases of product use) where significant environmental, social or governance impacts and financial risks and opportunities have been identified.—Based on the identified priority topics from double materiality, Dalekovod Group determines specific measures and objectives that address key areas of risk and opportunities, in line with European sustainability reporting standards.

2. Extension of policies, measures and objectives to the value chain

- All relevant internal policies (e.g. Code of Conduct, Human Rights Policy, Environmental Policy) also apply to supply chain partners, suppliers and business associates, especially when it comes to issues of working conditions, respect for human rights, environmental protection and ethical business. – Goals and action plans that Dalekovod Group adopts in areas such as decarbonization, saving resources, security of working conditions or responsible management of suppliers, also include measures for cooperation, education and involvement of actors in the value chain, for example through contractual requirements or joint initiatives.

3. Coverage of data and indicators from the value chain

- In terms of reporting on metrics (e.g. indicators related to greenhouse gas emissions, waste management, product safety, human rights protection or customer satisfaction), Dalekovod Group includes data from relevant parts of its upstream and downstream chain, where impacts or risks are assessed as material. verifiable data by supply chain partners, Dalekovod Group, while respecting relevant methodologies, uses the best available estimates and work on strengthening the capacity of suppliers in order to increase the level of accuracy and reliability.

We did not take advantage of the possibility of omitting specific information that could relate to intellectual property, know-how or the results of the innovations introduced.

BP-2 Disclosure Request – Disclosures Related to Specific Circumstances

The timeframes used in the report are:

- short-term <1 year
- Medium-term >1-5 years
- long-term >5 years

An exception to this rule is climate resilience analysis and scenario climate risk analysis, where a longer timeframe applies; for more details, see section **E1 Climate change – Approach and policies**.

These timeframes have been selected to correspond to the types of activities of the Dalekovod Group, financial reporting procedures, current internal long-term planning and the expectations of external stakeholders related to the prediction of climate impacts.

For all material sustainability topics, goals are shown, which describe the short-term plans of the Dalekovod Group, as well as ambitions that describe medium-term plans. **Long-term goals have also been set for the sustainability topic** Climate Impact and Energy Consumption.

The estimates in the value chain and the sources of the estimate and the uncertainty of the outcome are described in each relevant section of this Sustainability Report, where details of their application and calculation methods are provided. Some data related to the E1-6 disclosure requirement are based on estimates and may therefore be subject to measurement uncertainty. We are aware that the use of estimated data may result in certain deviations from actual values, and our estimates depend on the availability and quality of external data, which may vary depending on the source. In view of the above circumstances, if significant errors or changes to the disclosures from this report occur, they will be published in the following period.

We also consider forward-looking information to be uncertain.

Indicators: Thematic standards require the inclusion of quantitative value chain data for only some indicators. These indicators include

- greenhouse gas emissions from each significant Scope 3 category (see paragraphs E1-6 for details).
- gross GHG emissions from scope 1, 2 and 3 and total GHG emissions. These emissions require data obtained directly from customers, suppliers, business partners and other contracting parties involved in certain business relationships. In accordance with the Standard, if primary information related to the value chain cannot be collected after reasonable efforts, such information shall be evaluated, including proxy values, sectoral data and other information from indirect sources.

The following factors contributed to the decision to use the estimated data:

- complexity involving a large number of actors for different services and mapping all actors and all direct and indirect business partners. Also, the quantities of materials and services that are expressed in different units of measurement.
- limited availability of effective tools to access and share information on the value chain;

- a large number of counterparties, including large enterprises, but also small and medium-sized enterprises (SMEs) that may not have the necessary resources to easily and quickly provide the information necessary for reporting;
- The information on the value chain could not have the qualitative characteristics required by the standard, due to the lack of technical readiness of the participants in the value chain.

To ensure full coverage of sustainability and ESG reporting across the Consolidated Group, we apply the following quality hierarchy in our data collection processes:

- Primary data: The preferred data source, i.e. the basis for the highest priority data collection in the Dalekovod Group, is direct measurement (where applicable at a location or project) that is, first-hand data.
- Secondary data: Calculations based on existing information or databases, such as invoice volumes or industry-specific standards and statistics. This is the second level, which is used when primary data is not available.
- Estimated data: Calculations based on industrial or scientific estimation methods. This may include extrapolations based on industry empirical values or estimates using scientific methodologies. Estimates are used when neither primary nor secondary data are available.

For the assessment of quantitative value chain indicators (Scope 3 greenhouse gas emissions), Dalekovod Group has decided to use valuation procedures based on proxy values and sectoral data. Only suppliers and customers, who account for 80% of the Dalekovod Group's turnover, were taken into account.

Given that this is the first reporting period to be carried out under the ESRS, all previous sustainability information is not directly comparable to the current report, nor has it been revised. This incomparability stems from the differences in methodologies used in past reports compared to the standardized approach to the ESRS. Precisely because of the new methodology of data calculation in accordance with the ESRS, the Group has implemented new ways of collecting data that differ from previous methods, which enables more precise and detailed reporting, but prevents direct comparisons with previously published data in annual reports.

The same applies to the publication of reporting errors from previous periods; such disclosure will not be processed, except for data on the sustainability topic **Climate change and energy consumption**, which is published in section **E1 Climate change.**

In addition to following the structure of the ESRS, this Report also includes the disclosure requirements prescribed **by the Accounting Act** and **the EU Taxonomy** as an integral part of the sustainability report, as prescribed by Chapter VIII of the Accounting Act.

Exemption from the disclosure of information on upcoming events or matters under negotiation, as provided for in Articles 19(3) and 29a(3) of the Regulation. of Directive 2013/34/EU, was not used in the preparation of this sustainability statement.

Control mechanisms - GOV 1

GOV-1

Composition and diversity of administrative, management and supervisory bodies

Dalekovod Group applies a dual corporate governance system, which includes:

- General Assembly represents shareholders and makes key strategic decisions.
- Supervisory Board supervises the work of the Management Board and adopts strategic guidelines.
- Management manages the operational business and implements the sustainability strategy.

Table 1: Composition of administrative, management and supervisory bodies.

ESRS ID 2024

GOV-1_01	Number of executive members of the Management Board	2
GOV-1_02	Number of non-executive members of the Supervisory	5
	Board	
GOV-1_03	Number of representatives of employees and workers in	1
	the Supervisory Board	
GOV-1_05	Percentage of diversity by committees:	
	 Percentage of women in the Management Board 	О%
	 Percentage of women on the Supervisory Board 	Ο%
	Diversity by age groups:	
	- Board members < 30 years old	0
	- Board members aged 30-49	4
	- Board members aged > 50	3
GOV-1_06	Gender diversity ratio in committees	О%
GOV-1_07	Percentage of Independent Members	О%

Relevant member experience:

The members of the management and supervisory bodies have many years of experience in the energy, infrastructure and construction sectors, thus ensuring the strategic



management of the Dalekovod Group in accordance with industry requirements and ESG standards.

Roles and responsibilities of administrative and supervisory bodies

With policies and other documented information, the Management Board of Dalekovod documents its commitment to management systems. By applying the documents, it confirms the approach to guiding its employees and subcontractors in the realization of contractual obligations through the necessary planning, realization of execution, supervision and evaluation of the performed and all aspects of improvement. All Heads of Offices/Departments/Services are responsible for establishing, maintaining, supervising and communicating management systems within their Offices/Departments/Services and exchanging information with the Management Systems and Environmental Protection Service.

Management

The Management Board conducts business on the basis of the Companies Act, the Articles of Association and managerial contracts as determined by the Rules of Procedure of the Management Board of Dalekovod d.d. The Rules of Procedure were adopted by the Supervisory Board at the session and were made public. The Rules of Procedure specify the distribution of competencies and the scope of duties of the President and members of the Management Board. The Management Board, through membership in supervisory boards, through the General Meeting and other acts established with the subsidiaries, coordinates, directs, supervises and monitors the work in the subsidiaries of the Dalekovod Group. The Rules of Procedure also prescribe rules for the prevention of conflicts of interest of members of the Management Board, according to which members may not be guided by personal interest or use business opportunities for personal purposes when conducting business. Also, the members of the Management Board are obliged to inform the Supervisory Board and other members of the Management Board without delay about their personal interest in the affairs of Dalekovod d.d.

The Management Board of Dalekovod d.d. conducts business in accordance with the Companies Act, the Articles of Association and management contracts. She is responsible for:

- Implementation of business and sustainability strategies.
- Operational management of the business and oversight of ESG objectives.
- Risk, financial and human resources management
- Review and adoption of the Annual Sustainability Report

Management delegates ESG responsibilities through:

- **Department for Business Excellence** (Quality, Environmental Protection, Health and Safety at Work and Energy Management).
- Human Resources Management Department (responsible for employee safety and diversity)
- Office of Corporate Affairs and Communication (Coordination and Editing)

The role of the administration in the management of environmental, social, human rights and economic impacts:

- Sustainability goals relate to society and human rights, the economy and the
 environment, so each of the Management Board members directs, coordinates and
 monitors the fulfillment of strategic business goals through activities for which
 they are responsible and in charge, and reports on this to other members of the
 Management Board and proposes decision-making at meetings.
- The Management Board delegates responsibilities for meeting business goals, including sustainability goals. The areas of sustainability are managed in the Department of Business Excellence and the Department of Human Resources Management, which are under the direct jurisdiction of the Management Board.
- Within the Department of Business Excellence are: Occupational Safety and Health Department, Quality Assurance and Control Service and Management Systems and Environmental Protection Department. These organizational units with all other sectors, departments and services are an inseparable unit in achieving long-term business sustainability.

Members and expertise of the Management Board of Dalekovod Group:



Eugen Paić-Karega President *Term of office: 2024-2028*

Born in 1970. Eugen Paić-Karega became President of the Management Board on 1.4.2024. **Education**

> Bachelor of Economics, Finance



Tomislav Rosandić Former President He is no longer a member of the management board

Born in 1975, Tomislav Rosandić was the President of the Management Board from 1.3.2019 to 31.3.2024

Education

Bachelor of Economics,
 Corporate Financial
 Management, University



Tvrtko Zlopaša Member Term of office: 2024-2028

Born in 1971, Tvrtko Zlopaša became a member of the Management Board on 1.4.2022 and the mandate lasts until 2028.

Education

 Bachelor of Civil Engineering, University of Zagreb.

- University of Zagreb. Faculty of Economics and Business
- Education and training in the field of leadership
- Education and training in the field of human resource management, management accounting, personal skills development

Competences

- Financial and management management
- Risk management
- Stakeholder Relationship Management
- People Management and Development
- Process and product optimization

Other Contributions and Responsibilities

- Member of the Supervisory Board of Zane d.o.o. and UniCredit Bank (BiH)
- President of the Assembly of HROK d.o.o.
- Member of the HANFA Council

- of Zagreb. Faculty of Economics and Business
- Certified member of the supervisory boards of the Faculties of Economics and Business in Zagreb and Split
- Certified investment advisor to HANFA and the Croatian Association of Financial Analysts

Competences

- Finance
- Strategic management of organizations
- Financial, operational organizational restructuring
- Implementation of complex projects
- Management of postintegration processes
- > Risk management

Other Contributions and Responsibilities

- Work on socially engaged projects
- Helping the community

Competences

- > Budget Management
- Development and implementation of the strategy
- > Stakeholder relations
- Implementation of complex projects
- Strategic management of organizations
- Financial, operational organizational restructuring
- Implementation of complex projects
- Management of postintegration processes
- > Risk management

Other Contributions and Responsibilities

- Diplomatic skills
- Extensive experience in managing an organization.

Supervisory Board

The work of the Supervisory Board is regulated <u>by the Rules of Procedure of the Supervisory Board of Dalekovod d.d.</u> adopted by the Supervisory Board on the basis of the Companies Act and the Articles of Association of Dalekovod d.d. The Rules of Procedure regulate issues relevant to the constitution, competences, organization, manner of work and decision-making of the Supervisory Board, working bodies, commissions and committees within the Supervisory Board, and the obligation to maintain business secrets.

The Supervisory Board has five members, one of whom is appointed by the shareholder of Napredna Energetska Rješenja d.o.o., one employee representative in the Supervisory Board is

appointed in accordance with the provisions of the Labor Act, and the others are elected by the General Assembly. In performing the tasks of the Supervisory Board, the Supervisory Board as well as each member of the Supervisory Board are obliged: to act in the best interest of Dalekovod d.d., to act in accordance with generally accepted codes such as the Code of Corporate Governance, to advocate for the prevention of conflicts of interest, to advocate for procedures that prevent illegal activities and to keep business secrets in accordance with the regulations and general acts of Dalekovod d.d.

The Supervisory Board supervises the management of the affairs of Dalekovod d.d., instructs the auditor to examine the annual financial statements of Dalekovod d.d. and Dalekovod Group, examines whether the operations are conducted in accordance with the laws, acts of Dalekovod d.d. and the decisions of the General Assembly, examines the business results, the correctness of the presentation of the financial and business situation in the books of Dalekovod d.d. and submits a written report thereon to the General Assembly, decides on granting consent to the proposal of the Management Board on the use of profits, etc. The Supervisory Board shall make decisions on the establishment of the Board.

Its key functions include:

- Audit Committee oversees financial and ESG reporting.
- Nomination and Remuneration Committee evaluates remuneration policies.
- Corporate Governance Committee ensures ESG compliance
- The Supervisory Board ensures **continuous monitoring of ESG objectives**, assessment of the materiality of risks and management responsibilities

Members of the Supervisory Board:

- Gordan Kolak, President of the Supervisory Board since 31/3/2022
- Josip Jurčević, Deputy President from 1/3/2024 to 18/6/2024
- Josip Lasić, member from 31/3/2022 to 18/6/2024 and from 19/6/2024 deputy president
- Božidar Poldrugač, member from 31/3/2022/-18/6/2024
- Damir Spudić, member from 31/3/2022/-18/6/2024
- Pavao Vujnovac, member from 31/3/2022/-18/6/2024
- Ivan Paić, member since 19/06/2024
- Petar Bobek, member since 19/06/2024
- Dražen Buljić, member since 31/3/2024

General Assembly

The General Assembly shall be convened in cases specified by the Companies Act and *the* Articles of Association of Dalekovod d.d., and must be convened when the interests of society so require. The general meeting must be held in the first eight months of the financial year. It is convened by the Management Board or the Supervisory Board. The Management Board of the Company is obliged to convene the General Assembly when requested by the Supervisory Board or if requested in writing by the shareholders who jointly hold shares in the amount of the twentieth part of the Company's share capital and state the purpose and reason for convening the General Assembly. Members of the Management Board and the Supervisory Board must participate in the work of the General Assembly. The General Assembly may make valid decisions if the General Assembly is represented by shareholders who hold more than 50% of the Company's ordinary shares. Shareholders who meet the prescribed conditions may participate in the General Assembly. Each share gives the right to one vote. The General Assembly shall be chaired by the President of the General Assembly. The President of the General Assembly is the President of the Supervisory Board, if present at the General Assembly. If the Chairman of the Supervisory Board is prevented, the Deputy Chairman of the Supervisory Board shall chair the General Assembly.

Strategic sustainability management and ESG expertise

(Related to ESRS 2 GOV-1, par. 23(a-b) and ESRS 2 GOV-2, par. 26(a-c))

GOV-2 Management of ESG topics

GOV-1

The Supervisory Board and the Management Board ensure the oversight of ESG issues through the following processes:

- 1. **ESG strategy analysis** revision and adaptation of the business model.
- 2. Identification of material ESG risks and opportunities (DMA)
- 3. **Setting and monitoring policies and goals** adopting ESG strategies and plans.
- 4. **ESG Reporting System** Verification and Approval of the Sustainability Report

Supervision of ESG aspects is carried out through information, consultations and decision-making in these areas.

The Management Board of Dalekovod Group actively participated in all processes of determining impacts, risks and opportunities, through the review and approval of significant stakeholders and relevant topics of the Group in accordance with the requirements of the ESR standard in November 2024 and through the review and approval of the output results of the

dual materiality process, assumed responsibilities over the management process of significant R&D.

Also, through the dual materiality process and based on key and important topics, the Management Board adopted the Dalekovod Group Sustainability Policy, which covers all significant topics of the Dalekovod Group, and the Policy also includes individual policies on significant topics and demonstrates the commitment of the Management Board of the Dalekovod Group to sustainability.

The process of double materiality, significant topics, impacts, risks and opportunities emerged from the process and the sustainability policy have been agreed with the Works Council and the Supervisory Board of Dalekovod Group.

Setting and monitoring ESG goals

In all management systems, objectives must be policy-related, measurable, take into account applicable requirements, be monitored and communicated, and revised where necessary. Likewise, when planning the actions to achieve them, in all management systems, the organization must determine what will be done, what resources will be needed, who will be responsible, when it will be completed, how the results will be evaluated. The Management Board and the Supervisory Board oversee ESG objectives, in the following ways:

- Through the monitoring of the implementation of the strategy, the goal of reducing CO₂ emissions and the transition to renewable energy sources is monitored.
- Increasing energy efficiency in operations is monitored through regular surveillance and certification audits prescribed by the ISO 50001 standard.
- By incorporating ESG criteria into the supply chain.
- By developing sustainable employment and occupational safety programmes

Specific to the Quality Management System, the objectives must be essential for the compliance of products and services and for increasing customer satisfaction. Given that the processes and sub-processes defined in the Process Map and described in the Process Catalogs contribute to the compliance of construction services and increase customer satisfaction, the goals of each individual process and sub-process are set and described in the Process Catalogs. At each assessment of the Management Board, the achievement of goals (targets) is reviewed, and new goals (targets) for the next period are adopted. Documented information on the objectives of the quality management system is included as annexes within the Management's assessments. Environmental objectives shall be allocated to the appropriate functions and levels, taking into account significant

GOV-3

environmental aspects, the associated compliance obligations and the associated risks and opportunities.tag. By establishing plans for the achievement of goals, the distribution of responsibilities for achieving goals at each level within the organization and resources is defined, as well as the time frames within which these goals will be achieved.

The Remuneration Policy and the Report on Remuneration of the Management Board and the Supervisory Board Members shall be published on the website and shall be an integral part of the invitation to the General Assembly.

Currently, no specific incentives related to sustainability issues are offered for members of the Management Board of Dalekovod Group. Given that many sustainability issues are generally integrated into business priorities and goals, and these priorities are included in incentive systems, sustainability issues are an indirect part of existing incentive programs that are related to cost reduction through energy reduction, waste reduction and other efficiency measures prescribed by standards 50001 and 14001 for which the Directorate is in charge of adopting and controlling through the Directorate's assessments of these standards.

Due diligence and management of ESG risks

Dalekovod Group carries out the due diligence process through:

- Identification of ESG risk business impact assessment.
- Stakeholders engagement with customers, investors and regulators.
- Monitoring the effectiveness of ESG measures continuous measurement of progress

Dalekovod Group applies a comprehensive due diligence system to identify and manage environmental, social and governance risks throughout the entire value chain. This system is integrated into the assessment of dual materiality, ensuring compliance with ESRS 2 requirements, CSRD regulations and good industrial practices.

Basic elements of due diligence	Related sections in the Sustainability Report
a) Incorporating sustainability	■ GOV1 Responsibilities of management and supervisors ■
a) Incorporating sustainability-	GOV2 Oversight of key ESG risks and opportunities (IROs)
related due diligence into	SBM1 Description of the business model and strategic
management, strategy and	determinants of sustainability
business model	■ SBM3 Dual Materiality Methodology

GOV-3

GOV-4

	• GOV2 How management and supervisors are involved in	
h) Involving affected	stakeholder communication (stakeholder review and	
b) Involving affected	mapping)• SBM3 Double materiality results from a	
stakeholders in all key due	stakeholder perspective	
diligence steps	• IRO1 Overview of the Impact and Risk Assessment	
	Process	
c) Identification and	■ SBM3 Methodology and Results of Double Materiality■	
assessment of negative	IRO1 Detailed Impact and Risk Assessment Process	
impacts	IRO I Detailed impact and Risk Assessment Process	
	■ E13 Action plans to mitigate climate impacts ■ E23 Water	
d) Taking manauras to address	resources management • E52 Resource management and	
d) Taking measures to address these negative impacts	circular economy - S14Impact on employees and human	
these negative impacts	rights	
	• S44 Managing the impact on users and end consumers	
e) Monitoring the effectiveness		
of these activities and	 GOV2 Informing managing authorities and 	
communications to	communication plan with key stakeholders	
stakeholders		

Environmental aspects of the due diligence process Climate and environmental risk assessment

Dalekovod Group conducts analyses of physical and transition risks related to climate change. Scenario analysis applies the ESRS E1 methodology, including:

- Modeling of transition risks through RCP and SSP scenarios (Regulated Concentration Pathways and Shared Socioeconomic Pathways).
- Managing emissions through cost estimates of the EU ETS Emissions Trading System.
- Analysis of the resilience of the business model in relation to environmental regulations.

Sustainable supply chain and environmental standards

Dalekovod Group actively adapts supply chains to ESG requirements through:

- Supplier ratings based on environmental standards,
- Green finance, including sustainability-related loans and bonds.

Social Aspects of the Due Diligence Process

Human rights risk assessment in supply chains

Dalekovod Group uses sectoral analysis and geopolitical factors to identify the risks of forced labor, child labor and discrimination. The internal supplier assessment process includes:

- Analysis of suppliers by high-risk regions,
- Supplier ESG rating system to assess compliance with human rights.
- In accordance with the requirements of the minimum social protection measures
 of the EU Taxonomy (MSS), Dalekovod Group has prepared a business overview in
 accordance with the requirements of the OECD and UNGP

Internal Due Diligence Processes

Each company within the Dalekovod Group is responsible for a regular audit of social risks, including:

- Annual assessments of working conditions and employee rights,
- Monitoring and adaptation according to the standards of the ILO and the UN Global Compact.

Managing due diligence processes

Internal Risk Management Processes

Dalekovod Group manages ESG risks through the inclusion of ESG risks in the annual business risk review and through a dual materiality system, which includes:

- Internal mapping of ESG risks by business segments,
- Assessment of the financial impacts of ESG factors on business.

The Dalekovod Group also analyzes its operations according to the requirements of the OECD and UNGP guidelines (MSS).

Code of Conduct and Third Party Due Diligence

According to the Code of Conduct of the Dalekovod Group, all companies within the Group are obliged to conduct due diligence of third parties in the following cases:

- Doing business in high-risk regions,
- Cooperation with partners under international sanctions.

Risk Management and Internal Oversight of ESG Reporting

GOV-4GOV-5 Dalekovod d.d. has established, implements and maintains a process for hazard identification that is permanent and proactive. The process is intended to take a broad scope and to include various factors such as the social (for example workload,

exploitation, harassment and bullying) and cultural environment of the company. Risk management is applied at different levels – strategic, operational, program and project, as well as activities important for business and the achievement of set goals.

Risk Management Policy is based on the principles of the HRN ISO 31000 – Risk Management standard. The policy was adopted by the Management Board and published on our website. The Management Board of Dalekovod d.d. and the companies of the Dalekovod Group identify and assess risks that may significantly affect the business and the establishment of controls that mitigate risks. In this way, the achievement of the strategic goals of the Dalekovod Group is supported, financial stability is ensured and the reputation of the Dalekovod Group and the interests of all stakeholders involved in the business are protected.

The procedure prescribes in more detail the process of identification, analysis and assessment, i.e. prioritization of risk and methods for risk management, and all organizational units participate in this process. This includes all employees of the Company, workers of subcontractors, but also all those who have access to the workplace and their activities such as workers (and other workers who are not under the direct supervision of the company), suppliers, visitors and other persons. In accordance with the defined risk management methodology, the Risk Catalogue for 2024 was created, in which the main strategic, operational and financial risks, including sustainability risks, were identified, analysed and assessed, and risk mitigation measures were determined, as well as the persons responsible for risk management (risk owners). The risk catalogue is updated annually when the effectiveness of the measures applied is also assessed. The methodology and criteria of risk assessment are defined in relation to their scope, nature and period of time to review due to changes in the external and internal context of the company, in order to ensure that the preventive measures obtained are proactive instead of reactive and that they are used in a systematic manner.

Documented information on the methodology and criteria is maintained and maintained.

The Management Board is responsible for designing, implementing, adapting, improving and supervising the risk management system and annually reports to the Audit Committee on its effectiveness.

On the basis of the identified risks and taking into account other relevant information, the Internal Audit Department prepares annual and multiannual audit plans, which are adopted by the Supervisory Board on the proposal of the Audit Committee. As part of the

multiannual plan for the period 2025 to 2028, an audit related to the processes in the area of responsibility of the sustainable business department is envisaged, as well as audits related to corporate governance and processes related to human resources.

The internal audit shall report on the results of the audits carried out and the fulfilment of the recommendations issued on the basis of them to the Management Board, the Audit Committee and the Supervisory Board.

The Audit Committee monitors the work of the internal risk control and management system, with the aim of adequately identifying, publicly disclosing and managing the main risks to which the Company is exposed. The Audit Committee regularly reports its findings to the Supervisory Board.

The ISO 31000 approach to risk management includes:

- **ESG risk assessment** (transition risks, regulatory requirements, market challenges).
- Sustainability management in the supply chain (ESG ratings of suppliers).
- Internal oversight of ESG reporting, with integration into audit processes

Dalekovod Group has introduced a data collection system in accordance with the requirements of the ESRS standard and data points resulting from the dual materiality process. In this way, timely and credible data related to sustainability reporting is ensured. Certain departments are also in charge of collecting said data. The management of data from the environmental part is planned on a monthly basis, while other data necessary for the preparation of sustainability reports are available at the beginning of the year in which the report is prepared.

During 2025, Dalekovod Group plans to integrate data collection processes in the field of sustainability within the ISO 9001 standard and thus ensure the continuity and quality of the collected data in accordance with the required procedures.

SBM-1 Disclosure Requirement – Strategy, Business Model and Value Chain

Key elements of the sustainability strategy and impact on business (ESRS 2.38-2.40)

Dalekovod Group integrates sustainability into its operations through three key strategic elements, ensuring long-term resilience, innovation and compliance with regulatory requirements.

Decarbonisation and energy efficiency

In order to reduce the carbon footprint and increase energy efficiency, Dalekovod Group is implementing the following initiatives:

- Development of low-carbon solutions Optimization of production and implementation of new technologies to reduce CO₂ emissions in energy infrastructure.
- Energy efficient products Engineering and application of smart grids, digitized energy transmission systems and electrification of transport.
- Optimization of operational processes Reduction of energy consumption in production facilities through the application of efficient production methods and the use of renewable energy sources.

Circular economy and sustainable supply chains

Dalekovod Group develops business models that encourage the circular economy and reduce the ecological footprint of production:

- Use of recycled and sustainable materials Increased use of recycled steel and other raw materials with a lower environmental impact.
- Supply Chain Optimization Digitalization of logistics and production processes with the aim of reducing waste and transport-related emissions.
- Eco-design and extended product life Development of design solutions that allow for easier maintenance and reuse of components.

ESG Compliance and Regulatory Adaptation

Dalekovod Group continuously strengthens its compliance with ESG regulations and transparent reporting to ensure the long-term sustainability of its operations:

- Application of the EU taxonomy and ESRS standards Harmonization of business with new regulations in order to increase transparency and attract sustainable investments.
- Sustainability in strategic decision-making ESG criteria are becoming an integral part of investment project assessments and risk management.
- Strengthening reporting and stakeholder engagement Improved methodology for monitoring sustainability and involving key stakeholders in decision-making processes.
- In 2024 Dalekovod Group prepared a transition risk assessment, made a detailed calculation of GHG emissions from scopes 1, 2 and 3 and, in addition to the existing assessment of physical climate risks, created the foundations for the development of a transition plan in 2025.

These Initiatives are included in the following strategic goals defined by the Sustainability Strategy at the level of the Dalekovod Group, and the values and measures of the goals will be defined in the action and transition plan that will be developed in 2025:

- 1. Reducing Scope 1 and Scope 2 emissions in support of the net-zero transition
- 2. Reduce waste and use packaging materials responsibly
- 3. Ensure a healthy and safe working environment for all employees
- 4. Promote Inclusion, Diversity and Equal Opportunities
- 6. Enable employees to develop and grow professionally
- 7. Attracting young people and encouraging cooperation with educational institutions
- 8. To encourage involvement in the development of local communities
- 9. Ensure responsible and ethical management and the integration of sustainability into business

Description of significant product groups and markets (ESRS 2.40.a)

Product and service groups

Dalekovod Group operates in the electricity, infrastructure and construction sectors and offers the following key products and services:

- Transmission lines and electric power infrastructure Design, production and installation of high-voltage transmission lines, transformer stations and power equipment.
- **Energy Poles and Structures** Production of steel lattice columns, girders and structures for the energy sector, telecommunications and infrastructure.
- **Maintenance and modernization of networks** Services of reconstruction and upgrade of electric power facilities to increase energy efficiency and system safety.
- **Renewable Energy** Engineering and construction of infrastructure for wind farms, solar power plants and energy storage systems.
- **Infrastructure projects** Construction works and design solutions for transport infrastructure, including bridges, viaducts and rail systems.

Notable markets and customers

Dalekovod Group operates on the global market, with an emphasis on the European Union and Scandinavia:

 Main customer groups: National power companies, transmission and distribution network operators, investors in renewable energy sources, construction companies and telecommunications operators. A more detailed breakdown of the market by country of business is presented in **note 6 of the financial statement.**

Employees by region

- Croatia: 1056 employees (largest production and R&D base).
- EU: 3 employees (sales, market development and support).
- Other regions: 9 employees (project engagements and sales).

Breakdown of revenues and ESRS sectors (ESRS 2.40b and 2.40c) in accordance with the data from the financial statements

Sector (ESRS classification)	Amount (thousands of EUR)	Percentage of revenue (%)	Product examples		
BUILDING	173,706	89%	DV up to a voltage level of 750 kV TS up to voltage level 750 kV, Installation, testing, equipping and commissioning Equipping tunnels, roads and motorways Construction of power supply and overhead contact line for railway infrastructure Construction of halls, halls and industrial plants		
PRODUCTION	PRODUCTION 20,783		Suspension and coupling equipment to 750 kV, steel structures, lattice are polygonal DV columns up to a voltage level of 750 kV Busbars, connecting equipment, steel structures Light poles and fences Portals and road equipment		

			Overhead contact line portals and equipment for railway infrastructure
Other	0	О%	Other income

Business Model and Value Chain (ESRS 2.42)

Dalekovod Group operates through an integrated business model that combines innovation, sustainability and operational excellence to ensure long-term stability and competitive advantage in the global electricity infrastructure market.

Input factors

Dalekovod Group relies on key resources such as raw materials, energy, digital technologies and a skilled workforce to optimize operations and increase efficiency:

- Access to resources Partnerships with certified suppliers that supply recycled metals, sustainable building materials, and energy-efficient electronic components.
- **Sustainable procurement** Focus on sourcing raw materials from responsible sources in accordance with ESG standards and the EU taxonomy.
- Digitalization of the supply chain Implementation of advanced AI and IoT systems to optimize inventory management, reduce waste, and increase operational efficiency.
- **Green energy in production** A gradual transition to renewable energy sources in production facilities to reduce overall CO₂ emissions.

Output factors and benefits

Through its operations, Dalekovod Group creates long-term economic, environmental and social benefits for key stakeholders:

- Customers National Electric Power Companies, transmission and distribution operators, transport companies, industrial complexes and investors in renewable energy sources.
- **Investors** ESG-oriented banks, investment funds and institutions that support green infrastructure and sustainable projects.
- Society and the environment Reduction of CO₂ emissions through smart grids, energy-efficient transmission systems and the development of infrastructure for renewable energy sources.

Value chain

Dalekovod Group operates a complex and interconnected value chain that includes the following key stages:

Upstream Chain (Suppliers & Resources):

- Sourcing raw materials such as steel, aluminum, and electronic components from certified and ESG compliant suppliers.
- Integration of recycled and sustainable materials to reduce the environmental footprint of production.

Central Chain (Production and Implementation):

- Research and development (R&D) of new technologies for smart grids, renewable energy sources and digitized energy management systems.
- Manufacture of power equipment, including power poles, power transformers and structures for renewable energy sources.
- Assembly and testing of products in accordance with international quality and safety standards.

Downstream Chain (Distribution and Sustainability):

- Logistics and distribution of products through optimized transport routes with the aim of reducing emissions from delivery.
- Installation and commissioning of energy systems using innovative digital solutions.
- Maintenance and modernization of electricity infrastructure to increase energy efficiency and reliability of the system.
- Implementation of recycling and reuse strategies for materials as part of the circular economy model.

Key challenges and solutions in the sustainability strategy (ESRS 2.40.g)

Challenge	Resolution strategy
Limited capacity for green	Investments in digitalisation and energy-efficient
production	production and construction facilities
Increased regulatory	Harmonization with reporting in accordance with ESRS
requirements and ESG	requirements through the preparation of the Sustainability
customer requirements	Report for 2024

	Development of long-term contracts with certified		
Risk of commodity price	suppliers and increasing the share of more recycled		
fluctuations	materials		
Demand for amount columbians			
Demand for smart solutions			
that enable energy savings			
and workforce optimization	Increasing investment in digital solutions		

SBM-2 Disclosure Request – Stakeholder Interests and Views

Dalekovod Group actively works with key stakeholders to ensure that the strategy and business model reflect their interests and expectations. The process includes regular stakeholder involvement, assessment of material topics through double materiality, and adjustment of the sustainability strategy based on the identified priorities

Stakeholder engagement (ESRS 2.45a)

Dalekovod Group continuously develops relationships with its stakeholders through various mechanisms of interaction and consultation.

Key stakeholders and purpose of cooperation

Category of stakeholders	How to turn on	Purpose of cooperation		
Customers & Clients	Technical forums, annual professional congress, trade fairs for the public, partnerships, satisfaction surveys	Developing innovative and sustainable solutions that meet customer needs		
Investors and financial institutions	ESG reporting, trade fairs for the public and investors, sustainable financial products	Ensuring transparency and access to green finance		
Suppliers	ESG assessment of suppliers, trade fairs for the public, audits in the field of quality and sustainability	Ensuring a sustainable supply chain and reducing the environmental footprint		
Regulators and governments	Reporting on compliance with the EU Taxonomy, reporting in accordance with the Accounting Act	Regulatory Compliance and Transparent Reporting		

Employees	Education, health and safety programs	Maintaining a high standard of working conditions and professional development		
Local communities	Through works projects and installation of infrastructure equipment that enables the green transition and the availability of electricity in communities, educational projects	Improving the quality of life and economic opportunities for local communities and contributing to community education through cooperation with high schools and faculties		

Understanding the interests and views of stakeholders (ESRS 2.45b)

During the double materiality assessment conducted in 2024 Dalekovod Group identified key ESG topics based on an assessment of stakeholder needs and on the basis of dialogue with stakeholders.

Key findings of the stakeholder assessment

- Customers: Increased demand for energy efficiency and reduction of CO₂ emissions.
- **Investors:** Focus on technologies that meet the needs of the green transition, decarbonization, and on ESG data transparency and regulatory compliance.
- **Suppliers:** Expecting stricter criteria for environmental sustainability in the supply chain.
- **Regulators:** Increased requirements for CSRD reporting and the EU Taxonomy.
- **Employees:** Emphasis on occupational safety and professional development.
- **Local communities:** Expectations of social investment in infrastructure and education.

Dalekovod Group has responded to these expectations by revising its sustainability strategy, strengthening green technologies and increasing the transparency of ESG data.

Changes in strategy and business model based on stakeholder views (ESRS 2.45.c)

As part of the development of the Dalekovod Group strategy in 2023 based on the materiality analysis in 2023 in which key stakeholders were also involved, Dalekovod Group set the key topics of the sustainability strategy:

Theme	Description	Implementation Deadline
Accelerated decarbonization	Increased investment in low-carbon technologies used in the production and construction of transmission lines and reduction of own CO ₂ emissions	20242026.
ESG integration into supply chains	Evaluating suppliers according to ESG criteria and reducing the carbon footprint	2025
Increasing the transparency of ESG reporting	Adoption of the CSRD and EU Taxonomy in ESG reporting	2024
Investments in local communities	Financing of educational and infrastructure projects in the communities where Dalekovod Group operates	20242026.

In 2024 through the implementation of the double materiality process:

- It is ensured that the interests and views of stakeholders are included in the strategy and business model through a comprehensive stakeholder engagement process.
- Key groups of affected stakeholders within the value chain have been identified, including employees, customers, suppliers, investors and communities.
- Mechanisms for stakeholder involvement, such as regular communication and separate communication such as the materiality assessment questionnaire, have been put in place to gather feedback and ensure that their interests and views are systematically addressed and their priorities for specific sustainability issues are identified.
- Stakeholder feedback is integrated, through the foundations for updating the sustainability strategy, into management processes to support sustainable decision-making.

In 2025, Dalekovod Group will make changes to the strategy related to the dual **materiality process** and the accompanying Implementation Action Plan.

Taking into account stakeholder views in management decisions (ESRS 2.45.d)

Within the framework of activities related to corporate social responsibility, communication with numerous representatives of civil society and individuals is established. In order to achieve the full implementation of activities related to corporate social responsibility, communication with these stakeholders takes place in various ways: through direct communication in business relations, regular meetings, special thematic discussions, fairs and professional meetings. Communication with all of them takes place depending on key issues and interests. In addition to the usual reporting system, for all significant business activities (mail newsletters, website, stock market reports and media reports), communication takes place in other ways depending on the need. The main topics in the past period were related to the restructuring process of Dalekovod, the impact of the COVID-19 pandemic on business, key investment projects and business results with shareholders, as well as important contracts in Croatia and abroad.

Communication with employees takes place by e-mail and various notifications and decisions of the company. Websites are an important means of communication with partners in the country and abroad, but also with the public in general. We use the following websites: www.dalekovod.com, www.dalekovod-proizvodnja.com and www.dalekovod-projekt.com. In accordance with marketing requirements and needs, the websites of Dalekovod d.d. and all the companies that make up the Dalekovod Group are translated into English. The content of our main www.dalekovod.com page is partly available in Norwegian and Swedish.

There is also a special internal page for workers through which internal information is exchanged. Key topics arising from communication with stakeholders include the future development of the company and job security, professional development of workers, meeting the increasing number of requirements related to market, environmental and regulatory standards that apply in the domestic and foreign markets in which we operate.

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Dalekovod Group uses a dual-materiality methodology for strategic adjustment and management of material impacts. By applying scenario analysis and continuous ESG adjustments, it ensures business model resilience, regulatory compliance and long-term competitive advantage.

A detailed process for the implementation of the dual materiality process and the output material topics can be found in Chapter IRO-1 – Description of the Process for

Identifying and Assessing Material Impacts, Risks and Opportunities, and in detail in each introduction to the E, S and G parts of the reporting.

Material impacts, risks and opportunities (ESRS 2.48.a)

Dalekovod Group has identified key impacts and risks that occur within the business model, its own activities and the upstream and downstream value chain.

Category	Material impact/risk/opportunity	The segment of the business where they are most pronounced			
Environmental	Risks of CO₂ emissions and climate change	Production processes, transport, energy efficiency			
Environmental	Sustainable supply chains and resource optimization	Procurement of raw materials, recycling, waste management			
Social	Employee safety and ethical working conditions	Production facilities, field work			
Social	ESG customer requirements and market competitiveness	Tenders, Electrification, Transport and Energy Networks Market			
Management	Regulatory requirements (CSRD, EU Taxonomy)	ESG reporting, financial compliance			
Technological Digitalization and smart grids		R&D and implementation of advanced solutions of the Dalekovod Group			

Current and expected effects of material impacts (ESRS 2.48b)

Current impacts on the business model

- The growing need for ESG certification and sustainable technologies is creating competitive pressures.
- The increase in regulatory requirements leads to higher operating costs and the need for ESG reporting.
- The volatility of raw material prices affects profitability and procurement strategy.

Impact of material factors on people and the environment (ESRS 2.48.c)

How impacts affect people and the environment

- Positive impacts: Improved energy efficiency reduces CO₂ emissions, implementation of safety standards improves working conditions.
- Negative impacts: Risks associated with the transition to low-carbon technologies and the rising costs of the green transition.

Time horizon of influence

- Short-term (2024-2026) Strengthened ESG regulation and business model adjustment.
- Medium term (2026-2030) Implementation of low-carbon technologies and optimization of energy processes.
- Long-term (2030-2050) Achieving net-zero emissions through technological transformation

Financial Effects of Material Risks and Opportunities (ESRS 2.48.d & e)

Immediate financial effects

Type of risk	Financial impact			
Regulatory requirements	Increased operating costs of ESG compliance			
Sustainable supply chains	Higher costs of sourcing sustainable raw materials			
Green investments	Cost reduction through incentives and financial incentives			

Expected financial effects

Period	Effects			
Short-term (2024-2026)	ESG investments increase CAPEX, but improve market position			
Medium term (2026-2030)	Revenue growth due to the electrification of Scandinavian countries and EU solutions through an increase in the need for electricity distribution from source to point of consumption.			
Long-term (2030-2050)	Full adaptation to sustainable models reduces operating costs			

Resilience of strategy and business model (ESRS 2.48.f)

Dalekovod Group uses scenario resilience analysis to ensure long-term adaptation:

- SSP1 scenario (ambitious decarbonisation): Increased investment in innovation and regulatory adaptation.
- SSP2 scenario (gradual transition): Steady growth of ESG requirements and investments in renewables.

The output data of these analyses are described in Chapter E1-IRO 1.

Changes in material factors (ESRS 2.48.g & h)

Category	Changes compared to the previous reporting period		
Regulatory risks	CSRD and EU Taxonomy require greater business adjustment		
Market risks	Growing customer demands for sustainable solutions, i.e. compliance of business with ESG requirements. Dalekovod Group participates in supervisory audits of investors who require compliance with their own ESG requirements, and compliance with such requirements has become a key part of Dalekovod Group's business.		

Managing impacts, risks and opportunities

IRO-1 – Description of the process for identifying and assessing material impacts, risks and opportunities

In 2024 the materiality assessment of the Dalekovod Group, which was used in the development of the Sustainability Strategy in 2022, was updated. The Double Materiality Assessment (DMA) method at the corporate level was used to update the significant topics.

The assessment of double materiality has been approved by the Management Board of the Group. In the coming years, we will continue to work on further refining and adapting the assessment in line with best practices and new guidelines within our ESG topics.

The impacts, risks and opportunities (IROs) identified as material to the operations and value chain of the Dalekovod Group were mapped according to the disclosure requirements set out in the thematic European Sustainability Reporting Standards (ESRS) in order to identify material topics and information for the 2024 report

The assessment of the dual materiality of environmental, social and governance (ESG) sustainability factors of the Group's transmission line in accordance with the ESRS is used to determine the associated impacts, risks and opportunities (**R&D**) in the Group's value chain and to assess their materiality in the short, medium and long term. Includes:

- **Materiality of the Group's impacts** an assessment of the Group's and operating companies' impacts on ESG factors, including human rights.
- **Financial materiality for the Group** an assessment of the impacts, risks and opportunities associated with these ESG factors, which may materially affect the business results, financial value and success of the Group and its members in meeting their obligations (financial materiality).

Based on the analysis of the Group's already defined topics from 2023 the Group's Sustainability Strategy, the analysis of competition topics (benchmark), indicative topics according to sectoral SASB standards, the results of the workshop and additional refinement of the Group's experts in specific areas, a list of potentially significant topics for the Group was compiled according to the list of sustainability factors defined in point AR 16 of the ESRS. The topic of project management has been added to the list of topics as a topic of special importance for the Dalekovod Group.

Methodology for estimating the double materiality of Dalekovod Group

Value chain mapping

As part of the Double Materiality Assessment (DMA), material impacts across all operations and the value chain of the Dalekovod Group were assessed. The business model encompasses activities in the production of power equipment, transmission and distribution of electricity, digital solutions and platforms, and renewable energy sources.

The upstream value chain includes key suppliers of materials and energy resources, manufacturers of specialized equipment, as well as strategic partners within the industry. In addition, investors and R&D partners play an important role in optimizing innovation and reducing environmental impacts.

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

The assessment of double materiality also includes an assessment of the impact on communities, workers within the value chain and employees of our suppliers who are not directly employed by Dalekovod Group.

To assess the impact in segments with limited data availability, industry analyses, regulatory reports and surveys were used to identify high-risk areas and vulnerable groups.

Key ESG topics assessed as material

Based on the assessment of double materiality, key ESG topics were identified that
were assessed as significant for the operations of Dalekovod Group. These topics
are aligned with the European Sustainability Reporting Standards (ESRS) and
include:

• Environmental topics:

- Climate change and energy consumption adaptation and mitigation of climate change through the implementation of low-carbon technologies and energy efficiency (assessed as a key topic).
- Resource use and circular economy increasing the share of recycled materials and optimising processes to reduce waste, with the theme of Inflows of funds, including resource use assessed as crucial.

Social topics:

- Working conditions and safety of employees ensuring high standards of occupational safety and continuous investment in the health and safety of employees and suppliers.
- Diversity, equality and inclusion promoting gender balance, employee rights and ethical business practices throughout the value chain.
- Impact on local communities encouraging socially responsible practices and contributing to the development of infrastructure through sustainable projects.

Management and Business Ethics:

- Sustainable procurement and responsible business integration of ESG criteria into the procurement process and supplier relations, including payment practices
- Compliance with regulatory requirements proactive monitoring and implementation of new regulations and sustainability standards, with an

- emphasis on promoting corporate culture and preventing and detecting corruption and bribery.
- Project management as a key topic in the field of management, project management was highlighted as a key aspect of Dalekovod Group's business success.

Timeframes

When assessing IRO (impact, risks, opportunities), we apply time frames defined according to ESRS 1 standards:

- Short-term: current reporting year (2024);
- Medium-term: 1-5 years (2025-2029);
- Long-term: impacts and risks beyond 5 years (2030+).

Identification and assessment of material risks and opportunities

Dalekovod Group continuously assesses potential ESG risks that may cause financial or reputational consequences. The analysis includes:

- Regulatory and market risks compliance with new regulations and sustainability-related market pressures.
- Climate risks physical risks related to extreme weather events and transition risks of adaptation to low-carbon operations.
- Resource dependency availability and price of key materials and energy sources.

In order to quantify ESG risks, we use scenario modeling that allows the assessment of the financial risk profile in different conditions and time frames.

Involving key internal and external stakeholders

Key internal and external stakeholders are involved in the assessment of double materiality.

- External stakeholders:
 - Regulatory bodies compliance with EU directives and ESG standards.
 - Investors and financial institutions requirements for transparency in ESG reporting and investments in sustainable projects.
 - Customers and partners expectations in terms of reducing the carbon footprint and responsible procurement, direct users of Dalekovod Group's products and services who shape development strategies with their feedback.

- Local communities contribution to the development of infrastructure and sustainable energy solutions.
- Internal stakeholders:
- Employees a key resource of the Dalekovod Group, including all levels of employees, which includes the Supervisory Board, the Management Board, all employees from operational workers to management, shareholders, owners, and the works council and trade unions with a focus on working conditions, safety, development and promotion.
- Experts and members of the sustainability working group key employees responsible for the development and implementation of ESG strategies within the Dalekovod Group.

Results of the Assessment of Dual Materiality of Dalekovod Group

Below is the result of the assessment of the double significance of topics according to their importance for the Dalekovod Group:

Overview of important topics of the Dalekovod Group								
ENVIRONMENT			SOCIETY			MANAGEMENT		
Climate change			Own workforce			Business conduct		
Adaptation to climate change	▲ ☆		Working conditions			Corporate Culture		
Climate change mitigation	▲ ▼ △ℰ		Equal treatment and opportunities for all			Protection of whistleblowers	A	
Energy	▲ <u> </u>		Other rights arising from the employment relationship	▲ ▼ ∧		Supplier relationship management	▲	
	Resources and the circular economy		Affected communities			Corruption and bribery	A A	
Resource inflows			Economic, social and cultural rights of communities	A	Topics of particular importance that are not covered by the ESRS core set		by the ESRS	
Resource outflows			Consumers and end-users			Project management	▲ ▼ ☆&	
Waste			Personal safety					

Legend: ▲ -positive effects, ▼ -negative effects, ∧ -risks, **♂** -opportunities

Disclosure Request IRO-2 – ESRS Disclosure Requirements Covered by the Corporate Sustainability Report

Through the process of dual significance analysis, key topics, sub-topics, and sub-themes were identified. Based on them, the material aspects for each IRI (impact, risk, opportunity) were determined. Then, specific information and detailed data points ("DP Data Points") were selected and published for reporting. Only data points related to material policies, actions and goals, and metrics related to the identified sub-topics are reported.

The table below presents data resulting from other EU legislation listed in Appendix B of ESRS 2. The table indicates where these data are located in our report and which of the data are not rated as significant.

Request for publication		SFDR (1)	Third Pillar (2)	Reference values (3)	European Climate Law (4)	
General info	rmation					
GOV-1	21(d)	Gender diversity in the administration	0		0	
GOV-1	21(e)	Percentage of independent board members			0	
GOV-4	30	Due Diligence Statement	0			
SBM-1	40(d)(i)	Participation in fossil fuel activities	0	0	0	
SBM-1	40(d)(ii)- (iv)					
Environment						
E1-1	14	Transition plan to achieve climate neutrality				0
E1-1	16(g)	Exclusion from Paris Agreement benchmarks		0	0	
E1-4	34	Greenhouse gas emission reduction targets	0	0	0	
E1-5	38	Fossil energy consumption broken down by source (only sectors with a significant impact on the climate)	0			
E1-5	37	Energy consumption and combination of energy sources	0			
E1-5	40-43	Energy intensity associated with activities in sectors with a significant impact on the climate				
E1-6	44	Gross Scope 1, 2, 3 GHG Emissions and Total GHG Emissions		0	0	
E1-6	53-55	Gross greenhouse gas intensity	0	0	0	
E1-7	56	Greenhouse gas removals and carbon credits				0

E1-9	66	Exposure of the reference portfolio to physical risks related to climate change			0	
E1-9	66(a)	Breakdown of monetary amounts according to acute and chronic physical risk		0		
E1-9	66(c)	Location of significant assets exposed to significant physical risk		0		
E1-9	67(c)	Breakdown of the book value of a company's real estate by energy efficiency classes		0		
E1-9	69	Degree of exposure of the portfolio to climate-related opportunities			0	
E5-5	37(d)	Non-recycled waste	0			
E5-5	39	Hazardous waste and radioactive waste	0			
Society						
SBM-3-S1	14(f)	Risk of forced labor	0			
SBM-3-S1	14(g)	Risk of child labor	0			
S1-1	20(a)	Human rights policy commitments	0			
S1-1	21	Due diligence policies on matters covered by core ILO Conventions 1 to 8			0	
S1-1	22	Procedures and measures to prevent trafficking in human beings	0			
S1-1	23	Occupational accident prevention policy or management system	0			
S1-3	32(c)	Complaints Handling Mechanism	0			
S1-14	88(b)(c)	Number of deaths and number and rate of accidents at work	0			
S1-14	88(e)	Number of days lost due to injuries, accidents, deaths or illnesses	0		0	
S1-16	97(a)	Mismatched gender pay gap	0			
S1-16	97(b)	Excessive difference in the salary of directors and employees	0		0	
S1-17	103(a)	Incidents of discrimination	0			
S1-17	104(a)	Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD Guidelines	0		0	
Affected con	nmunities					
S3-1	16	Human rights policy commitments	0			
S3-1	17	Failure to comply with the UN Guiding Principles on Business and Human Rights, the ILO Principles or the OECD Guidelines	0		0	
S3-4	36	Human rights issues and incidents	0			
Consumers a	and end-use	ers				
S4-1	16	Policies relating to consumers and end-users	0			
S4-1	17	Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD Guidelines	0		0	

S4-4	35	Human rights issues and incidents	0			
Management						
G1-1	10(b)	United Nations Convention against Corruption	0			
G1-1	10(d)	Protection of whistleblowers	0			
G1-4	24(a)	Fines for violating anti-corruption and anti-bribery regulations	0		0	
G1-4	24(b)	Anti-corruption and anti-bribery standards	0			

The following table shows all sections of the material topic and disclosure requirements and their positions throughout the report.

Section	Theme	Request for publication	Page
		BP-1 General basis for the preparation of the	2
		Sustainability Report	2
		BP-2 Special Circumstances Disclosures	2
		GOV-1 The Role of Administrative, Management and	4
		Supervisory Bodies	
		GOV-2 Submitted information and sustainability issues	
		dealt with by the administrative, management and	5, 8
		supervisory bodies of the company	
		GOV-3 Integrating sustainability results into incentive	9
int		programs	
l me		GOV-4 Statement of Due Diligence and ESG Risk	9
nce		Management	
not		GOV-5 Risk Management and Internal Controls on	11
anr		Sustainability Reporting	
General announcement		SBM-1 Strategy, Business Model and Value Chain	11
ine		SBM-2 Interests and Views of Stakeholders	16
95		SBM-3 Significant impacts, risks and opportunities and	26
		their	20
		IRO-1 Description of the process for identifying and	21
		assessing material impacts, risks and opportunities	21
		IRO-2 ESRS disclosure requirements covered by the	25
		corporate sustainability report	23
		MDR-P Policies adopted to manage significant	37
		sustainability factors	37
		MDR-T Monitoring the effectiveness of policies and	37
		measures based on target values	57
	ge	E1-1 Transition Plan for Climate Change Mitigation	32
len!	_	E1. SBM-3 Significant Impacts, Risks and Opportunities	32
Environmer	ESRS E1	and Their Interaction with Strategy and Business Model	ے د
/iro	SR	E1. IRO-1 Description of the procedures for identifying	
En	E E	and assessing significant impacts, risks and	36
	Ū	opportunities related to climate change	

		E1-2 Policies related to climate change mitigation and	44		
	adaptation E1-3 Measures and resources related to climate policies				
		E1-4 Targets related to climate change mitigation and adaptation	44		
		E1-5 Energy consumption and combination of energy sources	45		
		E1-6 Gross Scope 1, 2, 3 Gross Greenhouse Gas Emissions and Total Greenhouse Gas Emissions	47		
	1 Circular	E5. IRO-1 Description of the procedures for identifying and assessing significant impacts, risks and opportunities related to resource use and the circular economy	57		
	Jse and	E5-1 Policies related to resource use and the circular economy			
	ource Use Economy	E5-2 Measures and resources related to resource use and the circular economy	58		
	ESRS E5 Resource Use and Circular Economy	E5-3 Targets related to resource use and the circular economy	58		
	ESR	E5-4 Resource Inflow	58		
		E5-5 Resource Outflow	59		
		S1. SBM-2 – Interests and views of stakeholders	16		
		S1. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model	54		
		S1-1 – Policies related to their own workforce	65		
		S1-2 Procedures for cooperating with own workers and workers' representatives on impacts	67		
	ESRS S1 Own workforce	S1-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns	69		
Social		S1-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures	70		
V		S1-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities	72		
		S1-6 Characteristics of the company's employees	72		
		S1-8 Coverage of collective bargaining and social dialogue	74		
		S1-9 Diversity indicators	75		
		S1-10 Adequate salaries	76		
		S1-14 Health and safety indicators	76		

S1-16 Compensation indicators (pay gap and total compensation) S1-17 Cases, complaints and serious human rights impacts S3.5BM-2 - Interests and views of stakeholders S3.5BM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S3-1 - Policies related to own workforce S3-2 Procedures for cooperating with own workers and workers' representatives on impacts on one's own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures S3-5 Targets related to the management of significant adverse impacts and the management of significant risks and opportunities S4.5BM-2 - Interests and views of stakeholders S4.5BM-2 - Interests and views of stakeholders S4.5BM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for cooperating with own workers and workers' representatives on impacts S4-3 Procedures for cooperating with own workers and workers' representatives on impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant procedures for remedying adverse impacts and realizing significant daverse impacts, and workers' representatives on impacts S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant adverse impacts, the incentivising of positive impacts and the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1-1 Business Conduct Policies and Corporate Culture G1-1 Business Conduct Policies and Corporate Culture G1-1 Supplier Relationship Management G1-2 Supplier Relationship Management				
S3.5BM-2 – Interests and views of stakeholders S3.5BM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S3-1 – Policies related to own workforce 79 S3-2 Procedures for cooperating with own workers and workers' representatives on impacts S3-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S3-4 Taking measures for significant impacts on one's own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures S3-5 Targets related to the management of significant risks and opportunities S4. SBM-2 – Interests and views of stakeholders S4. SBM-2 – Interests and views of stakeholders S4. SBM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts, Risks and Opportunities S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management G1-2 Supplier Relationship Management				76
S3. SBM-2 – Interests and views of stakeholders 53. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model 53-1 – Policies related to own workforce 53-2 Procedures for cooperating with own workers and workers' representatives on impacts 53-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures 53-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant impacts and Opportunities 54. SBM-2 – Interests and views of stakeholders 54. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model 54.1 Policies for consumers and end users 54.2 Procedures for cooperating with own workers and workers' representatives on impacts 54.3 Procedures for cooperating with own workers and channels through which own workers can raise concerns 54.4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures 54.5 Targets related to the management of significant adverse impacts and their own workers can raise concerns 54.5 Targets related to the management of significant adverse impacts and their own workers can raise concerns 54.5 Targets related to the management of significant risks and realizing significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities 61. G0V-1 The role of administrative, supervisory and management bodies 61.1 Business Conduct Policies and Corporate Culture 85.6 G1.2 Supplier Relationship Management			_	77
and Their Interaction with Strategy and Business Model S3-1 — Policies related to own workforce 79 S3-2 — Procedures for cooperating with own workers and workers' representatives on impacts S3-3 — Procedures for remedying adverse impacts and channels through which own workers can raise concerns S3-4 Taking measures for significant impacts on one's own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures S3-5 — Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities S4. SBM-2 — Interests and views of stakeholders S4. SBM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 — Procedures for cooperating with own workers and workers' representatives on impacts S4-3 — Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 — Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86				16
S3-2 Procedures for cooperating with own workers and workers' representatives on impacts S3-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S3-4 Taking measures for significant impacts on one's own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these measures S3-5 Targets related to the management of significant risks and opportunities S4. SBM-2 Interests and views of stakeholders S4. SBM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for cooperating with own workers and workers' representatives on impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management G1-2 Supplier Relationship Management 86				78
significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities S4. SBM-2 – Interests and views of stakeholders S4. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for consumers and end users S4-2 Procedures for consumers impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		S		79
significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities S4. SBM-2 – Interests and views of stakeholders S4. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for consumers and end users S4-2 Procedures for consumers impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		nunitie		79
significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities S4. SBM-2 – Interests and views of stakeholders S4. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for consumers and end users S4-2 Procedures for consumers impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		Сотп	S3-3 Procedures for remedying adverse impacts and	80
significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities S4. SBM-2 – Interests and views of stakeholders S4. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for consumers and end users S4-2 Procedures for consumers impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. G0V-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		RS S3 Affected	S3-4 Taking measures for significant impacts on one's own workforce, approaches to mitigating significant risks and realizing significant opportunities related to one's own workforce, and the effectiveness of these	80
S4. SMB-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for cooperating with own workers and workers' representatives on impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		SE	significant adverse impacts, the incentivising of positive impacts and the management of significant risks and	80
and Their Interaction with Strategy and Business Model S4-1 Policies for consumers and end users S4-2 Procedures for cooperating with own workers and workers' representatives on impacts S4-3 Procedures for remedying adverse impacts and channels through which own workers can raise concerns S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management 86			S4. SBM-2 – Interests and views of stakeholders	16
S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management 86		Prs		81
S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management 86		Use		82
S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management 86		d End	·	82
S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own workforce, and the effectiveness of these measures S4-5 Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture G1-2 Supplier Relationship Management 86				82
impacts and the management of significant risks and opportunities G1. GOV-1 The role of administrative, supervisory and management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86	S4 Consume	. 54 Consum	S4-4 Taking measures for significant impacts on own workforce, approaches to mitigating significant risks and realizing significant opportunities related to their own	83
management bodies G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86		ESRSS	significant adverse impacts, the incentivising of positive impacts and the management of significant risks and	83
G1-1 Business Conduct Policies and Corporate Culture 85 G1-2 Supplier Relationship Management 86 G1-3 Prevention and detection of corruption and bribery 88	ė.	duct		4
G1-2 Supplier Relationship Management G1-3 Prevention and detection of corruption and bribery 88	ernanc	RS G1	G1-1 Business Conduct Policies and Corporate Culture	85
G1-3 Prevention and detection of corruption and bribery 88	Gove	ESF	G1-2 Supplier Relationship Management	86
		Bı	G1-3 Prevention and detection of corruption and bribery	88

G1-4 Confirmed cases of corruption or bribery	88
G1-6 Payment Practices	89
G1-1 Business Conduct Policies and Corporate Culture	

Dalekovod Group Sustainability Policy (MDR-P, MDR-T)

Description of the main content of the policy

Dalekovod Group recognizes the key role of sustainable business in creating long-term value for stakeholders, including employees, clients, investors, suppliers and the communities in which it operates. This policy is aligned with the ESRS and is based on the principles of double materiality, integrating economic, environmental and social aspects of business.

Principles of sustainable business

Our actions are based on the following principles:

- Social responsibility We respect human rights, labour rights and encourage inclusion.
- Environmental protection We apply ISO 14001 and ISO 50001 standards and strive to reduce emissions and use resources sustainably.
- Transparent and Accountable Management We adhere to ethical business practices and comply with the Code of Corporate Governance.
- Innovation and digitalization We develop new technologies to increase energy efficiency and reduce the environmental footprint.

ESG Strategic Goals and Commitments

Environmental sustainability

Dalekovod Group is committed to reducing negative environmental impacts through:

- Energy management Increasing energy efficiency, optimizing resource consumption and using renewable energy sources.
- Climate change and decarbonisation Reducing greenhouse gas emissions in line with the objectives of the European Green Deal.
- Circular economy Efficient use of materials, recycling and reuse of waste in production processes.

Social responsibility

We commit to:

- Fair and safe working conditions Ensuring the health and safety of employees
 (ISO 45001), encouraging equal opportunities and career development.
- Supplier relationship and human rights Working with suppliers who apply ethical standards and sustainable practices.
- Investing in the community Supporting education, local initiatives and employing local workers.

Management standards

Dalekovod Group is committed to the implementation of:

- Code of Ethics Zero tolerance for corruption and bribery.
- Whistleblower protection Safe channels for reporting irregularities.
- Regulatory Compliance Compliance with national and international regulatory frameworks.
- Integration into business strategy and performance monitoring
- Dalekovod Group continuously monitors and reports on sustainability through:
 - ESG indicators and targets Aligned with ESRS and stakeholder requirements.
 - Internal and external audit Ensuring the accuracy and transparency of data.
 - Regular policy update Adaptation in line with changes in legislation and best practices.

Policy scope

The policy applies to all companies within the Dalekovod Group and includes:

- **Activities:** production, research and development of innovative technological solutions for energy transition and digitalization.
- **Value chain:** applies to suppliers, customers and partners through requirements for sustainable practices.

Geographical areas: globally, in all regions in which the Dalekovod Group operates.

Stakeholders: employees, customers, investors, local communities, regulators and partners.

Highest level of responsibility

The Management Board of Dalekovod Group is responsible for the implementation of the sustainability policy, which provides resources, strategic guidance and supervision over the implementation of the policy.

Third-party standards and initiatives

Dalekovod Group has been a member of the UN Global Compact since 2007 and adheres to its principles on human rights, labor rights, environmental protection and anticorruption. It also applies international standards and norms, including ISO 14001 (environmental management), ISO 45001 (occupational health and safety), and ISO 50001 (energy management).

Taking into account the interests of key stakeholders

When defining the policy, the interests of key stakeholders were taken into account through:

- Partnerships and dialogue with regulators, local communities and industry.
- Employee development through investments in education and professional growth.
- Support local communities through sponsorships, educational initiatives and volunteering.
- Working with suppliers to promote sustainable practices.

Accessibility of the policy to stakeholders

The sustainability policy is available through the official website of the Dalekovod Group of internal communication channels for employees and business partners. Transparency is ensured through regular reports and audits.

Specific sustainability goals of the Dalekovod Group related to the policy and strategy of the sustainable business of the Dalekovod Group

Climate & Resources

Goal 1: A zero-emission future

Reducing greenhouse gas emissions in scope 1 and 2, with the start of the net-zero transition.

Goal 2: Circular economy

Reducing waste generation and responsible use of packaging materials.

Employees and communities

Goal 3: Health and safety

Ensure a healthy and safe working environment for all employees.

Goal 4: Inclusion, diversity and equality

Promoting inclusion, diversity and equal opportunities for all persons.

Goal 5: Professional development of employees

To enable employees to develop professionally and grow within the Dalekovod Group to continuously invest in education and leadership development.

Goal 6: Youth in focus

Attracting young people and encouraging cooperation with educational institutions through scholarships and internships.

Goal 7: Community involvement

Encouraging involvement in the development of local communities through investments in educational, cultural and sports initiatives.

Responsible management

Goal 8: Transparency and accountability

Implementing robust ESG governance and risk.

Goal 9: Accountability in the value chain

Raising sustainability standards among suppliers and partners.

Sub-goals for the implementation of these goals defined by the strategy and policies will be elaborated in detail in each segment of the report (MDR-A) with the corresponding metrics and statuses (MDR-M).

During 2025. Dalekovod Group will also develop a transition plan based on the collected data in 2024. The transition plan will include plans and actions in response to:

- Decarbonization and the goal of reducing CO2 emissions
- Physical risks related to climate change
- Transition risks related to climate change

Policies at the level of Dalekovod Group:

Management system policies are available on the website of Dalekovod d.d., on the intranet of Dalekovod d.d., and on notice boards within the company and on construction sites. Management system policies are transferred to all employees as the basic tool of the Management Board in securing and managing systems. Management system policies are available and communicated to subcontractors and all other interested parties.

All employees are familiar with the policy and goals. Motivation and a positive attitude towards environmental protection enables the achievement of the set goals. The education system for all employees ensures their awareness of the established environmental management system, environmental policy, goals, their environmental impacts and benefits derived from the improved performance of their work, and the possible consequences of non-compliance with the requirements.

Table 6.1 List of adopted policies and their content

Politics	Content	Coverage	Responsibl e for application	External standards	Availability
The Dalekovod (Group's sustainab	ility policy in	cludes the poli	cies listed belo	ow
Energy use and consumption and energy efficiency policy	- Encourages the use of energy- efficient technology and practices Harmonization of work with international standards Defines regular monitoring and reporting, and goal setting	Dalekovo d Group	Everyone	ISO 50001:201 8	It will be available at: https://www.dalekovod.hr /
Safe Workplaces and Employees Policy	- Ensuring fair and competitive wages - Respect for employees' working hours - Encouragin g freedom of association - Prevention of violence, discrimination,	Dalekovo d Group	Everyone		It will be available at: https://www.dalekovod.hr /

	harassment and retaliation				
Health and safety policy	- Application of high standards and compliance with laws - Continuous bend - Regular monitoring and reporting, as well as process evaluation and elimination of potential risks	Dalekovo d Group	Everyone	ISO 45001:201 8	It will be available at: https://www.dalekovod.hr /
Environmental policy	- Development and development of the project in accordance with standards - Continuous bend - Management of impacts on lands and areas of affected communities, and monitoring of community interests	Dalekovo d Group	Everyone	ISO 14001:201 5	It will be available at: https://www.dalekovod.hr
Circular economy policy	- Encourages optimization of material use, recycling, innovation in materials, responsible waste management and education about the importance of	Dalekovo d Group	Everyone		It will be available at: https://www.dalekovod.hr /

	the circular economy - Regular monitoring and reporting of results				
Supplier Relationship Management Policy	- Defines cooperation based on principles, Group policies and international standards and rights Defines expectations regarding ethical behavior and practices and practices for combating bribery and corruption Encourages transparency and cooperation towards sustainability in the supply chain.	Dalekovo d Group	Everyone	ISO 9001 ISO 14001 ISO 50001 ISO 45001	It will be available at: https://www.dalekovod.hr /
Corporate Social Responsibility and Community Involvement Policy	- Defines contribution to the community through job creation, involvement of local suppliers and partners, and participation in infrastructure	Dalekovo d Group	Everyone		It will be available at: https://www.dalekovod.hr /

	and social projects - Promotion and respect for human rights - Defines support for educational, cultural and sports initiatives				
Corporate Governance Policy	- Committed to principles in the field of human rights, labor law, environmental protection and anti-corruption (as a member of the UN Global Compact) - Defines the principles of management: - ethical, transparent and responsible business, - Stakeholder engagement - Regulatory compliance - quality management, and - Application of the Code of Corporate Governance of the Zagreb Stock Exchange and	Dalekovo d Group	Everyone	ISO 9001:2015	It will be available at: https://www.dalekovod.hr /

	the Code of Conduct of the Dalekovod Group			
Internal Whistleblowin g Ordinance – Protection of Whistleblower s	- Reporting procedures and process - Anonymous reporting - Resolution procedures	Dalekovo d Group	Everyone	Sharepoint

Environmental information

Dalekovod Group specializes in the sale, construction, supervision and design of power lines and plants up to 750 kV, suspension and connecting equipment, railway infrastructure facilities, roads, buildings, sports facilities and telecommunication lines and poles, lighting poles and halls, steel and other load-bearing structures, equipment of civil engineering facilities and electrical installations, with the provision of anti-corrosion metal protection services.

OUR MISSION is to develop and maintain business relationships with domestic and foreign partners by ensuring high quality standards in the field of engineering, production and construction of electricity, road, railway and telecommunications infrastructure, which are based on many years of knowledge and tradition, innovation and strong social responsibility and trust in the successful implementation of all jobs.

OUR VISION is to become a leading international company in providing complete and quality services of engineering, production and construction of electricity, road, railway and telecommunications infrastructure, primarily by strengthening our positions in foreign markets, contracting new business and penetrating new markets, all on the basis of a long tradition, knowledge, competitiveness, innovation and reliability.

Dalekovod Group is committed to sustainable development, achieving a balance between the environment, the Society and our activities in order to meet the needs of today without jeopardizing the prospects of future generations to meet their needs. Sustainable development, transparency and compliance with the requirements (of interested parties, standards, laws) are components of the economic growth of the Societies.

Dalekovod Group recognizes that environmental, social and governance (ESG) issues are of increasing importance, resulting in significant impacts on all aspects of our business

activities. Climate change is also affecting our industry, and climate risks and opportunities are an inevitable part of the business. In order to mitigate climate change, we are developing a transition plan as part of our Sustainability Strategy.

During 2024 not a single event with a negative impact on the environment was recorded.

ESRS E1 Climate Change

E1-1

Transition plan for climate change mitigation

Dalekovod Group recognizes the importance of an active approach to the climate transition and commitment to reducing the negative impact on the environment in accordance with the European Sustainability Reporting Standards (ESRS E1). Currently, Dalekovod Group does not have an elaborate climate transition plan that would address in detail environmental transition risks, physical climate risks and specific measures to reduce CO₂ emissions. Nevertheless, aware of its responsibility and the strategic importance of the transition to a low-carbon economy, the Group has defined clear goals within its sustainability strategy.

Dalekovod Group has committed to developing a comprehensive climate transition plan by 2026 that will include projections of measures and targets for 2030 and 2050, which is a key step towards aligning with the European Union's ambitions in reducing climate risks.

In addition, by 2026, the Group plans to increase energy efficiency by 35% compared to the base year 2019, which will directly affect the reduction of energy intensity of operations, expressed through the indicator of energy consumption in relation to revenues (MWh/million EUR).

In 2024 Dalekovod Group prepared a detailed analysis of CO2 emissions from Scopes 1, 2 and 3, assessed transition risks and prepared an assessment of climate risks to the Group's activities and assets. Based on the above input data, the Transmission Line Group will develop a Transition Plan during 2025.

E1. SBM-3 Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Model

E1. SBM-3_01, E1. SBM-3_02, E1. SBM-3_03 // E1. SBM-3_04, E1. SBM-3_05, E1. SBM-3_06, E1. SBM-3_07

Significant impacts, risks,	Description of significant impacts,	Stage in	Time
opportunities	risks, opportunities	the value chain	horizon
		G	

ADAPTATIO	N TO CLIMATE CH	ANGE		
		The Dalekovod Group's production		
		program develops equipment that		
		can withstand extreme conditions	Own businessDownstream	
		and can design a high level of		
		resistance according to the		
		customer's specifications.		Short-
POSITIVE	Climate resilience	Transmission line poles are		term to
EFFECT -		manufactured taking into account		long-
REAL		the climatic and weather conditions		term
		of the area where they are installed,		
		thus contributing to the resilience		
		and adaptation of transmission and		
		distribution networks to climate		
		change.		
CLIMATE CH	ANGE MITIGATION	V		
		GHG emissions at all stages of the		
		value chain include emissions from	UpstreamOwn businessDownstream	Short-
NEGATIVE EFFECT - REAL	GHG emissions	the production of semi-finished		term to
		products and components, inbound		
		and outbound transport, emissions		long- term
		from production, and emissions		term
		related to the use of products.		
		By reducing GHG emissions in	Own business	
POSITIVE	Reducing GHG	production, increasing energy		Short-
EFFECT -	emissions -	efficiency and purchasing electricity		term to
REAL		from renewable sources, the		long-
	Own Dusiness	Dalekovod Group contributes to		term
		climate change mitigation.		
	Reducing GHG	By performing its activities, the	Downstream	
POSITIVE EFFECT - REAL	emissions -	Dalekovod Group enables their		
	supporting the	modernization and increase in		Short-
	integration of	capacity to receive an increasing		term to
	renewable	number of renewable energy		long-
	energy sources	sources by designing, manufacturing		term
	into the grid	and building transmission lines and		
	and the	substations for transmission and		

decarbonisation of transport

distribution networks in Croatia, EU Member States and the world. Dalekovod Projekt develops renewable energy projects (wind farms, solar power plants, biomass, small hydropower plants) and modernizes energy systems for greater efficiency, contributing to national energy and climate goals. At the same time, it designs and builds road and rail infrastructure, thus increasing the safety and flow of traffic, reducing pollutant emissions and encouraging decarbonization. By doing so, it supports the goals of the Energy Development Strategy of the Republic of Croatia, the Integrated National Energy and Climate Plan and the Transport Development Strategy of the Republic of Croatia.

Furthermore, the company Dalekovod Projekt deals with development projects focused on renewable energy sources and in cooperation with a network of consultants, experts, companies, faculties, institutes and subcontractors in construction and installation, offers certain specific services in the projects of wind farms, solar power plants, biomass exploitation projects and small hydropower plants. Dalekovod Projekt also provides a comprehensive service of modernization of energy systems in order to increase energy efficiency. In this way, the Dalekovod Group contributes to the goals of the Energy Development Strategy of the Republic of Croatia until 2030, with a view to 2050, the goals of the Integrated

		National Energy and Climate Plan of		
		the Republic of Croatia and the goals		
		of the Climate Change Adaptation		
		Strategy of the Republic of Croatia		
		until 2040 with a view to 2070. By		
		designing, manufacturing and building		
		infrastructure for roads, motorways		
		and railways, Dalekovod Group		
		contributes to road traffic safety,		
		connecting the road and rail network		
1		with European traffic flows and the		
		existing network of the Republic of		
		Croatia, and traffic flow, which reduces		
		traffic congestion and contributes to		
		the reduction of environmental impact,		
		especially the reduction of pollutant		
		emissions into the air. The		
		modernization of rail transport also		
		contributes to the decarbonization of		
		transport in Croatia. By implementing		
		projects in the transport sector, the		
		Dalekovod Group contributes to the		
		achievement of the goals of the		
		Transport Development Strategy of the		
		Republic of Croatia until 2030.		
ENERGY				
		Systematic management of energy		
		aspects through ISO 50001 in		
		individual companies. Investing in		
		energy-efficient technologies and		
	Energy	optimising the energy consumption		Short-
POSITIVE	efficiency and	of buildings and plants to reduce	UpstreamOwn	term to
EFFECT -	renewable	overall energy consumption. For the	business	long-
REAL	energy	needs of its production processes,	- Business	term
	chergy	the Dalekovod Group procures		CCIIII
		electricity from renewable sources.		
		There is a decrease in energy		
		consumption per unit of income		
		through energy efficiency measures.		
PHYSICAL AND TRANSITION RISKS RELATED TO CLIMATE CHANGE				

PHYSICAL RISK	Difficult work due to weather extremes	Risk of loss of assets and interruption of key business processes due to natural or other disasters. Risk of physical damage to property and infrastructure due to extreme weather conditions.>CONSOLIDATED KATALOG_10022025 【DLKV】> REPORT ON RISK MANAGEMENT DALEKOVOD D.D. FOR 2024 【Risk Rating - 8】	Own business	Short- term to long- term
PHYSICAL RISK	Delays in the delivery of raw materials	Difficult transport of raw materials to the company due to the impact of climate change on transport routes. Climate change is further affecting the complexity of European supply chains. (related to E5 - Resource Use and Circular Economy) >INTEGRATED KATALOG_PONDERIRANI_10022025 【Risk Label - 8】	Upstream	Short- term to long- term
TRANSITION RISK	Rise in commodity prices	Rising prices of critical materials due to regulatory changes related to climate change, which increases operating costs. (related to E5 - Resource Use and Circular Economy) >Overview of Transition Risks of the DALEKOVOD GROUP	Upstream	Medium to long term
TRANSITION RISK	Business Adjustment Costs	Costs of adapting operations to new standards due to customer demands for sustainable supply chains and products with minimal environmental impact. (related to E5 - Resource Use and Circular Economy) >Overview of Transition Risks of the DALEKOVOD GROUP	Own businessDownstream	Medium to long term
TRANSITION RISK	Decarbonization of production processes	Investments in new technologies to increase energy efficiency and reduce emissions can significantly increase capital costs (pressures	Own business	Medium to long term

			1	
		due to the need to decarbonise		
		production processes).		
		>Overview of transition risks of the		
		DALEKOVOD GROUP		
		The increase in the price of energy		
		products due to the physical and		
TDANICITION	Increase in the	transition risks of the electricity		Medium
TRANSITION	price of energy	sector further increases energy	Own business	to long
RISK	products	costs for industry and consumers.		term
		>Overview of transition risks of the		
		DALEKOVOD GROUP		
OPPORTUNIT	TIES RELATED TO	CLIMATE CHANGE		
		Increased demand for key products		
PRODUCTS	Increased	of the Dalekovod Group due to the		Medium
AND	demand for key	acceleration of the green transition.	Own	to long
SERVICES	products	>Overview of transition risks of the	businessDownstream	term
	•	DALEKOVOD GROUP		
		The EU and national governments		
		finance green infrastructure		
		projects, renewable energy sources		
PRODUCTS	Regulatory	and energy system modernisation,	Own	Medium
AND	incentives and	which can increase demand for	businessDownstream	to long
SERVICES	subsidies	Dalekovod products.		term
		>Overview of transition risks of the		
		DALEKOVOD GROUP		
		ESG investors favor companies with		
		clear decarbonization strategies and		
	Reputational	favor sustainable projects, which		
PRODUCTS	aspects and	allows for more favorable financial	Own	Medium
AND	goals of	conditions through green bonds and	businessDownstream	to long
SERVICES	decarbonization	credit lines.		term
		>Overview of transition risks of the		
		DALEKOVOD GROUP		
		Significantly increased requirements		
		for the design of products adapted		
	Adaptation of	to the climatic conditions of the		
PRODUCTS	products to	location where they will be installed,	Own	Medium
AND	climatic	as well as the regime in which they	businessDownstream	to long
SERVICES	extremes	will operate (e.g. increase in ambient	Dusinessbownsuedin	term
	extremes			
		temperature, prolonged phases of		
		high overload)		

RESISTANCE	Adaptation of infrastructure	Improving and maintaining infrastructure to make it more resilient to climate change. In the context of our own business, there is significant growth potential for this opportunity in the short term until the planned adjustment measures are implemented. In the context of customers, long-term growth is expected.	Own business, downstream	Medium to long term
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Description of the procedures for identifying and assessing significant climate change impacts, risks and opportunities

E1. IRO-1 Climate change mitigation

E1. IRO-1_01, E1. IRO-1_09, E1. IRO-1_10, E1. IRO-1_11, E1. IRO-1_12, E1. IRO-1_13, E1. IRO-1_14, E1. IRO-1_15, E1. IRO-1_16

Dalekovod Group, as well as the entire economy, is facing an accelerated global transition to a low-carbon economy, driven by regulatory, market and technological changes.

Under the auspices of the new Corporate Reporting Directive (CSRD). Corporate Sustainability Reporting Directive) prescribes the European Sustainability Reporting Standards (ERSR). European Sustainability Reporting Standards).

European standards, (hereinafter referred to as ESRS) strongly encourage the use of scenario analysis (e.g. using RCP and SAA scenarios) to demonstrate the resilience of the strategy in different climatic and market conditions.

In accordance with the environmental standards within ESRS E1, the identification, assessment and disclosure of risks and opportunities related to climate change, especially transition risks, is required.

Examples of climate-related transition events (based on the classification of the Task Force on Climate-related Financial Disclosures (TCFD)					
Policy and Legal Issues	Technology	Market	Reputation		
Higher greenhouse gas emission prices Increased emission	Replacement of existing products and services with lower-emission options Unsuccessful investments in	Changes in user behavior Market signal uncertainty	Changes in consumer preferences Sector stigmatization		
reporting obligations Authorization for existing products and services and their regulation	new technologies Costs of transitioning to low- emission technology	Increased raw material costs	Increased stakeholder concerns		

Figure 1. Examples of climate-related transition events as presented under ESRS E1 – AR 12 $\,$

The aim of this report is to ensure the resilience, competitiveness and sustainable growth of the Group through proactive strategic planning and transparent reporting.

The transition risk analysis encompasses changes in legislation, the economy and societal expectations towards a low-carbon economy.

In accordance with the requirements of the TCFD (Eng. Task Force on Climate-related Financial Disclosure) Technical Supplement on Scenario Analysis (2017) and TCFD Guidance on Scenario Analysis for Non-Financial Companies (2020). It is necessary to include the following elements:

- Time horizon (short, medium, long-term)
- Analysis of potential financial effects
- Expected opportunities and adaptation strategies
- Business model resilience assessment

Analyzing transition risks and opportunities through the moderate scenario RCP 4.5/ SSP 2, it can be concluded that Dalekovod Group has significant opportunities, but also challenges in maintaining competitiveness and compliance with regulatory requirements. An overview of the key risks and opportunities arising from the analysis of transition events:

Regulatory and political risks:

- The increase in the cost of emission allowances and taxes on greenhouse gas emissions within the EU ETS system brings the need for continuous adjustment of business processes and the use and procurement of resources, materials and technology.
- Compliance with ESRS standards requires increased transparency in emissions reporting, ESG policies and practices, and sustainability strategies.

• Technological challenges and opportunities:

- Investments and implementations in green technologies and digitalization are necessary for Dalekovod to remain competitive and follow the direction and growth of the market in a sector that is increasingly focusing on the electrification of infrastructure and transport, smart solutions, but also the increased demand for electricity from renewable sources required by the expansion of networks.
- The "Draghi Report 2024" emphasizes the importance of implementing "smart grid" solutions, which opens up the opportunity for Dalekovod Group to become a regional leader in this segment.

Market trends:

- The market increasingly favors low-carbon products, which means that the competitive advantage will depend on the speed of adaptation of Dalekovod to new customer requirements.
- The EU continues to encourage green infrastructure and renewable energy sources, which can increase demand for Transmission Line products.

• Reputational aspects and ESG standards:

- An increasing number of investors in the EU are favoring companies with clear decarbonization strategies.
- ESG reporting and transparency in business are becoming key factors for access to favorable forms of financing (green bonds, ESG credit lines).

• Financing and capital:

- Access to capital will depend heavily on the Group's ability to demonstrate climate resilience and its ability to innovate.
- The use of EU funds for the energy transition can reduce adaptation costs and accelerate the implementation of new technologies.

Strategic guidance to mitigate risks and seize opportunities:

Portfolio diversification – continued development of both conventional and green solutions, depending on market needs.

Green finance – using ESG criteria to access affordable loans and bonds.

Strengthening innovation and digitalisation – investments in smart grids, energy storage and sustainable mobility.

Reputation management – transparent ESG reporting, stakeholder involvement, and strategic partnerships with regulators and financial institutions.

Taking into account all of the above, Dalekovod recognizes the transition to sustainability as an opportunity for long-term growth and strengthening of the market position in the European and global context with investments in more efficient production technologies.

Resilience to transition risks:

The transmission line shows high resilience to transition risks in moderate scenarios (RCP 4.5 + SSP2), but faces challenges in extreme scenarios.

Recognized to increase the resilience of the business model:

- Investing in innovation and green technologies ensure competitiveness in all scenarios.
- Diversification of markets and products reduce vulnerability to regulatory and market changes.
- ESG integration into business strategies increase reputational resilience and access to capital.

- Scenario planning and adaptation of business models to ensure flexibility in different economic and regulatory conditions.
- Proactive management of transition risks in order to preserve long-term competitiveness and market position.

Adaptation to climate change

E1. IRO-1_02 Description of the procedures for identifying impacts, risks and opportunities related to physical climate risks in own operations and along the value chain

Physical impacts, risks and opportunities related to climate change adaptation identified on the basis of the analysis of the Climate Risk and Vulnerability Impact Assessment (CRVA) *Climate Risk and Vulnerability Assessment*) steps required by ISO 14091 Climate Change Adaptation – Guidance on Vulnerability, Impacts and Risk Assessment (ISO 14091:2021; EN ISO 14091:2021).

In the first step, the sensitivity of Dalekovod's business operations and assets was assessed. Sensitivity is assessed as 'high', 'moderate' and 'negligible' depending on the potential damage, due to the climate hazard, irrespective of its location.**E1. IRO-1_03**). Sensitivity was evaluated with respect to taxonomy-eligible activities **3.1**, **3.20 and 6.15** with four aspects necessary for the functioning of the activity (assets, input parameters to the business process, output parameters from the business process, and the production/business process itself, including turnover. The classification of physical hazards posed by climate change that are required for the implementation of the CRVA under Directive (EU) 2022/2464 on corporate sustainability reporting, ESRS E1 Climate change can be found in the following table (Table 2.1).

Table 2.1 Classification of hazards posed by climate change according to Appendix A of Commission Delegated Regulation (EU) 2021/2139

	Temperature	Wind	Water	Solid mass
	Temperature changes	Changes in wind currents	Changes in precipitation patterns and type	Coastal erosion
Chronic	Temperature stress		Precipitation variability or hydrological variability	Soil degradation
	Temperature variability		Ocean acidification*	Soil erosion
	Melting Eternal Ice*		Salt water penetration	Solifluctuation*

	Temperature	Wind	Water	Solid mass
			Sea level rise	
			Water shortage	
	Heat wave	Cyclone, hurricane, typhoon*	Drought	Avalanche*
Acute	Cold wave/frost	Storm	Heavy precipitation	Landslides / Landslides
	Fire		Floods	 Soil subsidence
	2	Tornado*	Glacial lake outflow*	

^{*}Hazards that do not occur or are very rare and of lower intensity in the territory of the Republic of Croatia. The current and projected impact, i.e. the consequences of the occurrence of rare climatic hazards, for example in the case of tornadoes, are negligible. These are hazards for which data for the territory of the Republic of Croatia do not exist, so they have not been analyzed in the physical risk assessment.

In the second step, the exposure of geospatial locations of Dalekovod's assets (within the CRVA Dalekovod Group) in Croatia, Norway and Sweden, which are the primary markets of the companies from which the largest part of the revenue is generated, was analyzed cartographically, using GIS software. The analysis was based on available or derived relevant and verified cartographic bases of European and Croatian institutions in raster and vector form that represent climate variables or disasters for acute and chronic climate hazards that were assessed as "moderate" and "high" in the previous step (E1. IRO-1_04). The climate model used in the analysis of hazards for which there are climate scenarios is CRODEX Europe. Two climate development scenarios RCP 4.5 and RCP 8.5 (E1. IRO-1_08). Data on the exposure of the location of the assets and the business process of Dalekovod were analyzed in three periods (E1. IRO-1_05). The exposure of Dalekovod's assets and business process to physical, acute and chronic hazards arising from climate change in a particular geolocation (selected spatial unit) may not exist or is categorized as negligible, moderate or high.

The third step is a vulnerability analysis, which is a combination of the results of the sensitivity analysis and the exposure analysis categorized as negligible, moderate or high. Vulnerability is the basis for deciding whether to carry out a risk assessment phase, depending on the assessment of climate hazards (E1. IRO-1_06).

In the fourth step, for climate hazards assessed as "moderate" or "high" vulnerability (E1. IRO-1_07) analysed the significance of physical risk by combining the probability of occurrence of an event and the consequences associated with that event. The scale for

assessing the severity of the risk-related impact and the assessment of the likelihood of hazards occurring is taken from the Technical Guidance on Preparing Infrastructure for Climate Change 2021-2027 (2021/C 373/01). The estimated risk for the identified climate hazards to which the assets and business process of Dalekovod may be vulnerable was further justified with regard to the expected impact on business and damage to property, and risk reduction measures were proposed.

E1. IRO-1_03Climate-related hazards identified in the short, medium and long term

The classification of physical hazards posed by climate change that are required to carry out the assessment of physical climate risks in accordance with Commission Delegated Regulation (EU) 2021/2139 and the requirements of ESRS E1 Climate change can be found in the table above (Table 2.1). Classified physical climate hazards from the table were used in the assessment of the sensitivity of the Transmission Line activity, the cartographic analysis of the exposure of the property locations and the vulnerability assessment, which is a function of the intensity of sensitivity and exposure. A risk has been identified at the locations of Dalekovod's assets for the following climatic hazards in the short, medium and long term:

- Chronic and acute temperature-related hazards
- heat waves
- forest fires
- storms and heavy precipitation
- floods
- risk of avalanches and landslides.

E1. IRO-1_04 Verification of the exposure of assets and business activities of companies to physical climate hazards

Classified physical climate hazards represented by a single climate variable were analyzed using GIS technologies according to available verified cartographic bases. The exposure of the submitted locations of the Dalekovod assets (in the form of a list of cadastral parcels) to physical climatic hazards was analyzed in current and future climatic conditions according to two climate scenarios RCP4.5 and RCP8.5 in three periods up to the middle of the 21st century. The general bases used are the official data of the State Geodetic Administration of the Republic of Croatia, and refer to the digital orthophoto map, digital elevation model, topographic map, administrative boundaries and cadastre. Data sources for climate variables are taken from the official websites of European and Croatian institutions or have been requested through official channels. The sources are listed according to the segments of the analysis of physical, acute and chronic climatic hazards:

temperature

- o The Intergovernmental Panel on Climate Change (IPCC) Intergovernmental Panel on Climate Change)
- o EFFIS (eng. European Forest Fire Information System)
- o Norwegian Centre for Climate Services
- Official website of the Swedish Meteorological and Hydrological Institute,
 SMHI

solid mass

- o EUSO Soil Degradation Dashboard
- o Basic geological map M 1: 300 000 of the Croatian Geological Survey

water

- o IPCC
- River Basin Management Plan 2027 (Official Gazette, No. 84/2023) digital data of Croatian Waters have been requested through official channels
- o IPCC 6th Assessment Report Sea Level Projections

wind

- o IPCC
- Results of climate modelling on the HPC Velebit system for the purpose of drafting the Climate Change Adaptation Strategy of the Republic of Croatia until 2040 with a view to 2070 and the Action Plan; Addition to the results of climate modelling on the HPC VELEbit system: Basic results of integration at a spatial resolution of 12.5 km (Sub-activity 2.2.1).

For the secondary effects of climate change for which there are no climate scenarios available, the map data is based on existing publicly available variables that are assumed to continue to occur according to the intensity of the primary climate variables.

E1. IRO-1_05Defined short-, medium-term and long-term time periods

The short-, medium- and long-term time periods of physical risk assessment have been defined in accordance with the CORDEX Europe model projections used and climate scenarios RCP 4.5 and RCP 8.5 for climate variables available on the official website of the Intergovernmental Panel on Climate Change (IPCC). Intergovernmental Panel on Climate Change (IPCC). Although the risk of extreme weather and climatic disasters is most significant in the period up to the end of the 21st century, the average lifespan of assets, the time frame of strategic planning and the capital allocation plan of Dalekovod does not extend beyond the middle of the 21st century. Therefore, the assessment of physical risks

in the period up to the middle of the 21st century is strategically the most relevant. Therefore, the short-term time period represents simulations of the current climate whose data cover the historical period (PO), while the expected changes (projections) for the future climate are defined in two periods: medium-term from 2011/2021 to 2040. (P1 - immediate future) and in the long term from 2041 to 2060/2070. (P2- climate of the middle of the 21st century). Climate change is defined as the differences in the values of climate variables between the period 2021-2040 and 1981-2010. (P1 -P0) and the periods 2041-2060 and 1981-2010. (P2 - P0).

E1. IRO-1_06Quantified assessment of the exposure and vulnerability of the company's assets and business activities to the identified climate-related hazards

The sensitivity of the analysed taxonomy eligible activities numbers **3.1**, **3.20 and 6.15** (business activities) is assessed regardless of the location of the asset with regard to primary climate variables and their secondary effects from the aspect of four elements necessary for the functioning of the activity:

- I. Assets in the field of activity (infrastructure)
- II. Input or input for a business process (e.g. water, energy, raw material, materials, equipment, machinery, people)
- III. The output or output of a business process (e.g., product, material, service)
- IV. Business/production process (e.g. production, construction, service), including turnover

Sensitivity is evaluated with the ratings "high", "moderate" and "negligible", where "high" sensitivity means that the climatic event can significantly affect an element of the activity, "moderate" sensitivity that the climate hazard can have a slight impact, and "negligible" sensitivity that the climatic event has no impact on the element of activity. Each element of the activity and climate hazard is assigned an estimated value. The analysis determines that the activities of the Power Line are sensitive to: *Temperature changes, Temperature stress, Changes in wind flows, Precipitation variability, Heat wave, Cold wave/frost, Forest fire, Storm, Heavy precipitation (rain, hail, snow/ice), Floods, Avalanche and Landslide.*

For those climate hazards for which the sensitivity is assessed as 'moderate' and 'high', the exposure of the activity and the location of the asset to current and future climate hazards shall be determined in accordance with the same assessments for valuation. The analysis determined that the locations of the Transmission Line assets will be exposed to the following hazards: *Temperature changes, Temperature stress, Heat wave, Forest fire, Heavy precipitation, Floods, Avalanche and Landslide*.

E1. IRO-1_07Assessment of exposure and vulnerability to identified climate hazards based on pessimistic climate scenarios

The estimated exposure to physical climate hazards based on the RCP8.5 scenario for all climate hazards for which the sensitivity was assessed as moderate and high. The climate scenario RCP8.5 is a pessimistic scenario based on high concentrations of greenhouse gases in which heat radiation (in W/m2) will be +8.5 by 2100 compared to pre-industrial values, i.e. the global surface temperature will rise between 4° and 5° by 2100.

The business activities and assets of the Power Line will be negligible exposed to the following hazards: Changes in wind flows, Changes in precipitation patterns and type, Precipitation variability, Saltwater intrusion, Sea level rise, Water scarcity, Drought, Coastal erosion, Soil degradation, Soil erosion, Cold wave/frost, Storms, Heavy precipitation, Landslide and Subsidence.

The business activities and assets of Dalekovod will be moderately vulnerable to the following hazards: *Temperature changes, Storms and heavy precipitation*. The change or increase in the average maximum daily temperature at the locations of Dalekovod's assets and activities in the pessimistic scenario of climate development is about 2-2.5°C compared to historical data. Although this potentially slows down business continuity in the Republic of Croatia due to the impact on the psychophysical health of workers, in the Scandinavian countries it is an opportunity and an opportunity to extend the period in which the activity can be performed without the harmful effects of low temperatures. Storms and heavy rainfall slow down the business process, cause material damage to the above-ground infrastructure with the possibility of interruption of work due to the fall of vegetation on the infrastructure and interruption of energy supply.

The business activities and assets of Dalekovod will be highly vulnerable to the following hazards: *Temperature stress, Heat wave, forest fire, Floods, Avalanche and Landslide.* By the middle of the 21st century, the number of hot showers is projected to rise to over 20 days for the pessimistic scenario of climate development. As a result of the increase in the average annual temperature and secondary effects such as droughts, water shortages, heat waves, it is expected that there will be an increase in the risk of fires. Temperature stress in the form of an increase in the number of hot days can affect the psycho-physical health of employees, while fires leave the system dysfunctional, with the possibility of injury to workers. Floods, landslides and avalanches make it impossible to carry out the business process, traffic; They damage and carry away infrastructure, causing damage with a very extensive impact (e.g. downtime or network failure, non-functionality of

assets, fatalities, long-term environmental remediation. This can be prevented already during the design of the infrastructure with additional protection measures.

The extremely high risk to the property and business activities of Dalekovod has not been assessed for any climate hazard.

E1. IRO-1_08 Explanation of how climate scenario analysis has been used to inform the identification and assessment of physical risks over the short, medium and long term

The climate scenarios used in the assessment of physical risks are greenhouse gas concentration scenarios (GHG concentration scenarios). *Representative concentration pathways* (RCPs) are trajectories of greenhouse gas concentrations (rather than emissions) that describe the possible future increase in global surface temperature, depending on how many greenhouse gases will be in the atmosphere in the coming years. Two climate scenarios were selected in the assessment:

- RCP4.5 scenario with stabilizing greenhouse gas concentrations in which the radiant heat (in W/m2) will be +4.5 by 2100 compared to pre-industrial values, i.e. the global surface temperature will not exceed 2° by 2100
- RCP8.5 scenario with high concentrations of greenhouse gases in which heat radiation (in W/m2) will be +8.5 by 2100 compared to pre-industrial values, i.e. the global surface temperature will rise between 4° and 5° by 2100.

Climate scenarios were used in the analysis of the exposure of the locations of the Dalekovod property to current and future climatic conditions according to the available cartographic data for climate variables for which the sensitivity was evaluated as "moderate" and "high". A methodology for evaluating current and future exposure (high, moderate, negligible, no occurrence) has been set. In the first step, a cartographic analysis of the submitted cadastral parcels was made in GIS software according to the official data of the State Geodetic Administration of the Republic of Croatia and Swedish and Norwegian institutions. Then, using geographic information provided by cartographic bases for physical hazards, the exposure of the submitted property locations was evaluated in relation to the hazards brought by climate change.

The cartographic representation of the exposure of the locations of the Dalekovod assets to physical climate hazards according to climate scenarios included the analysis of primary climate variables: *Temperature Changes, Temperature Variability, Changes in Wind Flows, Precipitation Variability and Heavy Precipitation*, as well as secondary effects of climate change: *Heat wave, Cold Wave* and *Storms.* For the secondary effects of climate change for which there are no climate scenarios available, the map data is based on existing publicly

available variables that are assumed to continue to occur according to the intensity of the primary climate variables.

Policies related to climate change mitigation and adaptation

E1. MDR-P_01-06 Policies in place to manage significant impacts, risks and opportunities related to climate change mitigation and adaptation

The Dalekovod Group's climate policies are described through the Dalekovod Sustainability Policy and the Energy Efficiency Policy, and are implemented through concrete measures and allocated resources, although the formalized plan of activities has not yet been consolidated. In practice, Dalekovod Group undertakes a number of activities aimed at reducing its carbon footprint and increasing energy efficiency. The key actions are listed below, with a clear division into those already implemented and those planned, together with the associated resources:

Implemented measures:

- Increasing the energy efficiency of plants and buildings: Measures were implemented to modernize and renovate infrastructure (e.g. replacement of obsolete equipment with more energy-efficient ones, thermal insulation of buildings, optimization of lighting), which reduced energy consumption per unit of product/service. These activities were accompanied by the implementation of energy audits and consumption monitoring through the ISO 50001 system, which includes the commitment to:
- continuous improvement of energy performance,
- providing the necessary information and resources to achieve the guidelines and objectives;
- compliance with all applicable legal and other requirements that the organization is bound by, and related to the application and consumption of energy, and energy efficiency
- procurement of energy-efficient products and services, as well as the inclusion of requirements to increase energy efficiency in design.
- continuous improvement of energy performance and SUEn
- **Electromobility infrastructure:** Charging stations for electric vehicles have been installed at Dalekovod Group locations, encouraging the transition to a lower emission fleet. This allows employees and guests to charge electric cars and supports the internal use of electric vehicles, contributing to the reduction of transport emissions.
- Optimization of processes and materials: Improvements that reduce emissions (e.g. reduction of energy losses, efficient logistics) are continuously

sought in production processes, and materials and components with a lower carbon footprint are selected wherever possible. At the same time, given the high awareness of investors, eco-design standards are followed in product design so that products have a lower impact on the climate during their life cycle.

Planned measures:

- **Developing and implementing the climate transition plan:** In 2025, the development of a comprehensive plan for the transition to net-zero emissions will begin. The plan will define steps to achieve long-term climate goals (e.g. gradual emission reductions by 2030 and climate neutrality by 2050), with detailed actions per organisational unit. The plan is expected to be adopted by the end of 2026, and its implementation will be a key focus in the coming period.
- **Improving energy efficiency:** Energy renovation and process optimization projects will continue to further reduce energy consumption per unit of revenue. Additional investments in equipment upgrades, automation and real-time consumption monitoring systems are planned to maintain or exceed this target.
- Monitoring and reporting: An even more robust system for monitoring the achievement of climate action and targets will be put in place. This includes regular internal reports on energy consumption and emissions, monitoring the achievement of set KPIs (key performance indicators) and annual reporting to the Management Board on progress towards the targets. This monitoring system will ensure the timely identification of deviations and, if necessary, the adaptation of measures.

E1. MDR-T_01-13 Monitoring the effectiveness of policies and measures through objectives [see ESRS 2 MDR-T]

As part of its strategy, Dalekovod Group has set clear climate goals – quantitative and qualitative – to guide climate change mitigation activities and monitor their success. Quantitative goals have specific values and deadlines, while qualitative goals focus on strategic initiatives and ongoing improvements. Below are the main climate goals of Dalekovod Group with indicated target values, timeframes, status of achievement by the end of 2024 and a plan for further monitoring:

Strategic goal 1. Reducing emissions from Scope 1 and 2, with the net-zero transition initiated.

Goals with defined values:

• **Greenhouse gas emission reductions (Scope 1 and 2):** The goal is to reduce total Scope 1 and 2 emissions by **45% by 2030.** compared to the base year 2019. Instead of decreasing, emissions increased by about 3% by the end of 2024 compared to 2019, which is partly due to expanding business volumes but also

improved emissions data. Namely, compared to 2019, the coverage of data taken into the calculation of the greenhouse gas emission inventory during 2023 and 2024 has increased significantly - the coverage and flow of data have been improved, as well as the quality of the data. This indicator will be a key point of the transition plan; In the course of 2025, revised sub-targets and activities will be set to reverse the emissions trajectory downwards. Progress towards the target will be monitored annually and reported.

- Increase energy efficiency: The goal is to increase energy efficiency by **35%** by **2026.** (compared to 2019, measured as the ratio of energy consumption to income or production volume). An improvement of ~24% was achieved, which means that the target has already been exceeded before the deadline. This improvement is the result of a series of energy efficiency measures implemented. The Group will strive to maintain and further improve this trend, with continuous monitoring of efficiency on an annual basis.
- Share of renewable energy in consumption: The goal is to provide 35% of total energy consumption from renewable sources (internal and external) by 2026. It is estimated that at the level of the Končar Group, about 27% of the total energy consumption in 2024 is covered from renewable sources, which includes green electricity and its own production. Further investments in RES (e.g. new solar panels) and the purchase of additional green energy are planned to reach the target of 35%. The achievement of this goal is monitored through the Group's energy balance and the trend in the share of RES will be evaluated every year.
- Own green energy production: The goal is to produce 15% of the Group's electricity needs from its own renewable sources by 2026 (primarily through photovoltaic power plants). *Status 2024:* Currently, at the level of the Končar Group, own solar power plants cover about 7% of electricity consumption. Projects are underway to install additional capacities (e.g. expansion of existing solar power plants and installation of new ones) in order to reach or exceed the target 15%. Progress is measured according to the MWh produced from own RES on an annual basis.

Note: All of the above targets and indicators will be monitored on a regular basis and progress will be reported as part of the annual sustainability reports. In the event of deviations from the planned, Dalekovod Group will take corrective measures and, if necessary, update its climate strategies to remain aligned with the goals of the Paris Agreement and the National Energy and Climate Plans.

E1-5

Targets related to climate change mitigation and adaptation

E1. MDR-T_01-13 Monitoring the effectiveness of policies and measures through objectives [see ESRS 2 MDR-T]

Dalekovod Group sets efficiency measures and monitors them through the ISO 50001 management system.

Energy consumption and combination of energy sources

Dalekovod Group monitors the use of energy and fuel consumption from crude oil and petroleum products, which can be found in a separate table on the next page and shows six different types of fuels used in our companies. The company is committed to the responsible use of energy and resources that are announced in the *Sustainable Business Policy* and includes the following principles:

- Continuously work on increasing the energy performance of the company by adopting and implementing a program of energy guidelines and goals.
- Provide resources and information that are necessary to carry out the necessary activities of the energy management system.
- Monitor and comply with all applicable legal requirements and regulations in the field of energy efficiency and energy application and consumption.
- In the procurement of energy, machinery and other equipment, as well as in investments and reconstructions, include requirements for energy efficiency to the extent that it is economically justified.
- To encourage awareness of the rational use of energy among employees and other persons under the supervision of the company.

Energy consumption in the Dalekovod Group is shown in the table below.

Energy consumption by energy sources:

ESRS Codes	Energy consumption and combination of energy sources	Comparative 2023	Year 2024
E1- 5_10	(1) Fuel consumption from coal and coal products (MWh)	0	0
E1- 5_11	(2) Fuel consumption from crude oil and petroleum products (MWh)	15,157.03	17,918.89
E1- 5_12	(3) Fuel consumption from natural gas (MWh)	0	0
E1- 5_13	(4) Fuel consumption from other fossil sources (MWh)	0	0

ESRS Codes	Energy consumption and combination of energy sources	Comparative 2023	Year 2024
E1-	(5) Consumption of purchased or acquired		
5_14	electricity, heating, steam and cooling	6,018.95	6,623.02
	energy from fossil sources (MWh)	5,5 . 5.5 5	-,-=
E1-	(6) Total fossil fuel energy consumption		
5_02	(MWh) (calculated as the sum of rows 1 to 5)	21,175.99	24,541.91
E1-	Share of fossil energy in total	0.5%	00%
5_15	energy consumption (%)	96%	88%
E1- 5_03	(7) Consumption from nuclear sources (MWh)	0	0
E1-	Share of energy from nuclear		
5_04	sources in total energy	0	0
	consumption (%)		
E1-	8) Fuel consumption for renewable sources		
5_06	including biomass (which includes both		
	industrial and municipal waste of biological	0	0
	origin, biogas, renewable hydrogen, etc.) (MWh)		
E1-	(9) Consumption of purchased or acquired		
5_07	electricity, heating, steam and cooling	949,29	3,448.82
	energy from renewable sources (MWh)		
E1-	(10) Consumption of energy from		
5_08	renewable sources from self-production	0	8,6
	other than fuels (MWh)		
E1-	(11) Total consumption of energy from	0/0.30	2/57/2
5_05	renewable sources (MWh) (calculated as the sum of rows 8 to 10)	949,29	3,457.42
E1-	Share of energy from renewable		
5_09	sources in total energy	4%	12%
	consumption (%)		
E1-	Total energy consumption (MWh)	22 125 20	27,999.33
5_01	(calculated as the sum of rows 6 and 11)	22,125.28	دد.لالالا,۱۷

E1-5_11 Fuel consumption from crude oil and petroleum products

Fuel consumption from crude oil and petroleum products	Comparative (previous period)	Year 2024.
(1) Gasoline (liters)	1,052,402.74	72,808.64
(2) Diesel (litres)	71,296.72	1,341,164.41
(3) Fuel oil (liters)	227,000	165,176
(4) LPG (kg)	3,656	6,449
(5) Natural gas (m3)	0	0
(6) Helicopter fuel	179,524.99	188,839

E1-5_17

Dalekovod Group did not produce non-renewable or renewable energy in this financial year.

E1-5_18 Energy intensity from activities in sectors with a significant impact on the climate (total energy consumption per net income)

E1-5_19 Total energy consumption from activities in sectors with a significant impact on climate

E1-5_20 Sectors with significant climate impact used to determine energy intensity

The sectors with a significant impact on the climate are those listed in NACE Divisions A to H and Section L (as defined in Commission Delegated Regulation (EU) 2022/1288).

The sectors with a significant impact on the climate were identified at the NACE activity level associated with the Group's operations. As all activities of the Dalekovod Group, according to the definition of the ESRS, belong to the sectors that affect the climate, primarily area C - Manufacturing, the energy in the total amount is viewed in relation to the total net income of the Dalekovod Group.

Total energy consumption from activities in sectors with significant climate impact per net activity income:

Energy intensity by net income	Comparative 2023	2024
Total energy consumption from activities in climate-significant sectors per net activity income in climate-significant sectors (MWh/monetary unit)	0.133 MWh/million EUR	0.143 MWh/ million EUR

E1-5_21 Disclosure of reconciliation with relevant items or notes in the financial statements of net income from activities in sectors with a significant impact on climate

Net revenues from activities in sectors with a significant impact on climate used to calculate energy intensity amounted to EUR 195 million in 2024. In 2023 revenues in these sectors amounted to EUR 166 million.

Gross Scope 1, 2, 3 GHG Emissions and Total GHG Emissions

The Dalekovod Group has calculated gross greenhouse gas emissions from Scope 1 and Scope 2 with the reference year 2019 in accordance with the Dalekovod Sustainability Strategy 2024-

2026, and the calculation for Scope 3 emissions, which was calculated for the first time in 2024 is also presented. The data are all presented in the table below and an explanation of the calculation methodology follows.

Breakdown of greenhouse gas emissions - by country, operating segments, economic activity, subsidiary, greenhouse gas category or type of source:

	Retrospective			
	2019	2023	2024	% N/N-1
Scope 1 gross GHG emissions (tonnes of CO2 equivalent)	5,013.22	4.141.31	4.862.21	17%
Percentage of Scope 1 GHG emissions from regulated ETPs (%)	-	-	-	-
Gross Scope 2 GHG emissions based on location per tonne of CO2 equivalent	1,333.69	1,354.21	1,295.77	-4%
Gross Scope 2 GHG emissions based on a market approach (tonnes of CO2 equivalent)	1,391.32	1,315.44	918.78	-30%
Total gross indirect Scope 3 greenhouse gas emissions (tonnes of CO2 equivalent)	-	-	57,210.57	-
1. Purchased goods and services	-	-	50,347.97	-
2. Capital goods	-	_	4,279.29	-
3 Fuel and energy related activities (not included in Scope 1 or 2)	-	-	1,126.61	-
4 Transportation and distribution at a higher level	-	-	540.30	-
5 Waste generated in the course of business	-	-	21.65	-
6 Business trips	-	-	635.68	-
7 Employee commuting	-	-	259.06	-
8 Leased assets at a higher level of the value chain	Emissions	are already in	cluded in Scop	pe 1 in Scope 2
9 Lower-level transportation	Emissions of	are already in	cluded in Scop	e 3 Category 4

	Retrospective			
	2019	2023	2024	% N/N-1
10 Processing of products sold	Not inc	cluded – emis	sions are not	significant
11 Use of Sold Products	-	_	0	-
12 End-of-Life Processing of Products Sold	-	-	0	-
13 Leased assets downstream of the value chain	-	-	0	-
14 Franchises	Not included – not changeable			
15 Investments	-	-	0	-
Total greenhouse gas emissions (based on location) (tonnes of CO2 equivalent)	-	-	63,368,55	-
Total greenhouse gas emissions (based on market) (tonnes of CO2 equivalent)	-	-	62,991.56	-
ESRS codes: E1-6_01, E1-6_02	, E1-6_03.	1		

Dalekovod Group will set GHG emission reduction targets and implementation periods during 2025 as part of the development of the transition plan.

E1-6_23 Disclosure of types of contractual instruments used for the sale and purchase of energy related to energy production characteristics or for requirements on separate energy characteristics

For each Scope 1 and Scope 2 and Scope 3 categories, the total greenhouse gas emissions $(CO_2, CH_4, N_2O, HFCs, PFCs \text{ and } SF_6)$ expressed in metric tonnes of CO_2 equivalent (tCO2eq), excluding **biogenic CO_2 emissions**, independently of any greenhouse gas trades, such as the purchase, sale or transfer of offsets or allowances.

List of Scope 1 activities:

- o Direct emissions from stationary sources
- o Direct emissions from mobile sources
- Direct emissions from production processes (process emissions)
- Direct fugitive emissions
- Direct emissions from removals due to land use, land modification and forestry are not reported in this document, as data are not collected (not available).

List of Scope 2 activities:

- Indirect emissions from the production of purchased electricity, steam, heating and cooling used by the organization. These emissions are caused by the production of energy consumed by the organization, but it is generated at a source outside the direct control of the organization.
- List of Scope 3 categories and activities included in the emission inventory:

Scope 3 includes:

- Emissions from activities in the value chain of entities included within the organizational boundaries of the company.
- Emissions from leased assets, investments, and franchises that are excluded from the company's organizational boundaries, but which are partially or wholly owned or controlled by the company

List of Scope 3 categories:

Upstream Emission Stream

Category 1 - Materials and Services

Category 2 - Capital goods

Category 3 - Fuel and energy consumption

Category 4 - Upstream transport and distribution

Category 5 - Waste produced

Category 6 - Business Travel

Category 7 - Employee commuting

Category 8 - Upstream lease

Downstream Emissions

Category 9 - Downstream Transport and Distribution

Category 10 - Processing of products sold

Category 11 - Use of products sold

Category 12 - End of Life Cycle of Products Sold

Category 13 – Downstream Rentals

Category 14 – Investments

 List of Scope 3 categories or activities excluded from the inventory, with an explanation for their exclusion: Category 10 — the data were not sufficient for a reliable calculation and the emissions in this category were estimated to be non-significant (described in Chapter 3.10)

Category 14 – not included as it is not relevant to the Dalekovod Group.

Establishment of the reference year:

The base year for reporting greenhouse gas emissions is determined to allow for consistent monitoring and comparison of emissions over time. In the case of Dalekovod Group, 2019 was chosen as the reference year for Scope 1 and Scope 2, in accordance with the Dalekovod Sustainability Strategy 2024-2026.

Reasons for not setting a reference year for Scope 3

- For Scope 3 emissions (value chain emissions), 2024 is the first reporting year. The reason for this is that Scope 3 emissions have been calculated at the level of the Dalekovod Group for the first time. During 2023 a gap analysis was conducted, the result of which showed the need to start monitoring and collecting relevant data for this range of emissions.
- As Scope 3 covers a wide range of emission sources (e.g. emissions from procurement, transport, product use), its monitoring requires the establishment of new methodological frameworks and the provision of reliable data from external stakeholders. Therefore, the first data collected from 2024 will serve as the basis for future monitoring and analysis, and the base year for Scope 3 will be determined during the development of the new Dalekovod Group Sustainability Strategy and the calculation policy for the reference year will be established. It will be possible to update the data to ensure consistency with methodological improvements and new available data in the future.
- For each category of Scope 1, Scope 2 and Scope 3, the document provides in detail: a
 description of the types and sources of data, including activity data, emission factors
 and GWP values used for the calculation of emissions, as well as a description of the
 quality of the reported data.

In addition, the reported assessments of **the quality of the data used in the calculation of Scope 3** were made according to the following criteria:

Categories of assessment of the data required for the calculation of emissions

• repres	Temporal sentativeness	The degree to which a dataset reflects the actual time (e.g. year) or age of an activity.
• repres	Geographical sentativeness	The degree to which the dataset reflects the actual geographical location of the activity (e.g. country or location).
•	Completeness	• The degree to which the data are statistically representative of the relevant activity. Completeness includes the percentage of locations for which data is available and used relative to the total number of locations associated with a particular activity. It also takes into account seasonal and other normal fluctuations in data.
•	Reliability	The degree to which the sources, data collection methods, and verification procedures used to obtain the data are reliable.

Description of the categories for the assessment of the data required for the calculation of emissions

Rating	Technology	Time	Geography	Integrity	Reliability
Very good	Data generated using the same technology	Data less than 3 years old	Data from the same region.	Data from all relevant locations for a sufficient period of time to compensate for normal fluctuations	Verified³ data based on measurements⁴
Good	Data generated using similar but different technologies	Data less than 6 years old	Data from a similar region	Data from more than 50% of locations over a sufficient period of time to compensate for normal fluctuations	Verified data partially based on assumptions or unverified data based on measurements
Satisfac tory	Data generated using different technologies	Data less than 10 years old	Data from another region	Data from less than 50% of locations for a sufficient period of time to compensate for normal fluctuations, or more than 50% of locations but for a shorter period of time	Unverified data partially based on assumptions or qualified estimation (e.g. by industry experts)
Bad	The technology of data is unknown.	Data more than 10 years old	The data region is not known	Data from less than 50% of locations over a shorter period of time	Unqualified assessment

	or the	or representativeness	
	age of	is unknown	
	the data		
	is		
	unknown		

³ Verified data refers to data verified through standardized quality assurance procedures.

• For each Scope 3 category, a percentage of emissions calculated based on data obtained from suppliers or other partners in the value chain is given.

Additional information:

Organizational boundaries define the operations and facilities included in the calculation inventory for all companies within the Dalekovod Group, and the operational control approach is chosen. Operational boundaries categorize emissions that directly or indirectly result from an organization's operations and facilities, i.e. emissions from Scopes 1, 2 and 3, whereby for the Dalekovod Group, which unites 7 companies, emissions for all three Scopes are separately reported.

The calculation of Scope 2 emissions was made according to **the location and market approach** and the emissions for 2023 and 2024 were shown. Emissions are expressed in terms of CO2 equivalent and shown by company and activity. To ensure **consistency in monitoring emissions over time**, the data of this Inventory for 2024 for Scope 1 and 2 have been compared with the 2023 emissions calculation data consolidated for Dalekovod Group companies. Scope 3 emissions are counted in this Inventory for 2024 for the first time, since the gap analysis conducted in 2023 showed that for this Inventory in 2024 the data necessary for the calculation by companies have vet to be monitored and collected.

Comparison of the data of this Inventory from 2024 with the calculations of emissions from the base year 2019. Year at the level of the Group for those activities that were taken into account in the calculation of emissions for 2019. It is noted that some of the data from 2019 were not available (e.g. for fugitive and process emissions). The comparison of emissions was made for the DALEKOVOD GROUP Group according to the location and market approach. An increase or decrease in emissions in 2024 compared to the base year 2019 was reported, in order to monitor the achievement of the goals from the Sustainability Strategy.

The document presents **data on emission sources in overview tables** for easier monitoring and control. Data on Scope 1 and 2 activities by Scope 3 category activities for Dalekovod Group companies are also presented

⁴ Measurements include directly collected data through instruments or sensors.

ESRS E5 Resource Use and Circular Economy

Dalekovod Group's environmental goals encourage a circular economy based on sustainable practices around the use of resources and waste management – reducing or recycling the generated waste, reducing the waste disposal rate and reducing the overall environmental footprint of the product, i.e. more efficient use of resources in project implementation and planning.

Regular training of employees on the circular economy, resource management and waste We are aware that In order to progress and achieve our goals, we must actively involve our employees and educate them on the basic concepts so that they also recognize opportunities for advancement and contribute together to the achievement of our environmental goals.

Description of the procedures for identifying and assessing significant impacts, risks and opportunities related to resource use and the circular economy

E5. IRO-1_01 Dalekovod Group has conducted a comprehensive Impact, Risk and Opportunity Assessment (IRA) through the dual materiality assessment process. An overview of significant IRIs, where they are located in the value chain and the time horizon, can be found in the following table:

Significant i risks, oppor	tunities	Description of significant impacts, risks, opportunities	Stage in the value chain	Time horizon
NEGATIVE EFFECT - REAL	Consumption of carbonand environmentally-intensive resources during product production	Use of carbon- and environmentally- intensive energy and materials, with the exception of electricity which is renewable in the Group. The extraction of metals and minerals leads to environmental degradation, depletion of raw materials and reduces their long-term availability. Although the Dalekovod Group has no control over mining activities, it depends on the availability of raw materials for its operations.	Upstream0 wn business	Short-term to long-term

	I	I	I	I
		The Dalekovod Group designs products with		
		a very long lifespan and a high possibility of		
		renewal and revitalization. Additional efforts		
		are being made to introduce recycled and		
		materials with a reduced initial carbon		
		footprint of metals into the final products,		
		which reduces the need for extraction of		
		primary raw materials and reduces the		
		environmental footprint of the product itself.		
		Suppliers are checked on the application of		
		circular design principles and the use of		
		recycled materials, and care is taken to ensure		
	Introducing	that packaging materials are from renewable		
	recycled	sources.		
	materials in			
	strategic	In order to use materials with a lower		
	products,	environmental footprint when sourcing		
	reducing	materials and products such as concrete,		
	environmen	insulators, metal structures, suspension and		
POSITIVE	tal impact	connection equipment, electrical and electronic	Upstream0	Short-term to
EFFECT -		equipment, fuels, oils, paints and varnishes, we	wn business	long-term
REAL	Favoring	look for information on the environmental	Will Business	long cerm
	suppliers	impact of materials and products throughout		
	that offer	the life cycle in supplier analysis		
	sustainable	questionnaires. In Article 10. General Terms		
	and	and Conditions that are publicly published on		
	recyclable	our website state the obligations of contractors		
	materials	to submit information and declarations on		
		materials and products that are harmonized		
		with the legal regulations of the EU and the		
		Republic of Croatia in the field of use,		
		classification and use of chemicals (REACH),		
		prohibition of the use of certain harmful and		
		hazardous substances in electrical and		
		electronic equipment (RoHS), management of		
		hazardous waste and packaging waste.		
		Contractors are also obliged to familiarize		
		themselves with and act in accordance with the		
		Policies of the Quality, Environmental, Energy		
		and Health and Safety Management System of		
		the Dalekovod Group companies. With this		
	<u> </u>	are Datenovou Group companies, with this		

thus an even stronger presence of the	POSITIVE EFFECT - REAL	The durability of the product and high quality enables the reduction of waste for end users and resilience to climate risks	j i	Upstream0 wn businessDo wnstream	Short-term to long-term
			circular economy.		
circular economy.	Waste				
	NEGATIVE EFFECT - REAL	Generation of waste during	The Dalekovod Group produces significant amounts of waste, most of which can be recycled since it comes from a high-value	Own business	Short-term to long-term
Waste NEGATIVE EFFECT - REAL Generation of waste during Generation of waste amounts of waste, most of which can be recycled since it comes from a high-value Own Short-term to business Iong-term		production	raw material in production.		

99

Policies related to resource use and the circular economy

E5-1

Dalekovod Group has published a sustainable business policy, which includes **Circular economy policy** Through which Dalekovod Group recognizes the importance of the circular economy in the sustainable management of resources, especially with regard to raw materials. We are committed to promoting the principles of the circular economy through:

- **Optimizing the use of materials**: We strive to reduce the consumption of raw materials through efficient product and process design.
- **Recycling and reuse**: We include recycled materials in our products wherever possible and encourage the reuse of materials.
- **Cooperation with suppliers**: We work with our suppliers to ensure that the raw materials used come from sustainable and renewable sources.
- **Minimizing waste**: We implement processes that reduce waste generation during production and construction.
- **Innovation in materials**: We invest in the research and development of new materials that are more environmentally friendly and sustainable.
- **Education and awareness**: We educate our employees and partners about the importance of the circular economy and sustainable resource management.
- **Monitoring and** reporting: We regularly monitor our performance in the field of circular economy and report on the results achieved.

Also, Dalekovod Group, through the ISO14001 established and adopted by the Management Board of Dalekovod Group, implements the following:

- includes the nature of the organization, the scale and environmental impact of its activities, products and services
- provides a framework for setting environmental objectives
- includes a commitment to environmental protection, including pollution prevention and other specific commitments relevant to the organisation's context
- includes a commitment to compliance obligations
- It includes a commitment to continuous improvement of the environmental management system in order to increase the performance of environmental management.

Measures and resources related to resource use and the circular economy

As part of the development of the sustainability strategy, the E5-2 Group Dalekovod has set and completed the following goals through 2024:

ENSURE THE REDUCTION OF WASTE GENERATION AND THE EFFICIENT AND RESPONSIBLE USE OF RESOURCES IN PRODUCTION

- Map the sources of waste generation in operations and develop an action plan for reducing municipal waste
- Map the sources of strategic materials and the possibilities of increasing the share of recycled materials
- Map with suppliers the source of wood and cardboard and suppliers that can provide them from sustainable sources
- Conduct specialist training for key functions on circular economy, resource management and waste

Municipal Waste Reduction Action Plan 2024

The aim of the action plan was to recover by recycling and preparing for reuse and repair at least: 55% of the mass of municipal waste by 2025 through the following activities:

RB	ACTIVITIES	REALISATION
	Reduce the generation of municipal waste by	
1	providing additional containers in order to separate	Realized 01/05/2024
'	waste into several fractions. 2 1000l plastic	Realized 0 1703/2024
	containers in front of the warehouse	
4	Install paper boxes in all parts of the administration	Realized 15/06/2024
4	building	Realized 15/00/2024
5	Install plastic containers in all parts of the	Realized 16/06/2024
	administration building (in the corridors)	Realized 10/00/2024
6	To create training for all key workers who have a	yearly
	significant impact on waste management	yearry
5	Location monitoring related to waste management	Quarterly
6	Analysis of data on the achievement of the goal	01/02/2025

The goal has been realized, more than 73% of waste from municipal waste has been separated.

Targets related to resource use and the circular economy

E5. MDR-T_14-19 Disclosures to be reported if the company has not implemented targets related to resource use and the circular economy

Based on the knowledge gathered in 2024 in 2025, targets related to resource use and the circular economy will be determined when developing an action plan for the implementation of the strategy.

Inflow of resources

E5-3

E5-4_06 Description of the methodologies used to calculate the data and the key assumptions used

Dalekovod Group uses a number of resources in its business. Some of the data are listed below, but we do not currently have data for some relevant parameters and we are working on collecting data to meet the parameters until the next reporting period. It is especially emphasized that individual companies within the Dalekovod Group regularly monitor data on the total weight of products and technical and biological materials they

use. However, since they have not required suppliers to state the weight of delivered products so far, Dalekovod Group currently has weight data for 63% of the total materials purchased. For the remaining 37% of materials, accurate weight data cannot be calculated, because the specified materials on delivery notes and invoices are expressed only in a unit related to quantity, and not by weight, which makes it difficult to calculate the total amount of resources used

Resource Inflow Data

ESRS Codes	Inflow of resources	Amounts (tons) / Rates
E5-4_02	Total weight of technical and biological materials used (tonnes)	122,363,459
	Total weight of bio-based materials (and biofuels used for non-energy purposes), originating from sustainable sources (tonnes)	97,009

Goals have been set in order to manage resources and materials responsibly. We have specifically set goals for paper and cardboard.

Resource drain

E5-5 **E5-5_01** Description of key products and materials resulting from the company's production process

The largest segment of the Group's revenue, up to 80%, is construction, while production accounts for 16% and design for 3%.

E5-5_04 Within the complex sectors within which Dalekovod Group operates, various materials are used, depending on the requirements of investors and customers. In the data submitted during the delivery of materials, suppliers do not contain information on the share of recyclable materials at the end of the life of the products supplied by Dalekovod Group. In the course of 2025, a methodology will be established to estimate the share of recyclable materials based on inputs and available databases.

E5-5_05 E5-5_06 Description of the methodologies used to calculate the data (resource outflows)

Information on waste generated from our own business:

ESRS	Quantities of waste disposed of/diverted	DANGEROUS	NON- DANGEROUS
Codes	from disposal by type of treatment/disposal	Amounts	Amounts
	treatment/disposar	(tonnes)	(tonnes)

E5-5_08	WASTE DIVERTED FROM DISPOSAL	26.91	1,517.10
	PREPARING FOR REUSE	0,00	0,00
	RECYCLING	16.60	1,517.10
	OTHER RECOVERY PROCEDURES (including R1 incineration)	10.31	0,00
E5-5_09	WASTE TO BE DISPOSED OF	114.19	95.27
	Burning (D10 burning on land)	0.00	0.00
	WASTE DISPOSAL	0.00	81.36
	OTHER DISPOSAL PROCEDURES	114.19	13.91
E5-5_07	TOTAL WASTE GENERATED	141.09	1,612.37
E5-5_10	AMOUNT OF NON-RECYCLED WASTE	209).46
E5-5_11	PERCENTAGE OF NON-RECYCLED WASTE	3	%

Quantities of waste type:

ESRS Codes	Quantities of waste type	Amounts (tonnes)
E5-5_07	Total waste generated	1,753,458
E5-5_15	Total hazardous waste generated	141,086
E5-5_16	Total radioactive waste generated	0

E5-5_17 Description of the methodologies used for the calculation of the data (waste generated)

The amount of waste was obtained on the basis of the accompanying sheets that waste collectors submit after collecting the waste at the locations of the Dalekovod Group. The companies that generate waste are Dalekovod d.d., Dalekovod MK, Dalekovod Projekt, Dalekovod OSO. Other companies of the Dalekovod Group generate only municipal waste, for which collectors currently do not submit accompanying sheets with a pronounced mass. During 2025, data on the mass of municipal waste will be available.

Information on social issues

ESRS S1 Own workforce

At Dalekovod Group, our employees and their safety and health come first. We continue to invest and work to reduce risks to our workforce, which is why one of our main strategic goals is to ensure a healthy and safe working environment for all employees.

We pay special attention to the health and safety of our employees, encourage their personal and professional development, and build a working environment that promotes

equal opportunities. We are actively working on increasing the employment of people with disabilities, improving conditions for all parents, and aware of the importance of gender equality, we plan to increase the representation of women in management positions. We provide special support to foreign workers in integration and support our employees working in international markets.

Employees also expect an improvement in working conditions and their labour rights, a wider choice of opportunities for education and skills development, as well as greater involvement and contribution to the development of the company, and greater flexibility. It is important to emphasize that sustainability is often an important criterion for young people in choosing an employer, but also a reason for terminating employment if the employer does not meet the expectations in terms of sustainability. According to Deloitte's 2023 survey, which included more than 22,000 respondents from Generation Z and millennials in 44 countries, more than 50% of respondents research the environmental impact of companies and their environmental policies before accepting a job. In the social segment, young generations are increasingly sensitive to respect for human rights, diversity and personal freedoms.

We have recognized the risk of a lack of quality labor on the market, which affects the quality and successful implementation of the project. In our industry, projects are demanding and legally strictly regulated. We work to actively monitor and remain compliant with regulatory frameworks, legislation and the highest standards relevant to our industry. We have the opportunity to attract a quality workforce as industry leaders through clear communication of our progress towards achieving our sustainable goals.

It is not only important for Dalekovod to attract a quality workforce, which is the source of our success, but we must also continuously invest in them. From *onboarding* to increased hours of education and development plans, we invest in our employees to improve their work experience and sense of belonging. Continuous improvement of knowledge and skills and adaptation to the needs and goals of each employee are the basis of long-term sustainability. Every employee contributes to the success of the company, and that is why we have set up a stable and efficient system of recognizing, evaluating and rewarding the best. The goal is for all employees, thanks to open and timely communication, to know the direction of the company's business development, to have a clearly defined role, goals and expectations in this development process. Without quality people, there are no successful companies. We invest in developing the leadership skills of our managers so that they can inspire and lead their teams towards common goals. We encourage cooperation and

sharing of knowledge and experience among employees. In cooperation with the academic community, we actively encourage young people, reward excellence among students, provide scholarships to third- and fourth-year students, and provide students with the opportunity to do professional practice. In particular, we develop corporate volunteering among our employees in order to jointly contribute to the well-being of local communities.

Significant i	mpacts, risks, es	Description of significant impacts, risks, opportunities	Stage in the value chain	Time horizon
WORKING C	ONDITIONS			
POSITIVE EFFECT - REAL	Secure workplaces	The prevalence of indefinite and full-time contracts increases employee security. Fluctuation is in line with the industry average and does not pose a significant problem for business stability.	Own business	Short-term to long- term
POSITIVE EFFECT - REAL	Working time	Ensuring adequate working hours and rest for workers, especially field workers, reduces the risk of overwork, increases safety and satisfaction, and contributes to the sustainability of the workforce.	Own business	Short-term to long- term
POSITIVE EFFECT - REAL	Adequate salaries	Ensuring fair and competitive wages that meet developments within the industry, match workers' qualifications and responsibilities and the scope of work. The Dalekovod Group provides employees with equal pay for equal work, based on the gradation of job complexity and the assessment of work performance. Internal regulations provide a structure for determining the basic salary, allowances and variable parts, with additional benefits such as work in special conditions (night and shift work, work on Sundays and holidays, and overtime) or bonuses related to the company's business results.	Own business	Short-term to long- term

	Social dialogue	Regular negotiations and exchange of		
POSITIVE		information between trade unions and		
	Freedom of	management ensure transparency, stability		
	association, the	and trust.		
	existence of			
	works councils	Dalekovod enables non-interference in the	Own	Short-term
EFFECT -	and workers'	establishment of trade unions and	business	to long-
REAL	rights to	membership, negotiations in good faith, and		term
	information,	provides space and time for workers'		
	consultation	representatives, as well as protection		
	and	against dismissal and non-discrimination of		
	participation	trade union members.		
		Almost all workers are covered by collective		
POSITIVE	Collective	agreements and have defined rights and	Own	Short-term
EFFECT -	bargaining	obligations, which ensures social stability	business	to long-
REAL		and clear rules in the organization.		term
		Insufficiently coordinated work schedules,		
		i.e. insufficiently efficiently organized shift		<u></u>
NEGATIVE	Work-life	work and excessive working hours in	Own business	Short-term
EFFECT -	balance	periods of increased production for some		to long-
REAL		employees, can affect satisfaction and lead		term
		to stress and reduced productivity.		
		Measures such as providing conditions for		
POSITIVE EFFECT -	Work-life balance	carefree use of parental leave and rest for	Own business	Short-term
		field workers contribute to maintaining a		to long-
REAL		work-life balance, reducing stress and		term
		increasing employee satisfaction.		
		Systematic management of occupational		
		safety aspects through ISO 45001. Regular		
		monitoring and planning of occupational		
		safety, education, and active work of formal		
POSITIVE	Employee	occupational safety committees contribute	0	Short-term
EFFECT -	health and	to safety and risk reduction for employees.	Own , .	to long- term
REAL	safety	A comprehensive management system and	business	
		the application of measures have a broad		
		and lasting impact on the Dalekovod Group,		
		where the nature of the work is often		
		dangerous, especially for field workers.		
EQUAL TREA	ATMENT AND OPP	ORTUNITIES FOR ALL		
POSITIVE	Candanas III	Men and women are paid equally for equal	0	Short-term
EFFECT -	Gender equality	work, and the system is fully aligned with	Own	to long-
REAL	and equal pay	the principles of non-discrimination and	business	term

	for work of	gender equality. In the long run, it provides		
	equal value	added value to the reputation and trust of		
		employees.		
		Continuous training and development of		
		employees at all levels and the creation of		
		opportunities for advancement enables		
		employees to acquire new skills and		
		knowledge, which ensures the delivery of		
POSITIVE	Training and	quality products and increases their	0	Short-term
EFFECT -	skills	competitiveness in the labor market.	Own	to long-
REAL	development	Through a continuous program of internal	business	term
		and external education, the Dalekovod		
		Group annually covers two-thirds of its		
		employees at all levels, from production		
		and assembly to the development of		
		competencies for managerial staff.		
		Dalekovod employs 15 people with		
		disabilities, with adapted working	Own business	Short-term
		conditions and support, enabling them		
POSITIVE	Employment and inclusion of persons with disabilities	equal participation and inclusion. Due to		
EFFECT - REAL		field work and difficult physical work,		to long-
		greater employment of persons with		term
		disabilities is not feasible, but the Group is		
		actively working on the integration and		
		maintenance of their employability.		
		The implementation of a strict zero-		
		tolerance policy on violence and		
	Measures against violence and harassment in the workplace	harassment and the existence of		
		confidential channels for whistleblowing		
		and whistleblower protection ensure a safe	Own	
		working environment, thereby increasing		Short-term to long- term
POSITIVE		trust among employees and creating a		
EFFECT -		working environment where human rights	business	
REAL		and ethical standards are valued. Dalekovod		
		has introduced measures to prevent		
		violence and harassment through collective		
		agreements, internal policies and employee		
		training.		
		i dirinig.		
		(related to G1-Business Conduct)		
POSITIVE		(related to G1-Business Conduct)	0	Short-term
POSITIVE EFFECT -	Variety		Own business	Short-term to long-

		including foreign workers, integration and		
		support.		
		Decent accommodation is provided for		
		·		
		workers residing outside the workplace,		
POSITIVE		thereby reducing employee stress,		Short-term
EFFECT -	Suitable	increasing productivity and contributing to	Own	to long-
REAL	accommodation	worker satisfaction. Quality	business	term
		accommodation significantly contributes to		
		the satisfaction and motivation of		
		employees for field work.		
		Implementation of clear personal data		
		protection policies, compliance with legal		
POSITIVE		frameworks (GDPR) and ensuring	Own	Short-term
EFFECT -	Privacy	transparency and data security in selection	business	to long- term
REAL		and business processes. A key contributor	Dusiness	
		to candidate and employee trust and		
		regulatory compliance.		
RISKS AND	OPPORTUNITIES !	ASSOCIATED WITH ONE'S OWN WORKFOR	RCE	
		Risk of departure of key employees,		
		inability to find and attract quality		
		replacements in the labor market due to the		
		outflow of labor to countries with better		
DICI	Fluctuation and	conditions and the unavailability of	Own	Short-term
RISK	unavailability of	replacements with the necessary	business	to long-
	the workforce	competencies.>REPORT ON RISK		term
		MANAGEMENT DALEKOVOD D.D. FOR		
		2024【Risk Label - 3】>		
		UNIFIED KATALOG_10022025 【DLKV】】		
		Insufficient level of safety in working		
		conditions and an increase in accidents		
		related to work processes in some sectors.		
		The risk of possible injuries at work with		
		regard to the type of activity and		
	Impaired health	continuously present sources of danger,		Short-term
RISK	and safety of	such as the risk of serious and even fatal	Own	to long-
	employees	injuries due to the risk of construction of	business	term
	- C.II.P.O.Y.C.C.S	energy facilities (work near high voltage and		
		work at height).>RISK MANAGEMENT		
		REPORT DALEKOVOD D.D. FOR 2024 【Risk		
		Label - 2] >		
		UNIFIED KATALOG_10022025 【DLKV】】		

Significant impacts, risks and opportunities and their interaction with the strategy and business model

51. SBM-3 S1. SBM-3_01 All people in their own workforce who may be materially affected by the business are included in the scope of the ESRS 2 disclosure

When reviewing operations and the effects, risks and opportunities associated with its own workforce, all persons in the Dalekovod Group's own workforce who could be materially affected by the Group's operations are included. This includes employees directly employed by Dalekovod Group, but also the safety of external associates and contractors working in the Group's facilities.

S1. SBM-3_02 Description of the types of employees and persons not employed in their own workforce who are subject to material influences

Significant effects partly relate to employees who are not employed, who may be persons who have signed contracts for the performance of works, i.e. self-employed persons or persons provided by companies primarily engaged in "employment activities", whose work is managed and operated under the leadership of certain companies of the Dalekovod Group.

S1. SBM-3_06 Description of significant effects on workers that may arise from transition plans to reduce the negative impacts of on the environment and achieving greener and climate-neutral operations

Negative effects

Negative effects on one's own workforce are insufficiently coordinated work schedules, shift work and excessive working hours in periods with multiple projects that affect satisfaction, productivity and relationships with one's own workforce.

Positive effects

In our own workforce, although there are negative effects, there are more positive ones. For the most part, we have indefinite contracts and provide security and adequate wages that are competitive and in line with the industry. Dalekovod enables non-interference in the establishment of trade unions and membership, negotiations in good faith, and provides space and time for workers' representatives. It is important to emphasize that all workers are covered by collective agreements and have clearly defined rights and obligations.

Risks

Risks in the workforce are difficult implementation of projects and processes due to limited human potential, the departure of key employees and the lack of a competent workforce on the market, which affects the development and realization of goals in Dalekovod. In today's market, there is insufficient availability of quality workforce with the necessary competencies.

- S1. SBM-3_07 Information on Types of Operations with a Significant Risk of Forced or Compulsory Labor Incidents
- S1. SBM-3_08 Information on Countries or Geographic Areas with Operations Considered to Be at Significant Risk of Forced or Compulsory Labor Incidents
- S1. SBM-3_09 Information on Types of Operations with a Significant Risk of Child Labor Incidents

S1. SBM-3_10 Information on Countries or Geographic Areas with Operations Considered to Be a Significant Risk of Child Labor Incidents

As part of the management of risks related to forced or compulsory labour and child labour, an assessment of the countries and geographical areas in which we operate or from which we source goods and services that have been identified as potentially risky is regularly carried out. This assessment is based on relevant international reports, monitoring media sources, and consulting specialized databases and available guidelines from international human rights organizations.

As part of the due diligence process in accordance with the requirements of the UNGP and OECD and the MSS from the EU Taxonomy, Dalekovod Group has gone through the entire value chain of the impact on the protection of human rights and child labour, competition, anti-corruption and tax policies, and established a risk control system in these areas. No incidents related to forced or compulsory labour or child labour were recorded in the reporting period in the countries or territories in which we operate or from which we source materials and services. We continue to systematically monitor the situation, in order to act preventively and to identify and mitigate possible risks related to these areas in a timely manner.

S1. SBM-3_11 Disclosure of whether and how an understanding has been developed that people in their own workforce with certain characteristics, who work in certain contexts or perform certain activities, are at higher risk of harm

Workers in specific production and field conditions require enhanced safety protection and regular education. These risks are characteristic of such working conditions and are

recorded within the ISO 45001:2018 management system for occupational health and safety management.

S1. SBM-3_12 Disclosure of Significant Risks and Opportunities Arising from the Effects and Dependence on People in Your Own Workforce Relate to Specific Groups of People

Dalekovod Group recognizes that employees in production facilities have an increased risk of safety incidents. Certain production facilities have been identified as having a higher level of risk due to the nature of the work, which involves working with specialized equipment, machinery and tools, and complex work processes that require special attention and expertise. In addition, employees working in the field on assembly jobs are exposed to specific risks due to changing working conditions, working at heights, handling heavy loads and the use of various tools and machines in different working conditions. The Group continuously invests in employee education, the application of the highest standards of occupational safety, and the supervision and evaluation of safety procedures in order to reduce risks and improve working conditions for all employees.

Policies related to own workforce

S1. MDR-P_01-06 Policies for the Management of Significant Impacts, Risks and Opportunities Related to Own Workforce Human rights

To protect our workers and provide them with a safe workplace, to ensure health and good working conditions adoption *Safe Workplaces and Employees Policy*. The policy encourages the achievement of work-life balance, skills development, and encourages associations and support for social dialogue between workers and management, transparency, and participation in decision-making.

Also, the policy ensures competitive wages in accordance with standards and key human rights and workers' rights that respect employees' working hours, protect their privacy, promote gender equality and diversity, prevent discrimination and implement measures against violence and harassment in the workplace. Workers' welfare policy.

From In 2007 Dalekovod is a signatory to the UN Global Compact, which obliges it to operate in accordance with the Ten Principles, which include responsibilities in the areas of human rights, labour, the environment and the fight against corruption. These principles are based on internationally accepted UN declarations and conventions.

Security

The health and safety policy applies a health and safety management system according to the international standard ISO45001:2008. Health and safety protection in the companies

S1-1

S1-1_07

Dalekovod d.d., Dalekovod MK and Dalekovod OSO, is managed according to the introduced and certified system in accordance with the ISO 45001:2018 standard, and the certificate is valid until December 1, 2025. Dalekovod Projekt is certified separately according to the occupational health and safety system and the certificate is valid until December 15, 2025. All certifications and policies are published on our website. The system policy shall contain objectives relating to continuous improvements in health and safety, depending on identified and planned risks. The system manages the risks to which the employees of the Dalekovod Group and other interested parties are exposed, as well as the continuous improvement of the security of all business processes. At the same time, all processes are planned, prepared and organized in accordance with the applicable laws and regulations in the field of safety and health protection applicable to the Dalekovod Group. Through 2024 Dalekovod d.d. carried out preparatory activities in terms of analyses, assessments of the situation in the field of occupational safety and, in accordance with the evaluated data, started planning a year-long campaign on safety and health at work for all employees of the Dalekovod Group through 2025. implements the "Safety Culture" campaign, which sets rules for workers in the workplace.

Opportunities for improvement

In 2024 a total of 67 improvement measures were adopted:

- 13 measures for Boards of Affiliates
- 28 based on the assessment of the Management Board,
- 8 internal judgments
- 10 opportunities for improvement and
- 8 Risk Assessment

Diversity, equity and inclusion

One of the strategic goals of the Dalekovod Group is to promote inclusion, diversity and equal opportunities. The management and our managers recognize the importance of these principles, which we strive to integrate into all business processes, By acting together, we promote a corporate culture that empowers our employees, clients and all those individuals and groups who are yet to become part of our business culture and tradition.

After an in-depth recording of the impact of human rights in accordance with the CSRD Directive, the goal was identified to adopt *a Diversity Policy* at the level of the Dalekovod Group, which will then be transferred to the operations of the Dalekovod Group, and refers to inclusion and equal opportunities as well as an action plan that will define the necessary measures for implementation. The purpose of the Policy is to ensure the

creation of a working environment based on misery, tolerance and respect for individual rights, and to improve the working conditions of all workers through support and initiatives. Strengthening the whistleblowing mechanism and educating employees on ethics and rulings will be a priority to encourage open communication and active respect for rights.

In 2024 there were a total of 6 women and 59 men in management positions in the companies of the Dalekovod Group, i.e. Women held 9 percent of management positions out of a total of 65. The management level includes high, middle and lower management. Senior management does not include members of the Management Board, and the composition of the Management Board is presented in Chapter GOV-1 Corporate Governance. The ratio of the basic salary of men to women is identical in all categories of workers – management and operational level and within the operational level engineering-production and administrative positions.

Dalekovod and Dalekovod OSO employ 4 men with disabilities at management levels, who are considered a vulnerable group according to the Consolidated GRI Standards of 2021. A total of 16 workers with disabilities were employed in the companies of the Dalekovod Group.

Procedures for cooperating with own workers and workers' representatives on impacts

At Dalekovod Group, the team is at the center of all projects and decisions. Teamwork and spirit is part of the corporate culture where we actively promote open communication. Dalekovod Group fosters a system of formal cooperation with employees through Works Councils and trade union representatives. The employer's relations with workers' representatives are defined by the Collective Agreement of the Dalekovod Group, which prescribes mutual obligations, including regular information on issues important to employees. This ensures that social dialogue is embedded in the management of the company.

S1-2_01 Publish whether and how the perspectives of their own workforce inform decisions or activities aimed at managing actual and potential impacts

Dalekovod d.d. has established, implements and maintains processes for the consultation and participation of workers at all applicable levels and functions in planning, implementation, performance evaluation and actions to improve the occupational health and safety management system (SUZIS). Management system policies are transferred to all employees as the basic tool of the Management Board in securing and managing systems. The identified and assessed risks and opportunities are also related to changes

S1-2

in the organization of each contracted project. This requirement of the standard is covered in detail in *the Rules of Procedure of the Management System*.

\$1-2_02 Cooperation takes place with our own workforce or their representatives

Workers are involved in decision-making through mandatory consultation of management with their representatives. The employer must consult the Works Council before making any decision important for the economic and social position of the worker. The Works Council also informs the trade union of such intended decisions, which ensures two-way communication. In addition, the workers have their own representative in the Supervisory Board of the Dalekovod Group, which gives them a voice in the highest management body of the company. Through this workers' representative at the level of the Supervisory Board, as well as through consultations with the Works Council, employee perspectives are integrated into decision-making processes.

The Human Resources Sector also conducts an annual employee satisfaction survey on the basis of which it evaluates, implements, improves and proposes new measures to achieve long-term employee satisfaction. Special emphasis was placed on the education and training of workers, during which they were provided with a significant selection of different educations for the acquisition of knowledge and skills. For example, education of new computer programs, presentation skills, stress management workshops, ESG education and a whole range of professional training where workers can choose or are suggested by their superiors to attend the mentioned courses. Dalekovod Group places significant emphasis on competitive knowledge and skills that further shape products and services for business in the global market.

51-2_03 Announcements of the stage in which the cooperation takes place, the type of cooperation and the frequency of cooperation

Dalekovod Group applies several channels of regular cooperation with employees, at different intervals:

- Quarterly information The Management Board reports to the Works Council at least every three months on the status and results of business, work organization and other important issues for employees.
- Semi-annual Workers' Assemblies Twice a year, meetings of all workers are organized for comprehensive information and discussion on the state of business. At these meetings, the management presents key information, and workers have the opportunity to ask questions and discuss.
- Constant communication Through internal communication channels (intranet and internal services, e-mail, internal), employees continuously receive important

information about the company. These channels also allow workers to make their suggestions or comments throughout the year.

In addition to the above, the Collective Agreement also regulates the process of collective bargaining with trade unions, which is another form of formal cooperation that is carried out as needed (e.g. when renewing a contract).

51-2_04 Disclosure of the function and top position within the company that has operational responsibility for ensuring that collaboration occurs and that the results inform the company's approach

Formal cooperation with workers is ensured by both the workers' representative bodies and the employer's responsible persons. The highest body that includes workers' representation is the Supervisory Board, in which a workers' representative takes a seat, ensuring that the voice of workers is heard at the highest level of management. Members of the management board and HR functions are in charge of the operational implementation of cooperation, in accordance with the provisions of the Collective Agreement. The collective agreement of the Dalekovod Group clearly defines the roles of the employer (management) and workers' representatives in regular information and consultations, thus integrating the responsibility for social dialogue into the company's management system.

S1-2_06 Publication of how the effectiveness of cooperation with one's own workforce is assessed

Dalekovod Group monitors the effectiveness of cooperation with workers through constant dialogue and feedback. Workers' meetings, which are held twice a year, serve not only to inform but also to discuss – workers have the opportunity to openly ask questions and comment on the business, which allows the management to directly assess the mood and address possible problems. Through the Works Council and the union, employees continuously voice their proposals or concerns, and the fact that collective bargaining takes place regularly and without industrial action is an indicator of constructive cooperation. For example, at the end of 2024 a new collective agreement was concluded, which brought an increase in the material rights of workers – which testifies to the successful social dialogue and the company's ability to take into account the needs of employees. Through regular analyses of personnel indicators (such as fluctuation, sick leave, complaints) and occasional satisfaction surveys, the company additionally monitors the state of employment relations. At the level of the Dalekovod Group, a satisfaction survey is conducted annually, which includes all companies of the Dalekovod Group.

All employees are regularly informed via email in the form of a newsletter (via glasnogovornik@dalekovod.hr), bulletin boards and the internal Jenz application that they

install on their mobile phone. The network is closed only to employees and allows interactivity, commenting and through the "Shoutbox" channel it is possible to submit questions or complaints (with the possibility of anonymous reporting).

S1-2_07 Publication of steps taken to gain insight into the perspectives of people in their own workforce who may be particularly vulnerable to impacts and/or marginalized

The Dalekovod Group pays special attention to ensuring equality, diversity and inclusiveness among all employees, recognizing the importance of creating a working environment in which everyone can fully realize their potential. The company has clearly defined its social sustainability goals, with a special emphasis on increasing the representation of women in leadership and highly professional positions and on encouraging the employment of people with disabilities with the continuous development of an inclusive work environment.

Such goals are set through continuous monitoring of the position of these groups. Internal communication initiatives also aim to raise awareness of the specific needs of vulnerable groups. Through the Works Council and other channels, all employees, including members of more sensitive categories, have the opportunity to present their perspectives, which the management strives to take into account when making decisions and creating initiatives for the well-being of employees.

Procedures for remedying adverse impacts and channels through which own workers can raise concerns

Formal communication has been established with all stakeholders, internal and external, that their opinion and our relationship with them is important for the efficient operation of Dalekovod. Formal means for communicating concern and for reporting irregularities exist and are defined *Ordinance on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person.* Effects are managed in accordance with the policy. In addition, regular workshops with leaders were held, and this year workshops with employees began.

Dalekovod Group encourages a culture of open communication and provides protection to whistleblowers who report irregularities or violations of our policies and laws in good faith. We ensure confidentiality and take all necessary measures to protect ourselves from retaliation.

S1-3

S1-3_01 Disclosure of general approach and process for providing or contributing to a remedy when an enterprise has caused or contributed to a significant adverse impact on people in its own workforce

Dalekovod Group has a clearly defined general approach and formalized processes for remediation of negative effects on its own workforce. In the event of a negative impact, such as violation of labor rights, discrimination or security incidents, Dalekovod Group applies internal procedures in accordance with the laws of the Republic of Croatia, including **the Act on the Protection of**Whistleblowers and **the Labor Act**. Particularly important is the role of the confidential person for receiving reports of irregularities, who is appointed with the active participation of employees and has the obligation to investigate the report and initiate the resolution procedure. Although no formal cases of discrimination or serious violations of rights were recorded in the previous period, Dalekovod Group regularly evaluates the effectiveness of remediation through internal audits and monitoring of possible repeated complaints, thus demonstrating a systematic and preventive approach to the protection of workers' rights.

The procedure includes:

- Incident log.
- Investigating and determining the cause of the incident.
- Taking corrective actions and prevention measures.
- Monitoring the effectiveness of the measures taken through periodic audits and internal controls.

The Dalekovod Group assesses the effectiveness of remediation through regular inspections and monitoring of the frequency of repeated complaints and incidents, and applies corrective measures based on the results of these assessments.

S1-3_02 Disclosure of specific channels established for own workforce to raise concerns or needs directly with the company and to address them

Dalekovod Group has several specific channels through which employees can directly communicate their concerns or needs:

- **Irregularity Reporting Channel** A confidential person for receiving anonymous or non-anonymous reports of irregularities.
- Works Council and Trade Unions available to all employees for direct communication with the Management.
- **Human Resources (HR)** a centralized channel for resolving individual questions and complaints.
- **Internal platform (Jenz application)** a digital channel for anonymous and non-anonymous communication between employees and management.
- Reports of violation of the dignity of workers a formal channel harmonized with the Labor Act.

These channels, especially the Jenz application and mail glasnogovornik@dalekovod.hr, are part of the on-boarding process of introducing newly hired employees to the forms and ways of

communication within the company. All channels are continuously promoted among employees through internal communication campaigns, trainings and regular meetings with workers' representatives, whereby the Dalekovod Group actively supports the availability of channels for expressing concerns.

S1-3_05 Mechanisms for resolving complaints or grievances related to employee issues exist

Within the Dalekovod Group, there are clearly defined mechanisms for resolving complaints or complaints from employees that cover issues such as occupational safety, discrimination, harassment or unethical behavior. The mechanisms for resolving complaints or complaints related to employee issues are regulated by the general acts of the Company (*Rules of Procedure, Rules of Procedure and Measures for the Protection of Dignity and Protection against Discrimination*, and *Rules of Procedure for Internal Reporting of Irregularities*).

The confidential person for reporting irregularities is obliged to investigate and initiate proceedings within seven days of receiving the report, and the final decision is given within 30 days (maximum 90 days for complex cases). In addition to the formal whistleblowing channel, HR departments, executives, and labor representatives also have a role to play in processing employee complaints, ensuring a quick response and systematic resolution of issues.

S1-3_06 Disclosure of the processes through which the enterprise supports or requires the availability of channels

The processes themselves that ensure the availability of channels regulated by the general acts of the Company that are public and available to all workers. Channel availability support is achieved through the following activities:

- Regular education of employees about their rights and procedures (e.g. at introductory trainings, workshops, meetings).
- Regular communication via internal channels, intranet and internal application (Jenz).
- Periodic organization of workers' meetings and meetings with representatives of the works council and trade unions.

S1-3_07 Announcements on how issues raised and addressed are monitored and monitored and how channel effectiveness is ensured

The effectiveness of the channel is ensured through appointed persons for a particular process who are independent in their work and through appropriate control by authorized

bodies. Dalekovod Group conducts systematic monitoring and supervision of the efficiency of the channel:

- The confidential person shall keep detailed records of all reports, including the outcomes of the proceedings.
- Internal committees and HR departments regularly analyze trends in complaints and check the effectiveness of the measures taken.
- Periodic evaluations of the system through annual audits and reports.
- Transparent reporting on the number of complaints and their resolution in annual reports.

This approach ensures continuous improvement of channels and processes.

51-3_08 Disclosure of whether and how it is assessed that one's own workforce is aware of and trusts structures or processes as a way to voice their concerns or needs and have them addressed

Dalekovod Group assesses employee awareness and trust in channels for expressing concerns through regular surveys on employee satisfaction, as well as an analysis of the use of individual channels. The results of surveys and analyses are used to further improve communication channels, including additional education and communication campaigns.

S1-3_09 Policies relating to protection against retaliation for individuals who use channels to raise concerns or needs are in place

Dalekovod Group has established internal policies, regulations and general acts of the Company that clearly prescribe the prohibition of placing the applicant in an unequal position in any form due to the submission of the application. Any form of retaliation or negative consequences against employees who raise complaints or concerns is expressly prohibited. The Ordinance on Reporting Irregularities is harmonized with the EU Directive and national laws on the protection of whistleblowers. In the event of a report, Dalekovod Group guarantees the confidentiality of the whistleblower's identity and provides legal protection, which further encourages employees to openly express their concerns without fear of negative consequences.

Protection against retaliation is clearly stated in the internal documentation of the Dalekovod Group and is communicated to all employees through an internal platform, training and internal campaigns.

With this approach, Dalekovod Group ensures an open and safe working atmosphere, encouraging employees to freely raise concerns without fear of negative consequences.

Taking measures for significant impacts on one's own workforce, approaches to mitigating significant risks and materialising opportunities related to one's own workforce, and the effectiveness of these measures

S1. MDR-A_01-12 Action plans and resources to manage significant impacts, risks and opportunities related to your own workforce

S1-4_01 Description of the measures taken, planned or ongoing to prevent or mitigate adverse effects on one's own workforce

Dalekovod Group carries out continuous activities to prevent and mitigate the negative effects of:

- Salaries and material security: A new Collective Agreement was adopted in 2024 which increases the lowest wage bases and allows for additional non-taxable bonuses. The goal is to reduce the financial stress of employees and adjust salaries to the rise in the cost of living.
- Time management: Optimizing work schedules and improving the organization of shift work to prevent excessive working hours and maintain productivity and employee satisfaction.
- **Safety at work:** Systematic implementation of the ISO 45001 system, with continuous education, regular audits and activities of formal Occupational Safety and Health Committees, especially in sectors with an increased risk of injury. Dalekovod Group defines quantitative goals related to health and safety, such as the goal of maintaining lost working hours due to injuries below 1 percent by 2026.
- Stress prevention and mental health: Trainings and activities launched to prevent stress and raise awareness of the importance of employees' mental health during 2024

51-4_02 Disclosure of whether and how action has been taken to provide or enable a remedy in relation to actual significant effect

Dalekovod Group has formal remediation procedures in place in the event of significant impacts such as occupational injuries or discrimination, including:

• **Formal procedures** for receiving and handling complaints through a confidential whistleblower reporting person.

- Remedial measures such as corrective actions, legal support to employees, compensation for damages and adaptation of workplaces after incidents have been identified.
- Continuous monitoring of the effectiveness of measures through internal monitoring.

S1-4_03 Description of additional initiatives or measures with the primary purpose of providing positive effects for their own workforce

S1-4_04 Description of how the effectiveness of measures and initiatives in delivering results for own workforce is monitored and assessed

Dalekovod Group monitors and evaluates the effectiveness of the activities undertaken through:

- Internal employee satisfaction surveys and regular surveys on the organizational climate.
- Periodic revisions of the ISO health and safety system.
- Analyses of employee turnover and monitoring the number and nature of reported complaints.
- Evaluating the impact of training and mentoring programs through employee feedback and measurable progress indicators.

S1-4_05 A description of the process through which it is identified which measure is necessary and appropriate in response to a particular actual or potential adverse impact on one's own workforce

The identification of measures is based on regular risk analyses where appropriate (such as occupational safety risks under ISO 45001), consultations with works councils and trade unions, and on the basis of complaints or feedback from employees. Also, Dalekovod Group systematically analyses market trends and internal indicators (such as fluctuation, sick leave, working hours) in order to preemptively identify the need for additional measures.

S1-4_06 Description of what measures are planned or ongoing to mitigate significant risks arising from the effects and dependencies on one's own workforce and how the effectiveness is monitored

Key measures to mitigate significant risks include:

- **Turnover and availability of workforce:** Development of employer branding initiatives, increase of scholarships for pupils and students, introduction of a system of recommending new employees.
- Health and safety: Continuous education, regular audits and strengthening of the safety culture through the active participation of employees in occupational safety committees.
- **Trust in complaint channels:** Continuous improvement of confidential channels, regular communication on the rights and protection of whistleblowers, transparency of procedures and protection of whistleblowers from retaliation.

The effectiveness of these measures is monitored through systematic monitoring of internal indicators and regular internal audits.

\$1-4_07 Description of what actions are planned or ongoing to realize significant opportunities related to their own workforce

Dalekovod Group is implementing actions to realize opportunities such as:

- **Professional Development:** Performance Management System, Individual Development Plans, and Mentoring Program.
- **Inclusiveness and diversity:** Integration of foreign workers and inclusion activities for persons with disabilities.
- **Development of digital competences:** Planned minimum share of 20% of trainings focused on employees' digital skills.

51-4_08 Disclosure of whether and how it is ensured that own practices do not cause or contribute to significant adverse impacts on one's own workforce

Dalekovod Group implements preventive measures to ensure that its own practices do not contribute to negative effects on employees:

- Regular audits and supervision of business processes and working conditions.
- Transparent employment and personal data processing policy (GDPR compliance).
- Open communication with workers and trade unions in the event of tension between business needs and employee interests.

\$1-4_09 Announcement that resources have been allocated to manage significant impacts

Dalekovod Group clearly allocates resources to manage significant effects on employees through:

- Appointment of a confidential whistleblower and appropriate internal committees.
- A dedicated human resources department that coordinates activities related to performance management, training and employee development.
- Financial investments in education, safety and health systems, development of digital competences and inclusive initiatives.
- Action plans and clear deadlines for the implementation of measures and activities within the strategic goals have been developed.

With this detailed approach, Dalekovod Group confirms its commitment to effectively manage significant impacts on its own workforce, actively addressing the identified risks and opportunities

Targets related to the management of significant adverse impacts, the incentivising of positive impacts and the management of significant risks and opportunities

S1. MDR-T_01-13 Objectives set to manage significant impacts, risks and opportunities related to your own workforce

S1-5

SOCIAL GOALS	
ENSURE A HEALTHY AND SAFE WORKING ENVIRONMENT FOR ALL EMPLOYEES AND ASSOCIATES	 Continuation of the implementation of occupational health and safety training and keeping precise records To carry out a micro-communication campaign on occupational safety and health awareness for particularly exposed groups Conduct a survey among employees to identify topics on the basis of which are educational plan for stress prevention and promotion of the importance of mental health will be developed (in May during the European Mental Health Week) and consequently design an online training
PROMOTING INCLUSION, DIVERSITY AND EQUAL OPPORTUNITIES	 Coordinate with the KONČAR Group on the timeframe for the adoption of the diversity, inclusiveness and equal opportunities policy, and accordingly initiate the development of the Action Plan

	 Conduct an initial survey of diversity, inclusiveness and equal opportunities in the organization in order to identify priority areas (to be coordinated with the KONČAR Group) Conduct an in-depth human rights recording process with an emphasis on children's rights in accordance with the requirements of the CSRD Directive (by the end of 2024) Make a calculation of the pay gap M/F Start developing a women's promotion program for managerial/engineering/highly skilled positions Introduce special measures in the onboarding program to facilitate the integration of foreign workers To examine the satisfaction of employees who use support measures when returning from parental leave
ENABLE EMPLOYEES TO	In 2024 conduct the first survey of satisfaction with the onboarding process and
DEVELOP AND GROW	the challenges of the first month, and consequently develop process improvements
PROFESSIONALLY	In 2024 include satisfaction with personal and professional development education
	in the internal satisfaction survey
	Examine the needs and interest in the introduction of "green" skills
	Start the process of identifying employees who are potential successors in key
· ·	managerial positions, with a special focus on women
TO BRING KONČAR	In the Ordinance on the Award of Scholarships, scholarships for female students
CLOSER TO YOUNG	should be specifically included
PEOPLE AND DEVELOP	 The same Ordinance will provide for the participation of scholarship holders in the activities of Dalekovod
THE REPUTATION OF	Develop internal guidelines for the protection of young workers and student
KONČAR AS A	workers (internships)
DESIRABLE EMPLOYER	 To examine the needs of young people participating in pupils' and students' internships

S1-5_01 Disclosure of whether and how own workforce or workforce representatives were directly involved in setting goals

Dalekovod Group actively involves its workforce and their representatives in the process of defining goals related to the management of significant negative and positive impacts and risks and opportunities related to the workforce:

- **Works councils and trade unions** are directly involved in setting goals through regular meetings, consultations and collective bargaining, especially related to working conditions, wages, safety at work and other employment conditions.
- Through formal social dialogue and collective agreements, workers' representatives play an active role in defining goals such as minimum wages, additional benefits, work-life balance and anti-harassment measures.

• Occupational health and safety committees, which include workers' commissioners, regularly identify and approve goals to improve health and safety, such as occupational injury reduction targets.

In addition, employees are involved in the process of collecting data and assessing the materiality of topics when developing the current Sustainability Strategy and implementing double materiality.

S1-5_02 Disclosure of whether and how own workforce or workforce representatives were directly involved in monitoring performance against targets

Dalekovod Group ensures the direct involvement of the workforce in monitoring the achievement of the defined goals:

- Regular information of the Works Council, which takes place at least quarterly, ensures that workers have a transparent insight into the progress of business goals, including those related to working conditions, employment and health and safety protection.
- A representative of employees in the Supervisory Board enables direct monitoring of the achievement of the company's strategic goals at the highest level.
- **The OSH Committees continuously** monitor the implementation of health and safety objectives and provide feedback on the effectiveness of the measures, carrying out periodic evaluations and reviews of existing practices.

S1-5_03 Disclosure of whether and how own workforce or workforce representatives were directly involved in identifying lessons or improvements as a result of the company's performance

The Dalekovod workforce or their representatives are actively involved in identifying lessons and initiatives to improve:

- Through continuous social dialogue, works councils and trade unions analyse experiences from the previous period and define improvements for future initiatives.
- Occupational safety committees actively participate in the analysis of incidents, after which preventive measures and education are jointly defined.
- Dalekovod regularly conducts surveys among employees, and based on the results obtained, a number of improvements are introduced, such as educational initiatives, mentoring, digital competencies and more flexible forms of work.

 Workers' representatives also participate in committees for the resolution of complaints (e.g. for the protection of the dignity of workers), which ensures the continuous improvement of the organisational culture and the prevention of negative phenomena.

Characteristics of the company's employees

S1-6

Table 2 Number of employees by gender

Gender	Number of employees
Men	934
Women	134
Secondly*	0
Not reported	0
TOTAL	1.068
ESRS code: S1-6_01	

Table 3 Representation of the number of employees in countries where at least 50 employees represent at least 10% of the total number of employees of the company

ESRS code	Earth Number of employees	
	Croatia	1,056
S1-6_04	TOTAL	1,056

The Table shows the total number of employees of the company for 2024. All 1,056 employees are in Croatia. In addition to Croatia, Dalekovod employs 9 people in Bosnia and Herzegovina and 3 in Slovenia, but given the small share of employees who are below 50 and below 10% of the total number of employees, these data are outside the scope of this table.

Table 4 Employees by contract type (reporting on full-time and part-time employees is voluntary)

Women	Men	Secondly*	Not published	Total	
Number of employe	Number of employees (number/FTE)				
134	934	0	0	1,068	
Number of full-time	Number of full-time employees (number/FTE)				
133	854	0	0	987	
Number of temporary employees (number/FTE)					

1	80	0	0	81		
Number of employe	Number of employees with unguaranteed working hours (number/FTE)					
0	0	0	0	0		
Number of full-time	e employees (number/	FTE)				
132	929	0	0	1,061		
Number of part-time employees (number/FTE)						
2	5	0	0	7		
*Gender provided by the employees themselves.						
ESRS code: S1-6_07						

- The company left 130 employees during the reporting period and the percentage of employee turnover is 12.51% for this year.
- 51-6_13 Employee data were compiled on the basis of internal records and systems and represent the number as of 31.12.2024. The total number of employees represents the number of people who have an employment contract and are on the payroll regardless of the type of contract at the end of the year. Excluded from this number are external contractors and workers provided by third parties.
- S1-6_15 The number of employees is shown as a number as of 31.12.2024.

S1-6_17 Publication of cross-reference of information reported in S1-6_01 and S1-6_04 to the most representative number in the financial statements

In accordance with the consolidated financial statements, as of December 31, 2024 Dalekovod Group had 1,056 employees. This number represents the most representative available value for linking non-financial and financial indicators.

Coverage of collective bargaining and social dialogue

S1-8 Table 5 Reporting Form on the Coverage of Collective Bargaining and Social Dialogue

	The Scope of Collective Bargaining	Social dialogue		
The rate covers	Number of employees covered by the collective agreement (EEA only*) (for countries with more than 50 employees representing more than 10% of total employees)	Number of employees represented by workers' representatives in the workplace (EEA only*) (for countries with more than 50 employees representing more than 10% of total employees)		
80-100%	Croatia	Croatia		
*European Economic Area				
ESRS codes: S1-8_01, S1-8_02, S1-08_06				

Diversity indicators

Table 6 Gender distribution in the number of employees (number and percentage) at the top management level

		Gender distribution at top management level		
ESRS code	Gender	Number	%	
S1-9_01- 02	Men	14	93%	
S1-9_01- 02	Women	1	7%	

Out of a total of 15 employees at the top management level, 7% are women. Gender was stated only by employees and there was no answer for gender "other".

Table 7 Distribution of employees (number and percentage) under 30 years of age, between 30 and 50 years of age and those over 50 years of age

d	Distribution of employees by age			
ESRS code	Age Number		%	
S1-9_03	<30	171	16.01	
S1-9_04	30-50	573	53.65	
S1-9_05	>50	324	30.34	

S1-9_06 Publication of own definition used for top management

The top management in the Dalekovod Group is represented by members of the Management Board of the Group and affiliated companies and employees one level below the Management Board.

Adequate salaries

S1-10 All employees receive an adequate salary, in accordance with the applicable benchmarks.

Health and safety indicators

Given that we are engaged in a high-risk activity, and the health and safety of our employees are our number one priority, we pay special attention to the health and safety management system. Therefore, we can announce that it covers 100% of the workforce. We continuously monitor outcomes and improve occupational safety measures in order to conduct our business in a way that is safe for our employees. We believe that the work of occupational safety never ends and there is always one step more towards a safe workplace. Education of employees in the field of occupational safety is one of the most

important prerequisites for the safe performance of business operations. The management must also be educated and familiar with all aspects of occupational safety, but also with its scope of responsibility. In order to achieve a high level of health and safety within the Group, Dalekovod has set the goal of informing and educating employees and strengthening their awareness so that they recognize their role in creating a safe working space, reduce the number of accidents at work and promote a culture of safety at all levels of the organization. As a result of all of the above and a careful analysis of the results of previous years, listening to our stakeholders, and especially employees, in 2024 the Management Board made a decision to declare 2025 the Year of Safety at Work with the slogan "Safe today for a more successful tomorrow". Designing, preparing and implementing the campaign will be the basis for an even more successful business, a responsible attitude towards employees and the community.

In this financial year, there were no deaths as a result of work-related injuries and work-related illnesses for the Dalekovod Group's own workforce. However, there were equally no deaths as a result of work-related injuries and work-related illnesses of other workers working at the company's sites.

d	Health and safety			
ESRS code		Measure	2024	
S1-14_02	Deaths of own workforce	Number	0	
S1-14_03	Deaths of other workers Number 0			
S1-14_04	Number of Occupational Injuries* Number 19			
S1-14_05	_05 Rate of Occupational Injuries* Rate (%) 10.35			
S1-14_07	-14_07 Lost days due to injuries Number 633			
*The number of hours worked by people and the rate includes all workers within the company's				
own workforce and other workers working at the company's location.				

Table 16 Health and safety indicators

In the reporting period, 19 injuries at work were recorded, with the rate of recorded injuries for own workforce being 10.57 for own workforce and 10.35 for the entire total workforce per 1,000,000 hours worked. The data for the calculation were collected from internal records and systems, whereby in some companies the number of hours worked was estimated on the basis of normal or standard working hours, taking into account entitlements to periods of paid leave from work (e.g. paid leave, paid sick leave, public holidays).

Compensation indicators (pay gap and total compensation)

As a member of the KONČAR Group, Dalekovod Group is committed to promoting equality in remuneration and continuously monitors the ratio of total employee compensation to gender, in accordance with its own DEI goals (Diversity, Equity, Inclusion).

Level of complexity	Difference in salaries M/F	
ВО	0	
B1	-21.23%	
B2	4.72%	
В3	-8.19%	
B4	0	
12	0.41%	
l3	-5.51%	
14	6.03%	
15	36.69%	
16	19.28%	
17	-18.77%	

Graphical representation of the differences in contracted gross wages between male and female gender by levels of complexity for Dalekovod Group

51-16_02 Total Annual Fee Ratio

S1-17

S1-16_03 Disclosure of contextual information necessary to understand the data, how the data are composed, and other changes to the underlying data to be taken into account

Total compensation ratio = Total annual compensation for the highest paid person in the company/total annual compensation for the average paid employee (excluding the highest paid person) = 1:5.79

Cases, complaints and serious human rights impacts

Dalekovod Group monitors human rights cases, complaints and serious impacts in accordance with our corporate governance policy. During 2024 there were no cases, complaints, or serious human rights-related effects.

S1-17_10 There were no serious cases of human rights violations and incidents related to their own workforce

In 2024 there were no reported cases of human rights violations and incidents related to its own workforce in Dalekovod Group.

ESRS S3 Affected Communities

Significant impacts,

Building and maintaining a good relationship with the local community is an essential part of a sustainable business. At Dalekovod Group, we proudly encourage involvement in the development of local communities. Set as a strategic goal, we plan to strengthen corporate volunteering. In our Dual Materiality Analysis (DMA), two topics were identified as important: impacts on the lands and areas of affected communities (affected communities) and the health and safety of consumers and end-users of services and products.

Scope of local communities relevant for reporting

Significant impacts, risks and opportunities and their interaction with the strategy and business model

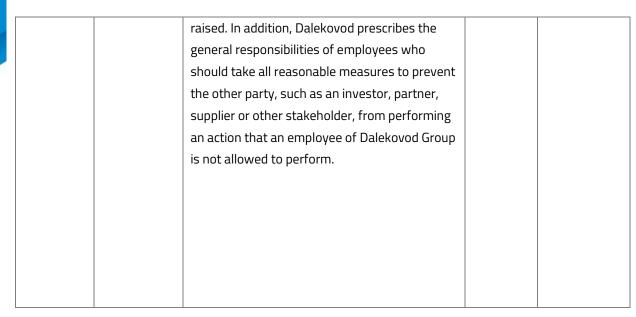
Description of significant impacts,

Stage in

the value

Time horizon

risks, opportunities		risks, opportunities	the value	Time horizon
пэкэ, орро	ituilities	risks, opportunities	chain	
ECONOMIC	, SOCIAL AND	CULTURAL RIGHTS OF COMMUNITIES		
POSITIVE EFFECT - REAL	Positive impact in communities	Dalekovod Group operates with great care in the communities in which it operates in order to leave a positive impact. Through local employment, the construction of critical infrastructure, and indirectly through donations and sponsorships, it contributes to the social and cultural development of numerous communities. Dalekovod is the executor in projects defined by investors, in charge of the strict implementation of all previously defined measures during the preparation, works and abandonment of the infrastructure location. Dalekovod adheres with due diligence to all instructions given and all specific restrictions and requirements of any location where it performs work such as biodiversity locations, urban areas and industrial plants. Dalekovod enables open communication with representatives of the communities in which it operates in order to enable concerns to be		Short-term to long-term



Significant impacts, risks and opportunities and their interaction with the strategy and business model

S3. SBM-3_01 All affected communities that may be significantly affected by business are included in the scope of disclosure under ESRS 2

Dalekovod Group encompasses all types of communities that may be significantly affected, including those located around production sites, transmission line routes or transport infrastructure, and communities where infrastructure projects take place in the Republic of Croatia and abroad. This covers all relevant communities within the scope of the reporting, regardless of whether they are directly or indirectly affected.

S3. SBM-3_02 Description of the species of affected communities that are subject to significant impacts

Affected communities include urban and rural areas where infrastructure is being developed or works are being carried out on transmission lines and other energy or infrastructure projects. The majority of Dalekovod Group's business takes place in countries with a developed legal framework (EU, Scandinavia, USA) – where a strict evaluation and building permit procedure is carried out, with the mandatory involvement of the public.

S3. SBM-3_03 Types of communities subject to significant impacts through their own operations or through the value chain

Own operations – Communities located at Dalekovod Group's production and business sites or construction project locations.

Value chain – Dalekovod The Group procures most of its raw materials and components from large suppliers within the EU, thus minimizing the risk of a significant negative impact on communities in the supply chain (e.g. violations of human rights or environmental standards).

S3. SBM-3_04 Occurrence of significant adverse effects (affected communities)

No significant negative effects were recorded on the communities affected by the operations of the Dalekovod Group. Potential negative effects related to construction locations, i.e. increased truck traffic, noise and dust are prevented by strict measures and control mechanisms

S3. SBM-3_05 Description of activities that result in positive impacts and types of affected communities that are positively affected or likely to be positively affected

In the event of significant positive effects on local communities, Dalekovod achieves them through the following activities:

- Local Recruitment
- Infrastructure investment and modernisation
- Donations and Sponsorships
- Investing in youth and education

S3. SBM-3_06 Description of significant risks and opportunities arising from impacts and dependencies on affected communities

No significant risks and opportunities were recorded for the communities affected by Dalekovod Group's operations.

S3. SBM-3_07 Disclosure of whether and how the enterprise has developed an understanding of how communities with certain characteristics or those who live in certain contexts, or those who perform certain activities, may be at higher risk of harm

In all projects in which it is an investor and for all locations, Dalekovod Group implements all requirements that are strictly defined by law and must always look at and process potential and actual effects on the community. In projects in which Dalekovod Group acts as a contractor, the investor is obliged to implement these requirements.

S3. SBM-3_08 Disclosure of Significant Risks and Opportunities Arising from Impacts and Dependencies on Affected Communities Impacts on Specific Groups

No significant risks and opportunities were recorded for the communities affected by the operations of the KONČAR Group.

Policies for Affected Communities

S3-1

S3. MDR-P_07-08 Disclosures to be reported in the event that an enterprise has not adopted policies

Dalekovod Group actively contributes to the development of the communities in which it operates through:

- Creating new jobs and promoting local employment.
- Involving local suppliers and partners in projects.
- Participation in infrastructure and social projects of importance to the community.
- Respect for human rights and promote social inclusion.
- Supporting educational, cultural and sports initiatives.

Dalekovod Group has a Policy of Social Responsibility and Community Inclusion.

The most important policy content in this context is:

1. Sustainability Policy

- He sets goals and principles of sustainable business for the entire Dalekovod Group, including responsibility to the community through partnerships, investments in education, support for sports and cultural initiatives, and encouraging volunteering among employees;
- It emphasizes continuous investment in the development and quality of life of local communities, cooperation with young people and the academic community, and open dialogue.

2. Rules of Conduct of the Dalekovod Group

 They prescribe standards of conduct for all employees, especially in relation to socially responsible business that protects and improves conditions in the social community in general and transparent external communication with the local community.

3. Risk Management Policy

 It ensures the systematic identification, assessment and management of risks that could negatively affect the communities in which Dalekovod Group operates, with special caution towards risks that could negatively affect safety, human rights or the environment. The Strategy and Sustainability Policy as well as the business model of the Dalekovod Group are aligned with the principles of social responsibility, which is reflected in every segment of business.

Dalekovod Group also operates in accordance with international standards of sustainable development – for example, it has been a member of the UN Global Compact initiative since 2007, thus committing itself to the application of the highest ethical principles, respect for human and labor rights, care for the environment and the fight against corruption. Such a deep integration of ESG criteria into the strategy allows Dalekovod Group to balance between achieving its strategic business goals and having a long-term positive impact on the communities in which it operates, proving that economic growth can go hand in hand with social well-being.

Dalekovod Group systematically manages potential business-related risks in order to prevent undesirable impacts on business and stakeholders, including local communities. The risk management policy provides for continuous identification, assessment and control of risks, which supports the achievement of strategic goals, financial stability and the protection of the company's reputation and the interests of all stakeholders.

Dalekovod Group has the lowest tolerance for risks that could compromise security, violate regulations or negatively affect reputation. This cautious approach ensures that potential negative impacts of business on the environment and the community are noticed and mitigated in a timely manner.

Procedures for working with affected communities on impacts

S3-2_08 Statement in case the company has not adopted a general process for engagement with affected communities

Procedures for remediation of adverse impacts and channels through which affected communities can raise concerns

S3-3_16 Statement in case the company has not adopted a general process for engagement with affected communities

Channels have been established at the level of individual companies and individual projects through which stakeholders can express concerns (letter, email, telephone and personal meeting as appropriate).

Regarding communication channels in the field - communication channels have been established that are expected during the execution of works on projects (appointed

representatives of investors and contractors, chief engineers, work managers, etc.). Responsible persons at each location and construction site have been defined.

In 2024 there were no inquiries from this category.

Taking action for significant impacts on affected communities, approaches to managing significant risks and realizing significant opportunities related to affected communities, and the effectiveness of these measures

S3. MDR-A_13-14 Disclosures to be reported if the company has not adopted measures

Targets for managing significant adverse impacts, driving positive impacts and managing significant risks and opportunities

S3. MDR-T_14-19 Disclosures to be reported if the company has not adopted the objectives

Dalekovod Group has not adopted specific targets for managing significant adverse impacts, encouraging positive impacts and managing significant risks and opportunities.

Dalekovod Group continuously manages potential negative impacts on affected communities within its existing control environment, based on clearly defined internal policies and procedures that include Risk Management Policy, Sustainability Policy and additional quality, environmental and safety standards. The system of regular assessments, monitoring mechanisms, transparent communication channels and cooperation with relevant stakeholders has proven to be effective in preventing the occurrence of significant negative impacts on local communities.

Given the proven effectiveness of the existing approach and the fact that no significant negative impacts have been identified so far that require additional targeted interventions, Dalekovod Group has not defined specific time-limited targets for managing these risks. However, in accordance with good sustainability practices, Dalekovod Group regularly monitors, evaluates and, if necessary, adjusts existing procedures and, if the need arises in the future, will consider defining specific goals for areas where an increased potential risk or opportunity for additional positive effects is identified.

Dalekovod Group is clearly focused on the continuous achievement of positive social impacts through Strategic Goal 7. "Continuous investments in the development and quality of life of local communities". Within this strategic goal, clearly defined activities are

continuously implemented that aim to have a long-term positive impact on the communities in which Dalekovod Group operates.

If needs or opportunities for additional management of specific impacts on communities are identified in the future, Dalekovod Group will consider defining additional targets as part of further improving its corporate practices.

ESRS S4 Consumers and End Users

Significant impacts, risks and opportunities and their interaction with the strategy and business model

		Stage in	
Significant impacts,	Description of significant impacts,	the	Time besiese
risks, opportunities	risks, opportunities	value	Time horizon
		chain	

PERSONAL	PERSONAL SAFETY OF CONSUMERS AND/OR END-USERS				
POSITIVE EFFECT - REAL	Product quality and safety and customer information	Dalekovod uses quality, health and safety management systems to ensure products and services that do not pose a risk to users throughout the product lifecycle.	Downstream	Short-term to long-term	
RISKS AND	RISKS AND OPPORTUNITIES ASSOCIATED WITH CUSTOMERS AND END USERS				
RISK	Product safety	Risks related to product safety and customer satisfaction include the possibility that products or services do not meet safety standards or user expectations. This can result in injury, customer dissatisfaction, product recalls, and potential legal and reputational consequences. >UNIFIED KATALOG_PONDERIRANI_10022025 [Risk Rating - 10]	Downstream	Short-term to long-term	

S4-SBM-3 **S4. SBM-3_01** All consumers and end-users who may be materially affected by businesses are included in the scope of disclosures under ESRS 2

The companies within the Dalekovod Group operate exclusively in the B2B environment and therefore do not have a direct relationship with end consumers and users. Despite this, Dalekovod Group is aware of its responsibility towards the end users of products and services that, through our business partners, are placed on the market.

To ensure compliance with these principles throughout the entire value chain, we expect our B2B partners to act in accordance with the principles of legality, ethics, human rights protection, and high standards of product quality and safety. We regularly monitor potential risks and implement internal procedures to prevent non-compliance with these principles. In the reporting period, there were no cases of non-compliance related to consumers/end users or reports of violations of business and human rights guidelines in the downstream value chain.

All end users that could be materially affected by the operations of Dalekovod Group, including impacts arising from its own operations, value chain, products or services, and business relationships, are included in the scope of reporting under ESRS 2.

S4. SBM-3_02 Description of the types of consumers and end-users who are subject to material impacts

Dalekovod Group has references in the electricity, transport and industrial sectors in more than 130 countries, with the largest exports to EU countries

The main customer groups include:

- National Electric Power Companies (Generation, Transmission and Distribution of Electricity)
- Railway operators (national and international railways)
- Infrastructure investors (large projects in the field of energy, transport)

These customers serve end users who may be potentially subject to significant impacts related to the safety, quality and reliability of products and services, as well as the way in which Dalekovod Group communicates and manages market feedback.

54. SBM-3_03 Types of consumers and end-users subject to material impacts through their own operations or through the value chain

Since Dalekovod Group, depending on the company within the Group, performs different types of engineering, production and service activities, significant effects can affect:

- 1. **Final users** in the energy chain (e.g. households dependent on electricity supply)
- 2. **End-users of the infrastructure** (rail passengers, users of public infrastructure, etc.)

S4. SBM-3_04 Occurrence of material negative impacts (consumers and end users)

No significant adverse effects on end-users were observed. In case of possible complaints or dissatisfaction, there are established channels and procedures (defined by the ISO 9001 Quality Management System) for a quick response. In order to prevent negative outcomes, Dalekovod Group continuously monitors customer satisfaction and implements measures to improve services and products, with an emphasis on safety, regulatory compliance and transparency.

54. SBM-3_05 Description of activities that result in positive impacts and types of consumers and end-users who are or are likely to be positively affected

Privacy of consumers and end users - Dalekovod Group implements GDPR and internal data protection policies, as well as technical and organizational protection measures to ensure complete user privacy.

Access to (quality) information - Dalekovod Group communicates in a timely and transparent manner to customers, clients and users by providing information on security, privacy and quality. Companies apply defined procedures for labeling products and services, and access to customer and end-user information, including adequate information about possible post-delivery activities and the environmental and social impact of products and services throughout their life cycle.

Cooperation and product development - Dalekovod Group implements effective quality management mechanisms and safety standards for the protection of customers and end users, and transparently and comprehensively informs customers about products, their safety features or instructions for use.

Product quality and safety and customer information - Dalekovod Group implements effective quality management mechanisms and safety standards for the protection of customers and end users, and transparently and comprehensively informs customers about products, their safety features or instructions for use.

S4. SBM-3_06 Description of material risks and opportunities arising from impacts and dependencies on consumers and end-users

Risks related to product safety and customer satisfaction include the possibility that products or services do not meet safety standards or user expectations. This can result in injuries, customer dissatisfaction, product recalls, and potential legal and reputational consequences, and therefore Dalekovod Group systematically manages this risk.

54. SBM-3_07 Disclosure on whether and how an understanding has been developed of how consumers and end-users with specific characteristics, who work in certain contexts or perform certain activities, may be more exposed to the risk of harm

Dalekovod Group has not identified specific vulnerable groups of end users that would be extremely susceptible to a higher risk of damage. However, ISO 9001 compliant processes include regular risk assessments and adaptation of procedures according to different customer/product usage segments.

For example, for railway equipment and trains, special attention is paid to passenger safety, system reliability and compliance with international standards (e.g. railway EN standards).

Should a new group of users (e.g. with special needs) be identified, Dalekovod Group has mechanisms and internal procedures in place to adapt its procedures and reduce risk.

S4. SBM-3_08 Disclosure on the material risks and opportunities arising from the impact and dependence on consumers and end users that affect specific groups

Significant risks related to customers and end-users do not relate to specific groups. At the same time, Dalekovod Group **continuously monitors** the different needs and characteristics of users in order to identify possible vulnerabilities in time. Regular review of feedback, complaints, satisfaction surveys, as well as direct communication, identify possible new or specific needs in the market.

Policies for consumers and end users

S4-1 S4. MDR-P_07-08 Policies to manage material impacts, risks and opportunities related to consumers and end-users

54-1_01 Policies for the management of material impacts, risks and opportunities associated with affected consumers and end-users

Dalekovod Group manages its significant effects, risks and opportunities on consumers and end users primarily through **policies at the Group level** that define principles, responsibilities and procedures regarding product quality, user safety, transparent communication and respect for human rights. The most important policies in this context are:

1. Sustainability Policy

- It sets goals and principles of sustainable business for the entire Dalekovod Group, including environmental, social and economic aspects.
- It emphasizes responsible management of impacts on all stakeholders, including customers and end-users, and requires a continuous assessment of sustainability risks and opportunities.

2. Policy of the Integrated Management System for Quality, Environmental Protection, Health, Safety at Work and Energy

- o It includes continuous improvement of business performance, customer satisfaction, environmental protection, health and safety, and energy efficiency. The quality we build is in accordance with the ISO 9001:2015 standard. It is guaranteed by the system described in the Quality Manual and is based on meeting the requirements of our customers.
- Quality occurs in all business segments and in all stages of the production process and service provision. It is guaranteed by the consistent application of a certified quality management system and continuous improvements. The quality management system is implemented and is the responsibility of all employees of the company, in accordance with their tasks, responsibilities and powers, at all times and in all segments of the company's business.
- It defines clear responsibilities for ensuring the quality and safety of products and encourages open communication on social and environmental aspects relevant to consumers/end-users.

3. Code of Conduct (Code) of the Dalekovod Group

- They govern the Group's ethical principles, including lawful business, integrity, equality, respect for human rights, and transparent business practices.
- They prescribe standards of conduct for all employees, especially in relation to fair treatment of customers and the protection of their interests.

4. Dalekovod Group Risk Management Policy

- It establishes a framework for identifying, assessing and mitigating risks that may jeopardise strategic and operational objectives, including those related to consumers/end users.
- It is based on the principles of good practice and methodological guidelines of the ISO 31000 standard and provides a proactive approach to detecting and addressing possible adverse impacts on users.

Together, these policies **cover significant risks and impacts of** product safety, quality, and customer satisfaction, while recognizing **opportunities** for strengthening customer relationships, innovation, and sustainable solutions.

Procedures for engaging with consumers and end-users on impacts

54-2. S4-2_01. Disclosure of whether and how the perspectives of consumers and end-users have influenced decisions or actions aimed at managing actual and potential impacts

Dalekovod Group systematically involves customers through whom the perspectives of consumers and end users/investors are considered in the identification of actual and potential impacts, using structured processes within the integrated management system (ISO standards) and the Risk Management Policy. Engagement takes place at all stages of the business cycle – from the definition of procurement requirements and project planning to post-project support.

The perspectives of the user/investor directly influence key decisions on the improvement of products/services, while the success of engagement is monitored through satisfaction indicators, monitoring of complaints and internal/external audit of the quality system.

In this way, Dalekovod Group ensures transparent and efficient communication and continuous improvement in order to improve relations with all stakeholders, reduce risks and take advantage of opportunities for innovation and development.

Procedures to remedy adverse impacts and channels through which consumers and end-users can raise concerns

S4-3

- 54-3_01 Disclosure of the general approach and process for providing or contributing to a correction where the company has determined that it is associated with a material negative impact on consumers and end-users
- 54-3_02 Disclosure of specific channels that have been set up so that consumers and end-users can directly voice their concerns or needs to the business and that they are addressed
- 54-3_03 Disclosure of the processes through which the enterprise supports or requires the availability of channels

As part of the ISO 9001 quality management system, Dalekovod Group companies have defined procedures for managing complaints, reclamations and potential negative impacts

on consumers/end users. Channels have been set up at company and project level through which these stakeholders can raise concerns (letter, email, telephone).

No irregularities related to regulations and voluntary codes on the impact of products and services on the health and safety of customers/users during their life cycle have been recorded in the companies of the Dalekovod Group.

Taking measures for significant impacts on consumers and end-users, approaches to managing significant risks and materialising opportunities related to consumers and end-users, and the effectiveness of those measures

- S4. MDR-A_13-14 Disclosures to be reported if the company has not adopted measures to manage significant impacts, risks and opportunities related to consumers and end-users
- The Dalekovod Group has established processes in its operations that are built into functions that have a day-to-day responsibility for ensuring compliance with our policies.

 Consumer and end-user issues are also continuously addressed through our ISO 9001 certifications.

Management information

ESRS G1 Business Conduct

Significant impacts, risks, opportunities	Description of significant impacts, risks, opportunities	Stage in the value chain	Time horizon
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CORPORATE CULTURE				
		Ethical management through set		
		codes of conduct and values		
POSITIVE	Ethical	ensures compliance with ethical	Own business	Short-term
EFFECT - REAL	management	standards in all management		to long-term
		processes, which increases the		
		trust of stakeholders and the public.		
	Alignment with	The transmission line already has		
	sustainable	transparency and strategic		
POSITIVE	strategic goals	consistency in place in supporting a	Own business	Short-term
EFFECT - REAL	and	green and sustainable economy.		to long-term
	transparent	Long-term benefits include		
	regular	maintaining stakeholder trust,		

reporting to stakeholders on achievements, plans and challenges ER PROTECTION Availability of whistleblowing and whistleblower protection mechanisms	strengthening corporate reputation, and complying with ESG standards. The changes are significant and long-lasting, with a visible impact on key business processes and stakeholder relations. Providing secure whistleblowing mechanisms and protecting whistleblowers are key to preventing and detecting illegal and unethical practices.	Own business	Short-term to long-term
	AGEMENT		
Code of Conduct for Suppliers	Dalekovod incorporates social and environmental criteria into procurement procedures, ensuring the sustainability of the supply chain. With the Code of Conduct for Suppliers, Dalekovod has set standards for ESG criteria and promotes responsible business operations throughout the supply chain. Maintaining fair and transparent relationships with suppliers is essential for supply chain stability. Fair contracting, respect for payment deadlines and responsible sourcing reduce risks, foster long-term partnerships and enable a more sustainable supply chain.	UpstreamOwn business	Short-term to long-term
ESG Risk Verification	ESG risk screening of strategic suppliers has the potential to ensure sustainability and reduce risks in the supply chain.	Upstream0wn business	Short-term to long-term
IND BRIBERY			
Zero tolerance for corruption	Dalekovod applies the principle of zero tolerance to corruption, and all employees and suppliers are familiar with anti-corruption policies and procedures.	UpstreamOwn business	Short-term to long-term
	stakeholders on achievements, plans and challenges ER PROTECTION Availability of whistleblowing and whistleblower protection mechanisms ATIONSHIP MANA Code of Conduct for Suppliers ESG Risk Verification ND BRIBERY Zero tolerance	and complying with ESG standards. The changes are significant and long-lasting, with a visible impact on key business processes and stakeholder relations. FER PROTECTION Availability of whistleblowing and whistleblower protection mechanisms ATIONSHIP MANAGEMENT Dalekovod incorporates social and environmental criteria into procurement procedures, ensuring the sustainability of the supply chain. With the Code of Conduct for Suppliers Code of Conduct for Suppliers Code of Conduct for Suppliers ESG Risk Verification Verification Dalekovod applies the principle of zero tolerance for corruption Dalekovod applies the principle of zero tolerance for corruption Dalekovod applies the principle of zero tolerance familiar with anti-corruption	stakeholders on achievements, plans and challenges The changes are significant and long-lasting, with a visible impact on key business processes and stakeholder relations. FER PROTECTION Availability of whistleblowing and whistleblower protection mechanisms TIONSHIP MANAGEMENT Dalekovod incorporates social and environmental criteria into procurement procedures, ensuring the sustainability of the supply chain. With the Code of Conduct for Suppliers Code of Conduct for Suppliers Code of Conduct for Suppliers ESG Risk Verification ESG Risk Verification Dalekovod applies the principle of zero tolerance for corruption Dalekovod applies the principle of zero tolerance for corruption Dalekovod applies the principle of zero tolerance for corruption Dalekovod applies the principle of zero tolerance for corruption The changes are significant and subsible impact on key business processes and stakeholder relations. Providing secure whistleblowing mechanisms and protecting whistleblowing and detecting illegal and unethical practices. Own business Own business Own business Own business Own business Own business UpstreamOwn business UpstreamOwn business UpstreamOwn business UpstreamOwn business UpstreamOwn business

		Transparency and clearly defined procedures help to combat corruption.		
RISKS AND OP	PORTUNITIES AS	SOCIATED WITH BUSINESS CONDU	ICT	
RISK	Unavailability of components, raw materials and materials	The risk of delays in deliveries to customers due to difficult availability of components, unavailability of raw materials and materials, and difficult organization of transport.	Upstream	Short-term to long-term
RISK	Discrepancy	Risk of fines and/or litigation due to non-compliance with positive regulations and standards. Reputational risk of non-compliance with ESG regulatory requirements.	Own business	Short-term to long-term
RISK	Failure to comply with ESG standards in the supply chain	Failure to comply with ESG standards in the supply chain can lead to legal and reputational losses.	Upstream,Own business	Short-term to long-term

Role of administrative, supervisory and management bodies

G1.GOV-1 - Link to ESRS 2, GOV-1 and GOV-2

Business Conduct Policies and Corporate Culture

G1. MDR-P_01-06 Policies to manage its significant impacts, risks and opportunities related to business conduct and corporate culture

G1-1 Corporate Governance Policy

The Dalekovod Group integrates ESG principles into its governance structures to ensure effective implementation and adherence to corporate governance best practices. As a member of the UN Global Compact since 2007, we are committed to operating according to principles in the field of human rights, labour law, environmental protection and anticorruption and to report regularly on this in the Reports on Social Responsibility.

As a company whose shares are listed on the Zagreb Stock Exchange, Dalekovod Group reaffirms its obligations to ensure comprehensive social, ethical and environmental

practices in its operations as well as throughout the entire value chain in each market in which it operates.

Our management principles include:

- Ethical Business: We ensure high standards of corporate ethics through strict anticorruption and anti-bribery measures, including employee training and regular risk assessments.
- Transparency and accountability: We regularly monitor and report on progress towards sustainable goals, with independent audits to ensure data accuracy.
- Stakeholder engagement: We actively engage with all our stakeholders, listen to their needs and involve them in the decision-making process.
- Regulatory compliance: We comply with international and European regulations and continuously monitor changes in legislation to ensure compliance with all legal obligations.
- Quality Management: We apply the ISO 9001:2015 quality management system to ensure that all processes meet high quality standards.
- Application of the Code of Corporate Governance of the Zagreb Stock Exchange and the Code of Conduct of the Dalekovod Group

Also, our anti-bribery and anti-corruption policy defines and regulates the areas that are most exposed to the risk of corruption/bribery:

- treatment of public officials;
- gifts and business hospitality,
- third-party engagement and donations/sponsorships/memberships;
- activities in the field of human resource management,

Protection of whistleblowers

Dalekovod Group encourages a culture of open communication and provides protection to whistleblowers who report irregularities or violations of our policies and laws in good faith. It ensures confidentiality and takes all necessary measures to protect against retaliation.

The whistleblower protection policy is an integral part of the Sustainability Policy, which is publicly available on the website of Dalekovod Grup d.d.

Furthermore, detailed reporting procedures are prescribed through the Ordinance on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person, which, among other things, prohibits the prevention of reporting irregularities and putting whistleblowers in a disadvantageous position.

Vendor Relationship Management

Dalekovod has a close relationship with its suppliers and invests in maintaining a good relationship. Suppliers are required to comply with General Terms and Conditions, which are publicly available on the website. These conditions include provisions on information, material declaration, hazardous substances in electrical and electronic equipment (RoHS), packaging, dangerous goods, environmental protection, and the prevention of bribery and corruption. In addition, our Code of Conduct for Contractors, which defines relationships and acceptable behavior and defines key values on important topics such as human rights and a clearly based policy to ensure safety and health criteria, ethical behavior and respect for human rights and employee rights in accordance with regulations and applicable laws. We expect from our suppliers:

- Respect for ethical and social standards, including practices aimed at combating bribery and corruption.
- Compliance with our policies and values in the areas of quality, environmental, labour and human rights.
- Transparency and collaboration to continuously improve sustainability in the supply chain.
- G1-2_01 Although the company does not currently have a formally adopted policy to prevent late payments, it implements a number of internal practices that ensure the timely settlement of obligations to suppliers, especially to small and medium-sized enterprises. These practices include:
 - 1. Established system of internal payment controls The finance department regularly monitors the maturity of liabilities and ensures that all liabilities are paid within the agreed deadlines.
 - 2. Timely processing of invoices Invoices are received and posted as soon as possible after receipt, which enables their timely payment without unnecessary delays.
 - 3. Monitoring of payment deadlines Average payment terms are regularly analysed to ensure that practices remain in line with internal targets and market standards.
- G1-2_03 An integral part of Dalekovod's business policy and practice includes quality management, and supplier verification was systematically carried out, which is part of the identification of hazards and the assessment of risks and opportunities. When selecting suppliers for individual groups of materials and services, the condition is that they meet the defined requirements for quality, delivery times, price and payment method, as well as

environmental protection measures and other measures such as health and safety at work and additionally stated in the forms. Suppliers are required to provide evidence (certificates) of compliance with the requirements. Companies keep a database of existing and potential suppliers. In addition to basic information about suppliers (name, address, telephone, e-mail, contact person), the database also contains other information that may affect the choice of suppliers, such as supplier references, complaint data, quality system data, data on occupational health and safety, as well as environmental protection.

Supplier verification is done through a questionnaire and by submitting a document (e.g. certificates from international standards such as ISO 9001:2015 for quality management, ISO 14001:2015 for environmental management, ISO 50001:2018 for energy management or ISO 45001:2018 for occupational health and safety) as a compliance check. The questionnaire covers key topics in terms of environmental, social and governance factors. Social and environmental criteria are included through a questionnaire and influence the supplier selection process as well as the verification.

G1-2_02 Our suppliers and their relationship

Most of our suppliers are based in European Union countries. The list of suppliers is defined by internal procedures, and the verification of existing and new suppliers is carried out by employees of the procurement department of Dalekovod through a survey. All suppliers who have implemented certified systems according to ISO 9001, ISO 14001, ISO 50001 and ISO 45001 are automatically entered into the list of eligible suppliers. In the questionnaire, all suppliers fill in information on the quality management system, business environmental impacts, respect for labor and human rights, non-discrimination and providing equal opportunities to all workers, management practices according to ethical principles for combating bribery and corruption, and avoiding child labor.

Cooperation with suppliers is based on the principles and requirements of ISO standards related to continuous improvement of product quality and process management – ISO 90001:2015, environmental management – ISO 14001:2115 and energy – ISO 50001:2018 and health and safety management systems – ISO 45001:2018. According to the principles and requirements of these standards, operational procedures for all business processes and procedures for the procurement of products and services necessary for the production and provision of services of the companies of the Dalekovod Group have been defined.

Significant suppliers are evaluated at the end of each year, taking into account the quality of performance and deliveries within the set deadlines. Significant suppliers are determined based on the nature of the business relationship, participation in the significant project and the monetary value of payment for goods, services and works. The number of suppliers varies significantly from year to year and depends on the projects that are carried out and the goods, services and works that are procured. The selection of suppliers often begins in the project bidding phase, when potential suppliers and the conditions with which the bidding process is entered are defined, and investors often define in advance several suppliers whose equipment is used in the implementation of the project within the tender documentation. The result of the work obtained in the tender is the signing of contracts with the best equipment suppliers for each individual project. Annual contracts are concluded with suppliers for anticipated procurements, which are repeated regardless of the projects themselves. Other annual contracts refer to services and certain materials, the procurement of which is carried out independently of the projects themselves. The General Terms and Conditions of the Dalekovod Group are publicly available on our website. Article 10. The General Terms and Conditions govern information, material declaration, hazardous substances in electrical and electronic equipment (RoHS), packaging, dangerous goods and environmental protection, and Article 11 regulates the prevention of bribery and corruption and the Code of Conduct for Contractors. In 2024 we cooperated with 24 significant first-tier direct suppliers and there were no new suppliers.

Supplier checks

Dalekovod manages its relations with suppliers in accordance with policies and contracts. Each supplier contract regularly goes to supplier checks and collects information from suppliers to monitor ESG risks through questionnaires.

Table: Vendor Relationship Management

ESRS code	Vendor Relationship Management	2024	Target
G1-2_02	Percentage of verified suppliers	72.34%	
G1-2_02	Percentage of compliant* suppliers	79.92%	

In our industry, Scope 3 emissions account for a large proportion of all total emissions. In industries like ours with complex supply chains, up to 70% of emissions can come from

scope 3¹. Aware of this fact, Dalekovod Group monitors the practices of its suppliers. The key suppliers for our industry are primarily from the GHG Protocol categories 1, 3, 5, and 2 which are in the areas of goods and services, transport and fuels, waste and capital goods. 79.92% of suppliers are in compliance with our terms and conditions, code and verified through questionnaires and document delivery. The total percentage includes all suppliers exceeding €50,000. The procedure does not assess a small part of suppliers outside the key scope (this includes banks, utilities or accommodation that makes up a small part of the supply chain).

Prevention and detection of corruption and bribery

- G1-3 Dalekovod Group is continuously working to raise the levels of competence and knowledge of its employees. Trainings are conducted in various areas, primarily those for which interest has been expressed among employees and in areas that are classified as priorities in relation to the type of activity that the company is engaged in. And at the end of 2024 it was adopted Anti-Corruption Policy with a view to further action in the fight against corruption and bribery. The anti-corruption policy provides for a corruption risk assessment in order to identify all corruption risks associated with a particular business transaction, project or contract in a timely manner, in order to take measures to reduce the risk of corruption to an acceptable level, if necessary. Specific areas have been identified in which the risk of corrupt behavior of participants is the rules of procedure, such as donations or sponsorships, gifts, suppliers and other associates, the recruitment process, conflicts of interest, and accounting and financial reporting.
- G1-3 02 Investigators conducting investigations within the Transmission Line are independent of the chain of custody responsible for prevention. This independence ensures the objectivity and impartiality of investigations and allows for transparent fact-finding and evidencebased decision-making. Although there is no formally prescribed internal procedure, in practice Dalekovod ensures that investigators are not part of the management that is responsible for prevention, thus eliminating conflicts of interest. The Company intends to further formalize this practice through internal policies and procedures.
- **G1-3_03** The Company ensures transparent reporting on the results of irregularity investigations to the Management Board and/or the Supervisory Board, depending on the seriousness of the case. The process involves the following steps:

https://www.weforum.org/stories/2023/09/scope-3-emissions-are-key-to-decarbonization-but-what-are-theyand-how-do-we-tackle-them/?utm source=chatgpt.com

- 1. **Conducting an investigation** Investigators (internal or external) analyze the reported irregularity in accordance with the applicable regulations and policies of the Company.
- 2. Preparation of reports on findings
- 3. If the irregularity is **less risky**, the report is submitted **to the Administration**.
- 4. In the case of a serious irregularity with a potential impact on the Company's operations, finances or reputation, the report shall also be submitted **to the Supervisory Board**.
- 5. **Consideration of the report** The Management Board and/or the Supervisory Board analyze the report and make decisions on taking corrective measures.

Monitoring the implementation of measures – the Directorate regularly monitors whether the proposed measures have been implemented and, if necessary, reports to the Supervisory Board on progress

The criteria important for assessing the risk of corruption vary depending on the circumstances and type of business relationship, but the general criteria that are taken into account when assessing each business relationship are as follows:

- Corruption risk associated with doing business in a specific country
- Type of buyer in terms of whether it belongs to the private or public sector
- Circumstances of the individual case (contract value, complexity of the job, type of procurement)
- Business partner/intermediary (if the business is contracted through an agent or intermediary, reputation of the business partner, relationship with the customer, role and scope of work, size of the company, amount of service fee)
- The existence of a proportion between effort, risk and reward.

A risk assessment is always made when there is a justified reason for it or when it is an essential condition of a job or a mandatory requirement.

The methods used to mitigate and control the risk of corruption include:

- employee education and
- familiarizing suppliers with this Anti-Corruption Policy and other internal acts of the Company that regulate the standards of business conduct.

The role and exemplary behavior of Management Board members and managers are key factors in educating about values and their dissemination in order to ensure the implementation of these values in practice.

G1-3_07

G1-6

The topics of corruption and bribery have been detected as important, and a process for detecting risky functions and an education plan are being prepared for 2025. Through the Code of Conduct, ethical violations are defined. It is additionally clearly emphasized against giving and receiving gifts during business representation. Although currently the percentage of risky functions covered by training programs is still 0%.

G1-3_08 Dalekovod Group does not have an appointed person responsible for anti-corruption. The person will be appointed by the end of 2025.

Confirmed cases of corruption or bribery

In this financial year, Dalekovod Group had no convicted verdicts of corruption or bribery, nor any fines.

Payment Practices

In their business, the companies of the Dalekovod Group strive to settle their obligations to suppliers within the deadlines agreed in contracts. Monetary liabilities are regulated by the Financial Operations and Pre-Bankruptcy Settlement Act. As a rule, Dalekovod Group companies settle their obligations within the legally stipulated deadline (30-60 days), with the exception of contracts where longer payment terms have been agreed in writing (retention under contracts for complex projects). Based on the analysis of payment data to Dalekovod Group's suppliers, the status of payments under standard conditions and possible legal procedures related to delays are presented.

Company	The average number of days to pay an invoice from the date on which the contractual or statutory payment term begins to run	Percentage of payments compliant with the company's standard payment terms*	Number of pending legal proceedings due to late payments		
Dalekovod d.d.	53	69%	1		
Dalekovod OSO	98	44%	1		
Dalekovod MK	76	34%	0		
Dalekovod Projekt	110	92%	0		
Dalekovod EMU	56	94%	0		
Dalekovod Mostar	16	100%	0		
Dalekovod Ljubljana	30	100%	0		
ESRS codes: G1-6_01, G1-	6_02, G1-6_03, G1-6_04				

The turnover ratio of liabilities is 3.20, and the average turnover days of liabilities are 114.14 days

Only debt transactions of suppliers through bank transactions, which represent 45% of turnover, were analyzed. The remaining 55% of turnover refers to branches (Norway, Sweden) that have confirmed standard payment terms of 30 days and regularly settle obligations, and the percentage in this part of the business is 100% compliance with standard payment terms

The calculation does not include billing items, compensations, assignments and direct payments to subcontractors, and the standard payment condition for Dalekovod d.d. is defined as 60 days for easier consolidation.

For the sake of data availability, the calculation assumes that there are no partial payments or takes into account the above regardless of the number of payments, i.e. each payment of a part of the invoice is treated as one invoice, and for this reason there is a fictitious increase in the payment day for some companies within the Dalekovod Group. Through 2025, Dalekovod Group will increase the availability of data related to payment practices and thus improve the calculation methodology.

G1-6_05 Disclosure of contextual information regarding payment practices

Sales-related commissions, rebates, discounts, and add-ons are common business salaries. Illegal or unethical payments are not allowed, and regular payments must comply with applicable currency exchange controls and tax regulations. Dalekovod Group strives to settle its obligations to suppliers within the deadlines in accordance with contracts, regulations and the Code of Conduct and in accordance with the legally stipulated deadline (60 days). The group has only two pending cases.

Topics of particular importance specific to Dalekovod Group - Project management

Efficient project management is the basis of the successful business of the Dalekovod Group. Projects are managed according to internal procedures, and are divided into projects in the field of energy and projects in the field of infrastructure. In order to optimize the involvement of employees at the operational and management level who participate in the planning and implementation of a particular project, as well as to effectively manage time, financial resources and mitigate external influences such as the previous pandemic years and geopolitical instability, the Dalekovod Group continuously monitors all phases of each project. In the implementation of projects, we manage risks in accordance with the publicly published *Risk Management Policy* according to the principles of the HRN ISO 31000 standard.

The progress of the implementation of projects in the field of energy and infrastructure is monitored at weekly extended operational meetings attended by project managers and coordinators, civil engineers, head of assembly groups, sales representatives, head of operational logistics and representatives of companies in charge of design (Dalekovod projekt) and production of parts used in the implementation of the project (MK Production and OSO Production).

Operational courses are held, which are also attended by members of the Management Board of the Dalekovod Group, and once a month operational courses with financial data are held. The monthly operating course with financial data, depending on the implementation of a particular project, can be replaced by a quarterly meeting at which the Management Board is informed about the implementation of the project with financial results and the results of individual companies. Once a year, representatives of branches abroad also participate in these operational meetings with the Management Board.

In order to monitor the operations and realization of the plans of the members of the Dalekovod Group, weekly meetings and meetings related to cash flow management are held, which are attended by representatives of realization, operational logistics, procurement, treasury, MK and OSO production, as well as the member of the Management Board in charge of finance. A written report on the management of cash flow is submitted to the Management Board every two weeks. Other parts of the Dalekovod Group, depending on their competencies, such as sales, corporate communications, procurement, operational logistics, human resources management, business excellence, improvement of business processes, legal affairs and other members of the group outside the core activities, report to the Management Board on the results prescribed by the dynamics.

Project implementation and management processes are an integral part of the procedures within the Quality Management System according to the ISO 9001:2015 standard. The system refers to quality management in sales and construction activities, power lines and power plants up to 750 kV, railway infrastructure, roads, buildings, sports facilities, lighting, telecommunication lines and poles, lighting poles and halls, steel and other load-bearing structures, equipment of civil engineering facilities and electrical installations, suspension and connecting materials and the provision of anti-corrosion metal protection services.

<u>The quality management policy</u> and <u>the certificate</u>, which is valid until November 3, 2024 are published on our website. In the implementation of projects, we manage environmental impacts, rational use of energy, and the protection and safety of workers in accordance with established and certified systems according to ISO standards described in the chapters *Society and Human Rights* and *Environment*. The projects are also implemented in accordance with the Code of Conduct of the Dalekovod Group and the Code of Corporate Governance of the Zagreb Stock Exchange.

Publications in accordance with Article 8 Regulation (EU) 2020/852 (Taxonomy Regulation).

The potential of the contribution of the Dalekovod Group's economic activities to the EU Green Deal in 2024.

In accordance with the obligations arising from the regulatory framework of sustainable finance of the EU, in the non-financial report for 2024 the Dalekovod Group assessed whether the activities performed by each component of the group are acceptable, i.e. harmonized in relation to the EU Taxonomy. In order to contribute to the goal of the EU Green Deal and ensure compliance with the EU regulatory framework, for the purposes of this year's report, the Dalekovod Group, with the support of expert consultants, conducted a detailed analysis of each business segment, which included various professional services from each sector, the details of which are described below.

Analysis of taxonomy-eligible activities

Dalekovod Group has analysed its taxonomy-friendly and compliant economic activities following a methodology aligned with the Taxonomy Regulation² and technical screening criteria³. In order to meet the conditions prescribed by the Disclosure Delegated Act⁴, the Dalekovod Group first identified its taxonomy-eligible activities by examining in detail whether the descriptions of individual activities contained in the technical screening criteria correspond to the activities that the companies actually perform (not only those for which they are registered). The result of this analysis, i.e. the activities of the Dalekovod Group that have been identified as taxonomically acceptable, and to which financial indicators for 2024 could be linked, are shown in the table below.

Taxonomy acceptable activities of the Dalekovod Group:

Area	Activity (U) – climate change mitigation (P) – climate change adaptation	Name of activity						
3. Manufacturing industry	3.1 (U)	Production of renewable energy technologies						
	3.20(U)	Manufacture, installation and servicing of high- voltage, medium-voltage and low-voltage						

² REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 establishing a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

³ COMMISSION DELEGATED REGULATION (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical screening criteria to determine under which conditions an economic activity is considered to contribute substantially to climate change mitigation or adaptation and whether that economic activity causes significant harm to any other environmental objective

⁴ COMMISSION DELEGATED REGULATION (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information on environmentally sustainable economic activities to be disclosed by undertakings subject to Article 19a or Article 29a of Directive 2013/34/EU and laying down a methodology for mandatory disclosures

	_							
		electrical equipment for the transmission and						
		distribution of electricity that contributes						
		substantially to climate change mitigation or that						
		enables such a contribution						
6. Transportation	C F (U)	Transport by motorcycles, passenger cars and light						
	6.5 (U)	commercial vehicles						
	6.6 (U)	Road haulage services						
	6.15 (P)	Infrastructure for road and public transport						
7. Construction activities and	7.1 (U)	Construction of new buildings						
real estate business		Installation, maintenance and repair of electric						
	7.4 (U)	vehicle charging stations in buildings (and in						
		parking spaces connected to buildings)						
	7.6 (11)	Installation, maintenance and repair of						
	7.6 (U)	renewable energy technologies						
	7.7. (U)	Purchase and ownership of buildings						

Activities by contribution to the remaining 4 environmental objectives: use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, or protection and restoration of biodiversity and ecosystems, for which technical criteria were published in November 2023 were also analysed.⁴

The following activities have been recognized as acceptable in the above 4 environmental goals:

For the objective Water supply, sewage disposal, waste management, and environmental remediation

- 2.3. Collection and transport of non-hazardous and hazardous waste

For the objective **Transition to a circular economy:**

- 3.2. Renovation of existing buildings
- 3.3. Demolition and smashing of buildings and other structures
- 3.5. The use of concrete in civil engineering

For the goal Protection and restoration of biodiversity and ecosystems

- 1.1. Conservation, including restoration, of habitats, ecosystems and species

Objective: Pollution prevention and control

- 2.1.Collection and transport of hazardous waste

For these activities, it was difficult to separate the indicators and they were not taken into account in the calculation.

For activities in the field of circular economy, which are part of the contracted projects and the amounts cannot be separately stated at this time, a system of separation from projects will be established in 2025.

Analysis of taxonomy-eligible activities

In the next phase, the Dalekovod Group analyzed which of the taxonomically acceptable activities can also be considered taxonomically aligned. The verification of taxonomic compliance was carried out through three steps, as required by the requirements of the EU Taxonomy:

- for each taxonomy-eligible activity at the level of the Dalekovod Group, a verification was carried out whether it contributes significantly to one of the two climate objectives⁵ defined in Article 9 of the Act. Taxonomy Regulation and subsequently
- carried out a verification of whether each taxonomically acceptable activity complies with the criterion of no significant harm in relation to the remaining five environmental objectives.
- Finally, a verification of compliance with minimum safeguards was carried out

The following have been identified as taxonomy-eligible activities with indicators that could be unambiguously linked to the financial statements, and for which the technical criteria of significant contribution, i.e. DNSH criteria, were not met:

- 3.1. (U) Production of renewable energy technologies related to the construction of transmission lines to renewable energy sources through economic activities classified under C25, C26 and C27 according to the NACE classification
- 3.20. Manufacture, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity that contributes substantially to or enables climate change mitigation
- 6.5. Transport by motorcycles, passenger cars and light commercial vehicles,
- 6.6. Road freight transport services,
- 6.15 (P). Infrastructure for road and public transport,
- 7.1. Construction of new buildings.
- 7.4. Installation, maintenance and repair of electric vehicle recharging points in buildings (and in parking spaces connected to buildings)
- 7.6 (U) Installation, maintenance and repair of renewable energy technologies

⁴ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical screening criteria to determine under which conditions an economic activity is considered to contribute substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to the prevention and control of pollution, or to the protection and restoration of biodiversity and ecosystems, and whether that economic activity causes significant harm to any other environmental objective and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures relating to those economic activities

⁵ The Taxonomy Regulation defines six environmental objectives (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems), but currently, due to a lack of regulation, technical screening criteria are only applied for the first two (climate) objectives.

- 7.7. (U) Purchase and ownership of buildings

For these activities, the technical criterion in which the economic activity is related to the production of technologies for the production of energy from renewable sources is met. Also, the activity meets the DNSH criteria, for which the Dalekovod Group has prepared a Climate Risk and Vulnerability Assessment (CRVA).

For other recognized eligible activities, it was concluded that the verification of all the above criteria is difficult to verify, i.e. that within individual activities it is difficult to determine which part of the activity is potentially harmonized and which is not.

The primary activity of the Dalekovod Group, i.e. the construction of transmission lines, depends on the client's activity, and it is expected that with the increase in the production of energy from renewable sources, the share of coordinated activities of the Dalekovod Group will also increase.

Furthermore, as the final part of the compliance analysis, the Dalekovod Group also analyzed the current state of the minimum safeguards set out in Article 18 of the Act. Taxonomy Regulation, which are detailed in the final report of the Platform on Sustainable Finance from October 2022 ⁶.

The Dalekovod Group operates in accordance with the Code of Conduct, the Code of Conduct of the Dalekovod Group, the Code of Ethics in Business of the Croatian Chamber of Commerce, the Code of Corporate Governance, which contain, among other things, rules and provisions on data protection, honesty in work and business, avoidance of conflicts of interest and respect for human rights. In order to manage safety and security at work, we have introduced a system according to the ISO 45001:2018 standard. Furthermore, in human resources management and making important business decisions, the principles of equality and uniform criteria are respected. The Dalekovod Group operates in accordance with positive legal regulations prohibiting child, forced or compulsory labor. Within all companies of the Dalekovod Group and in all business activities, there is freedom of association and collective, and this also applies to business activities outside Croatia.

The Dalekovod Group also conducted an analysis and review of the Dalekovod Group's requirements for compliance with the Minimum Safeguards in accordance with the SG4 Report of the Sustainable Finance Platform. The report identifies four key topics for which compliance with minimum safeguards needs to be defined. These are:

- Human rights, including workers' rights.
- Bribery/corruption
- Taxation
- Fair competition

⁶ Available at https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

In the above analysis, it was concluded that the Dalekovod Group meets the criteria of compliance with the Taxonomy Regulation in the field of Minimum Safeguards, in accordance with Article 18 of the said Regulation.

For 2024. Dalekovod will not report on compliance even though compliance conditions have been met for some activities, but will start reporting on compliance for 2025.

Accounting policies and key performance indicators

After the analysis of taxonomy-eligible and compliant activities, the Dalekovod Group collected data for the calculation of key performance indicators (KPIs) in relation to the identified activities, namely: revenues, capital expenditures and operating expenses.

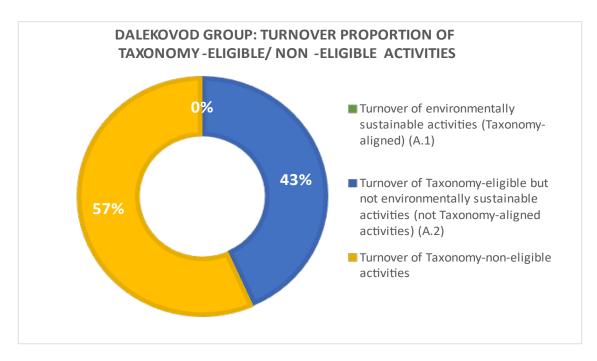
For the calculation of KPUs, Dalekovod Group has analysed its own financial data in order to include complete and accurate data in the calculation of each KPU and to properly report them in accordance with the Delegated Act on Disclosures. As prescribed, when calculating taxonomy-acceptable KPUs, the Dalekovod Group took into account that each item can be included in only one activity, i.e. they were guided by the principle of "avoiding double counting" of the same data in different KPUs, while the estimates used are described later in the text.

For the purposes of this report, each KPU is expressed consolidated at the level of the Dalekovod Group, and an overview of qualitative information is provided for each KPU. Below are the identified taxonomy-eligible – non-harmonized activities, and the harmonized activities of the Dalekovod Group, with an overview of the calculated KPUs for revenues, capital and operating expenditures for eligible and non-harmonized, harmonized and ineligible activities, in accordance with the EU Taxonomy.

Finance

For the purpose of calculating the revenue-related KPU, the companies divided the net turnover generated from services and products related to taxonomy-eligible activities (numerator) and the total net turnover (denominator) as set out in point 1.1.1. Annex I to the Disclosures Delegated Act.

Share of taxonomy-eligible/ineligible activities in total revenues at consolidated level



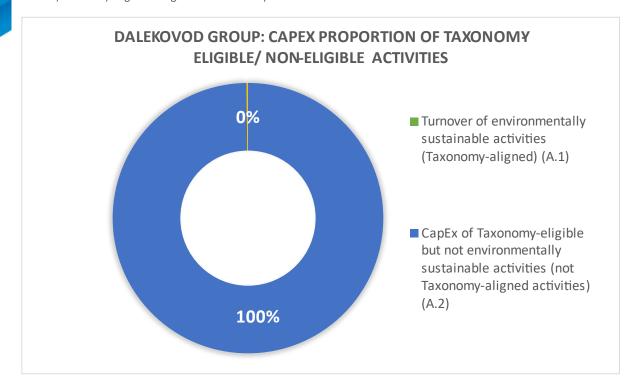
At the level of the entire group, the analysis of activities included in the numerator of KPU revenues was carried out at the account level, and where there is insufficient analytics at the account level, individual items and basic services were taken into account. For the revenues related to activity 3.1, the information that 98% of transmission line construction projects in Norway and 63% in Sweden are related to renewable energy sources was taken into account, and revenues from transmission line construction projects were taken into account as eligible in this percentage. For other countries, there was no information on the percentage, and projects from other countries could not be included in the calculation of eligible or coordinated activities.

The Dalekovod Group generated revenue through taxonomically acceptable activities through activities *3.1. Production of technologies for energy from renewable sources*, which refers to the construction of transmission lines to renewable energy sources with 20.8% (EUR 40.8 million) compared to 0.2%, (EUR 0.3 million) in 2023 as well as through activity *6.15. Infrastructure for road and public transport* from 13.7% (EUR 27.0 million) compared to 11% (EUR 18.5 million) in 2023 to activity *3.20. The production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity that significantly contributes to or enables climate change mitigation accounts for 8.74% (EUR 17.1 million) compared to 5.99% (EUR 9.4 million) in 2023.*

Capital expenditure (CapEx)

For the purpose of calculating the CapEx KPU, the companies put the numerator and denominator in the ratio as set out in points 1.1.2.1 and 1.1.2.2. Annex I to the Disclosures Delegated Act.

Share of taxonomy-eligible/ineligible activities in CapEx at consolidated level



At the level of the entire group, the analysis of activities included in the numerator was done in cooperation with the maintenance, production and project management department. Through a business application, through which they monitor asset movements, the finance department analyzed data at the level of the entire group, thus excluding mutual capital investments from related companies. The denominator includes increases in tangible and intangible assets in 2022, before depreciation and remeasurement, including increases resulting from revaluation and impairment, for the relevant financial year and excluding changes in fair value (IAS 16 Property, Plant and Equipment, paragraph 73(e)(i) and (iii); IAS 38 Intangible Assets, paragraph 118(e)(i); IAS 40 Investments in Real Estate, paragraph 79(d)(i) and (iii) (for the cost model) and the amount of increases in long-term leases (IFRS 16 Leases, paragraph 53(h)).

For the analysis of data from 2024 a detailed approach to the matter was applied, where it was determined that there is still a need for further improvement of the process in order to make the data as good as possible in future reporting periods, i.e. that data on the distribution of capital costs should not be estimated.

For the revenues related to activity 3.1, the information that 98% of transmission line construction projects in the territory of Norway and 63% in the territory of Sweden are related to renewable energy sources was taken into account, and on the basis of the revenues calculated in the manner and revenues from activities 3.20 and 6.15 that use the same infrastructure for production and construction, the CAPEX invested in this infrastructure was distributed. The calculation of CAPEX

also takes into account the purchase of computers, which are the basic means for performing these activities through management, project development, calculations related to design, statics and the amount of materials needed for the implementation of activities. Other pieces of equipment such as pumps used in production were also taken.

During 2024 the most important drivers of KPU in the recognized activities were investments in passenger cars and trucks, and funds intended for production related to the construction of transmission lines, electrical equipment and plants, tunnel equipment, and the construction of new buildings.

The investments related to taxonomy-eligible activities identified above are part of the numerator of the calculation of the KPU for CapEx, while the denominator is made up of all investments in intangible, tangible assets, investments in real estate and right-of-use assets and relate to the increase line as shown in the notes within the Group's financial statements.

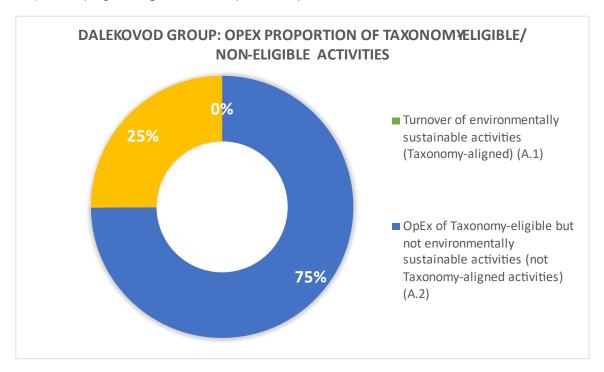
As a result of the above-mentioned investments in taxonomic activities, the share of taxonomy-eligible activities is 99.8% (EUR 7.1 million) compared to 63% (EUR 2.8 million) in 2023 of which the largest part in capital expenditure relates to activity 6.5. Transport by motorcycles, passenger cars and light commercial vehicles, or 37.0% (EUR 2.6 million) compared to 35.7% (EUR 1.6 million) in 2023 and activity 3.20. Production, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity that significantly contributes to climate change mitigation or that enables such a contribution in the amount of 12.04% (EUR 0.8 million), activity 3.1. The production of renewable energy technologies contributed 28.7% (EUR 2.0 million) and the activity 6.15. Road and public transport infrastructure – 19.0% (EUR 1.4 million) compared to 20.32% (EUR 0.9 million) in 2023.

The share of taxonomy ineligible activities in total capital expenditure is 0% compared to 16.00% (EUR 0.7 million) in 2023.

Operating expenditure (OpEx)

For the purpose of calculating the OpEx-related KPU, the companies put the numerator and denominator in the ratio as set out in points 1.1.3.1 and 1.1.3.2. Annex I to the Disclosures Delegated Act.

Share of taxonomy-eligible/ineligible activities in operational expenditure at consolidated level



The analysis of activities that are included in the numerator was carried out at the level of the account and the cost center, and where there is insufficient analytics at the account level, in cooperation with the Maintenance Department and the Production Department, the analysis was performed at the level of suppliers. To avoid showing data with related companies, analytics by accounts were performed down to the vendor level.

Similarly to CapEx, a detailed approach was used, but in this case it was determined that there is a need for further improvement in order to make the data as detailed as possible in the next reporting period, so that the separation of costs by activity should not be estimated. During 2023 the most important driver of the KPU was operating expenditure related to costs related to freight vehicles and the construction of infrastructure for road and public transport, as well as the maintenance of buildings in the amount of less than 20% of the value of the building.

The operating costs identified above related to taxonomy-eligible activities are included in the numerator of the calculation of the KPU for OpEx, while the denominator consists of all costs of building renovation, maintenance and repair costs (including cleaning costs) and short-term rentals.

Operating costs related to vehicles could be accurately determined with regard to the separation of such costs, but on the other hand, due to the impossibility of separating operating costs by activities that generate income on a production basis, an estimate was made. In the future, the system will adapt to the classification according to taxonomic requirements as much as possible.

The share of taxonomically eligible activities in operating expenses at the level of the Dalekovod Group is 75% (EUR 1.9 million) compared to 51% (EUR 1.2 million) in 2023.

Operating costs for eligible activities refer to activities *3.1. Manufacture of technologies for energy from renewable sources* 8.48% (EUR 0.2 million), *3.20 Manufacture, installation and servicing of high-voltage, medium-voltage and low-voltage electrical equipment for the transmission and distribution of electricity that significantly contributes to climate change mitigation or that enable such a contribution with 3.56% (EUR 0.1 million)*, 6.5 *Transport by motorcycles, passenger cars and light commercial vehicles* 6.22% (EUR 0.2 million), 6.6. *Freight transport services* 38.67% (EUR 1.0 million), on activities 6.15. *Infrastructure for road and public transport* 5.61% (EUR 0.15 million), and for activity *7.7 Purchase and ownership of buildings* 12.97% (EUR 0.3 million).

The share of taxonomically ineligible activities in operating expenditure is 25% (EUR 0.3 million) compared to 49% (EUR 1.2 million) in 2023.

Figure 4. Dalekovod Group: Share of taxonomically acceptable/ineligible activities in total revenues at the consolidated level, in accordance with Annex II. Disclosures Delegated Act.

Financial year - 2024					Sub	stantial cont	ribution crite	ria			DNSH crit	eria ("Does N	ot Significan	tly Harm")		<u> </u>			
Financial year - 2024 Economic Activities (1) A. TAXONOMY-ELIGIBLE ACTIVITIES	Code (2)	Turnover (3)	Proportion of % Turnover, year N (4)	Climate Change Z/ Mitigation (5) Z;	Climate Change Adaptation (6)	Water (7)	Pollution (8) Y; N; N/EL	Circular Economy (9)	Biodiversity (10) N/EL	Climate Change Z Mitigation (11)	Climate Change Z Adaptation (12)	eria ("Does N Water (13)	ot Significan Pollution (14) Y/N	tly Harm") Circular Economy (15)	Biodiversity (16)	Minimum Safeguards Z	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022.(18)	Category enabling wactivity (19)	Category transitional – activity (20)
A.1. Environmentally sustainable activities (Tax Turnover of environmentally sustainable activ (Taxonomy-aligned) (A.1)		o O	0,0%	%	%	%	%	%	%								%		
Of wich enabling		0	0,0%	%	%	%	%	%	%								%	E	
Of wich transitional		0	0,0%	%	%	%	%	%	%								%		Т
A.2. Taxonomy-eligible but not environmental	ly sustaina	ble activities (not	Taxonomy-a																
3.1. Manufacture of renewable energy				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
technologies	3.1 CCM	40.751.247	20,81%																
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	3.20 CCm	17.125.990	8,74%	EL													%		
6.15. Infrastructure enabling low-carbon road transport and public transport	6.15 CCA	26.966.587	13,77%		EL														
7.1 Construction of new buildings	7.1 CCM	0	0,00%	EL													%		
Turnover of Taxonomy-eligible but not enviror sustainable activities (not Taxonomy-aligned a (A.2)		84.843.824	43,32%	68,22%	31,78%	%	%	%	%								%		
A.Turnover of Taxonomy-eligible activities (A.	1+A.2)	84.843.824	43,32%	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		111.003.557	56,68%																
TOTAL (A+B)		195.847.381	100%																

Figure 5. Dalekovod Group: Share of taxonomy-eligible/ineligible activities in total capital expenditure at the consolidated level, in accordance with Annex II. Disclosures Delegated Act.

Financial year - 2024					Sub	stantial contr	ribution crite	ria			DNSH crit	teria ("Does N	lot Significan	tly Harm")					
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, 2022.(18)	Category enabling activity (19)	Category transitional activity (20)
		EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EI	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	т
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Ta Turnover of environmentally sustainable activities)		aligned)																	1
(Taxonomy-aligned) (A.1)	ies	0	0%	%	%	%	%	%	%								%		
Of wich enabling		0	0%	%	%	%	%	%	%								%	E	
Of wich transitional		0	0,0%	%	%	%	%	%	%								%		т
A.2. Taxonomy-eligible but not environmental	ly sustain	able activities (n	not Taxonon	ny-aligned ac	tivities)														
,,	,	, , , , , , , , , , , , , , , , , , , ,		EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.1. Manufacture of renewable energy technologies	3.1 CCM	2.045.434,27	28,60%	EL	,.,.		,.,.												-
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	3.20 CCA	859.607,71	12,02%		EL												%		
cars and light commercial vehicles	6.5 CCM	2.640.716,88	36,92%	EL													%		
	6.6. CCM	180.628,95	2,53%	EL													%		
6.15. Infrastructure enabling low-carbon road transport and public transport	6.15 CCA	1.353.538,47	18,93%		EL														
7.3 Installation, maintenance and repair of energy efficiency equipment	7.3 CCM	38.541,29	0,54%	EL													%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4 CCM	1.960,00	0,03%	EL													%		
7.6. Installation, maintenance and repair of renewable energy technologies	7.6 CCM	18.558,25	0,26%	EL															
CapEx of Taxonomy-eligible but not environment sustainable activities (not Taxonomy-aligned ac		7.138.986	100%	69%	31%	0%	0%	0%	0%								%		
A. CapEx of Taxonomy-eligible activities (A.1+A.	2)	7.138.986	100%	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES CapEx of Taxonomy-non-eligible activities		12.600	0%																
TOTAL (A+B)		7.151.586	100%																

Figure 6. Dalekovod Group: Share of taxonomy-acceptable/ineligible activities in total operating expenditure at the consolidated level, in accordance with Annex II. Disclosures Delegated Act.

	Financial year - 2024	1			T	Sub	stantial cont	ribution crite	ria			DNSH crit	teria ("Does I	Not Significan	tly Harm")					T
						300	stantiai conti	ibation crite				טוזסה כרוו	teria (Does i	vot significal			,	Â.		_
	Economic Activities (1)	Code (2)	OpEx (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned A.1.) or -eligible (A.2.) OpEX, 2022.(18)	Category enabling activity (19)	Category transitional activity (20)
			EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EI	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Т
-	TAXONOMY-ELIGIBLE ACTIVITIES																			
	Environmentally sustainable activities (Taxonomy-aligned)																			
	r of environmentally sustainable activities my-aligned) (A.1)		0	0,0%	%	%	%	%	%	%								%		
Of wich	enabling		0	0,0%	%	%	%	%	%	%								%	Е	
	transitional		0	0,0%	%	%	%	%	%	%								%		Т
A.2.	Taxonomy-eligible but not environmenta	lly sustain	able activities (no	ot Taxonom	y-aligned act	ivities)														
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
	3.1. Manufacture of renewable energy technologies	3.1 CCM	219.573	8,48%	EL															
	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	3.20 CCN	92.277	3,56%	EL													%	%	
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	6.5 CCM	160.988	6,22%	EL													%	%	
	6.6 Freight transport services by road	6.6 CCM	985.803	38,06%	EL													%	%	
	6.15. Infrastructure enabling low-carbon road transport and public transport	6.15 CCA	145.300	22,35%		EL														
	7.7 Acquisition and ownership of buildings	7.7 CCM	336.052	12,97%	EL													%	%	
	OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		1.939.993	75%	92,51%	7,49%	%	%	%	%								%	*	
	of Taxonomy-eligible activities (A.1+A.2)		1.939.993	75%	%	%	%	%	%	%								%	%	
	TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of	Taxonomy-non-eligible activities		650.017	25%																
TOTAL (A	A+B)		2.590.010	100%																



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

To the Shareholders of Dalekovod d.d.

Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated Sustainability Report of Dalekovod d.d. ("the Company") 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 2024 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law (Official Gazette 85/24,145/24) ("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 2024 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 IRO-1 Description of the process for
 identification and assessment of material impacts, risks and opportunities section thereof; and
- Compliance of the disclosures in the Key indicators of environmentally sustainable economic activities (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, nor to any information within the Sustainability Report not in scope of our assurance engagement. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the Company's separate and the Group's consolidated financial statements as of and for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's reports thereon are 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.

Other matter - Comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods. Our conclusion is not modified in respect of this matter.



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 *IRO-1 Description of the process for identification and assessment of material impacts, risks and opportunities* section of the Sustainability Report. This responsibility includes:

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

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

- Compliance with the ESRS;
- Preparing the disclosures in the Key indicators of environmentally sustainable economic activities (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 General information about the report and basis of preparation section, greenhouse gas emissions quantification is subject to inherent uncertainty as a result of both scientific and estimation uncertainty;
- 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 IRO-1 Description of the process for identification and assessment of material impacts, risks and opportunities 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:
 - o performing inquiries to understand the sources of the information used by management (including stakeholder engagement, business plans and strategy documents); and
 - o 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 IRO-1 Description of the process for
 identification and assessment of material impacts, risks and opportunities 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.

KPAL Costs dos.

KPMG Croatia d.o.o. za reviziju

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

Croatia

15 April 2025

REPORT ON THE IMPLEMENTATION OF THE CODE OF CORPORATE GOVERNANCE

Application of the principles of corporate governance

Given the fact that the Company's shares are listed on the Official Market of the Zagreb Stock Exchange, the Company applies the Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA). The Code is available on the websites of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr).

In accordance with positive legal regulations, the Company has prepared a Statement on the Application of the Corporate Governance Code for 2024 which confirms the operation and development in accordance with good corporate governance practice in all business segments. The Statement on the Application of the Code of Corporate Governance has been published on the Company's website (www.dalekovod.hr) and on the websites of the Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr), whereby some corporate governance issues are defined differently than provided for in the Code of Corporate Governance of the Zagreb Stock Exchange Inc. and HANFA. Exceptions and derogations from the Code are given below.

In addition to the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, which is in force, the Company also applies its own Corporate Governance Rules, thus improving business transparency standards that are in line with the directives of the European Union. The Corporate Governance Rules define the procedures for the work of supervisory boards, management and other decision-making bodies and structures, and ensure the avoidance of conflicts of interest, effective internal oversight and an effective accountability system.

The Company has adopted a Code of Ethics as the basic document that adopts and promotes the organizational values of the Company and the Dalekovod Group as a whole, and promotes corporate social responsibility. The company is a signatory of the Code of Ethics in Business, initiated by the Croatian Chamber of Commerce. By accepting the Code of Ethics, the obligation to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith, respecting good business practices towards business partners, the business and social environment and our own employees has been accepted.

A description of the main elements of an internal control and risk management system is an important part of the business, and their elements are set out below. The composition and work of the Management Board and the Supervisory Board, the manner of operation of the General Assembly and information on the Company's share holders are part of the Corporate Governance Statement and are listed below. All of the above documents are available on the Society's website (www.dalekovod.hr).

The Company adheres to the recommendations of the Code, with the exception of those provisions whose application is not practical or envisaged at a given time in view of the applicable legal framework. The exceptions mentioned are as follows:

- The Supervisory Board did not give prior consent to the policy for managing conflicts of interest, which is not available free of charge on the Company's website (Article 7 of the Code), since the same is prescribed by the Code of Ethics, which is available on the Company's website. The adoption of the Code of Conduct, which will define the policy for the management of conflicts of interest, is scheduled for 2025.
- Members of the Management Board and the Supervisory Board do not have shares in companies with which the company is in competition (Article 10 of the Code)
- The Supervisory Board has not formally set a target percentage of female members of the Supervisory Board and the Management Board (Article 14 of the Supervisory Board). However, all international and national standards around gender representation and equality are directly implemented, and a formal goal is set for 2024. In 2024 the Sustainability Strategy was adopted, which defined the percentage of female members of the Supervisory Board and the Management Board in management positions.
- The report on the progress of the plan is published in part in the annual report within the meaning of the provision of Article 14 of the Act. Code.
- When proposing candidates for the Supervisory Board to the General Assembly, the Company makes available only the CVs of the candidates that are published on the website among the materials for the General Assembly (Article 16 of the Act). Code).
- Not all the information specified in Article 16 of the Constitution of the Republic of Croatia is of the Code are available free of charge on the Company's website (CV only).
- The materials for the General Assembly do not contain all the information listed in Article 17. of the Code, but only a curriculum vitae.
- Not all information listed in Article 17 of the Constitution is true. of the Code are available free of charge on the Company's website and in the event that an employee representative or other member of the Supervisory Board who is not elected by the shareholders at the General Assembly is appointed.
- The majority of the members of the Supervisory Board are not independent in accordance with the definition of Appendix A of the Code because they are representatives of the majority shareholder within the meaning of the provision of Article 22 of the Supervisory Board. Code.
- The Chairman or Deputy Chairman of the Supervisory Board are not independent because they are representatives of the majority shareholder within the meaning of the provision of Article 22 of the Supervisory Board. Code.

- The majority of the members of each Board of the Supervisory Board are not independent (as defined in Appendix A of the Code) since some of the members of the Supervisory Board are significant shareholders (Article 27 of the Supervisory Act). Code).
- The job description of the members of the Supervisory Board and/or the acts of the Company stipulate the obligation to deliver all materials necessary for the session of the Supervisory Board to their members no later than five (5) days before the session (Article 34 of the Supervisory Board). of the Code) and not 7 days.
- The description of the tasks of the Supervisory Board and/or the acts of the Company stipulate the obligation to submit all materials necessary for the session of the Supervisory Board to their members no later than five (5) days before the session (Article 34 of the Supervisory Board Act). of the Code) and not 7 days.
- The internal acts of the Company provide for the obligation to submit all materials necessary for the meetings of the Supervisory Board and the Supervisory Board to their members no later than five (5) days before the session (Article 34 of the Act). of the Code) and not 7 days.
- Obligations of members of the management board described in Article 47 of the Act. of the Code, are regulated by the individual contracts of each member of the Management Board.
- The remuneration policy does not prescribe the right to shares of the members of the Management Board or the right of retention in terms of the circumstances described in Article 53 of the Act. Code.
- There is no need for the remuneration policy or internal acts of the company to prohibit the inclusion of variable elements or other elements related to business performance in the remuneration of the Supervisory Board, since the Supervisory Board does not receive remuneration, except for employee representatives, whose remuneration is fixed within the meaning of the provision of Article 55 of the Supervisory Board. Code.
- The provision of non-audit services by the auditor is dealt with individually and is stated in the opinion of the external auditor (Article 64 of the Act). Code).
- The Audit Committee did not approve the internal audit plan in the last 12 months, but approved it in 2023 for work in 2024 within the meaning of the provision of Article 64 of the Audit Act. Code.
- The Audit Committee has not assessed the need for this function once in the last 12 months as part of its assessment of the internal control system, since the Company has an internal audit function within the meaning of the provision of Article 68 of the Internal Control Act. Code.
- The Company does not use the means of modern communication technology for participation and voting at the General Assembly (Article 79 of the General Assembly Act). In practice, the current voting method has been confirmed as the optimal solution, mostly due to a larger number of shareholders with a smaller number of shares.

- Apart from personal presence or through proxy, shareholders may not exercise their right to vote at the General Assembly in any other way, which is stated in the invitation to the General Assembly within the meaning of the provision of Article 79 of the General Assembly Act. Code.

Fight against corruption and bribery

Members of management bodies, employees and business partners are familiar with anticorruption policies and procedures and respect the principles of the Code of Ethics in their business and daily activities. On the international market, the Company enjoys the reputation of a loyal and correct business partner, and there are no recorded cases of corruption at the level of the Dalekovod Group.

The company has not made any financial or non-monetary contribution to political objectives, directly or indirectly, to the State or the beneficiary. The Company promotes and implements fair and transparent competitive relations in all operations, with all entities and in all places. No behaviour contrary to the principle of freedom of competition and antitrust or monopolistic practices has been recorded in the Dalekovod Group.

Organization of Corporate Governance

In accordance with the best practices, the Company strives for high standards of corporate governance and business transparency as the only correct way of acting on which all business activities in the Dalekovod Group are based. The corporate governance structure is based on a dualistic system, consisting of the Supervisory Board and the Management Board of the Company. With the General Assembly, in accordance with the Statute and the Companies Act, they represent the three basic bodies of the Company.

General Assembly

The General Assembly is a body in which shareholders exercise their rights in the Company and in which the will of the shareholders is expressed, which represents the will of the Company. The General Assembly consists of all shareholders of the Company. The manner of operation of the General Assembly, its powers, the rights of shareholders and the manner of their realization are prescribed by the Company's Articles of Association, which is publicly available on the website (www.dalekovod.hr).

The General Assembly is responsible for the election and dismissal of members of the Supervisory Board, decides on the use of profits, grants discharge to members of the Management Board and the Supervisory Board, appoints an auditor, decides on amendments to the Articles of Association, increases and decreases of the share capital and other issues that are placed within its competence by the provisions of the law.

In 2024 two sessions of the General Assembly were held. At the session held on 10 June 2024 all decisions provided for in the agenda were adopted. The General Assembly adopted the Decision

on granting discharge to the members of the Management Board and the Supervisory Board of the Company, the Decision on covering losses for 2023 the Decision on the appointment of auditors for 2024 the Decision on approving the Remuneration Policy for members of the Management Board, approved the Report on Remuneration for the members of the Management Board and the Supervisory Board for 2023 adopted the Decision on the amendment of the Company's Articles of Association and the recall and election of members of the Company's Supervisory Board. At the session held on 20 December 2024 the decision provided for in the agenda was adopted. The General Assembly adopted the Decision on the election of members of the Supervisory Board. All decisions from the General Assembly sessions were published in accordance with legal regulations on the websites of the Company (www.dalekovod.hr), the Zagreb Stock Exchange and HANFA together with the voting results.

Supervisory Board

In accordance with the applicable Code of Corporate Governance of the Zagreb Stock Exchange and HANFA, the Supervisory Board is composed mostly of members who are not independent, i.e. represent the majority shareholder of the Company.

The Supervisory Board has five members, four of whom are elected and dismissed by the General Assembly, one representative is elected by the workers in accordance with the provisions of the Labor Act.

The Supervisory Board is responsible for supervising the management of the Company's business, representing the Company towards the Management Board and making decisions on matters that do not fall within the competence of the General Assembly. The direct management of the Company is not performed by the Supervisory Board, but directs the Management Board in making strategic decisions and setting the management framework. The Company's Articles of Association also give additional powers to the Supervisory Board, so it defines that certain types of activities can be performed only with the prior consent of the Supervisory Board. At least four times a year (if necessary, more often), the members of the Supervisory Board discuss the strategy and business plan of the Company at their sessions. The Supervisory Board acts exclusively collectively as a management and supervisory body, and subcommittees (committees) with special responsibilities have been appointed.

The President of the Supervisory Board shall be elected from among themselves by the members elected by the General Assembly. The Deputy President shall be elected from among themselves by the members elected by the General Assembly. The term of office of the members of the Supervisory Board shall be four years, and the same persons may be reappointed.

According to the decision of the General Assembly of the Company of June 30, 2022, members of the Supervisory Board (including the President and Deputy Chairman) are not entitled to remuneration for their work, except for the member of the Supervisory Board who is a representative of the workers, who is entitled to remuneration in the monthly gross amount of EUR 530.89.

The report on the remuneration of the Management Board and the Supervisory Board was prepared in accordance with Article 272 of the ZTD and the adopted Remuneration Policy of the Company and will be sent to the General Assembly for adoption.

Members of the Supervisory Board during 2024

Gordan Kolak - President

Josip Jurčević – Deputy President from 01/01/2024 to 18/06/2024

Dražen Buljić – Member

Josip Lasić – Member from 01/01/2024 to 18/06/2024 and from 19/06/2024 to 31/12/2024 Deputy President

Božidar Poldrugač – member from 01/01/2024 to 18/06/2024

Damir Spudić - member from 01/01/2024 to 18/06/2024

Pavao Vujnovac – member from 01/01/2024 to 18/06/2024

Petar Bobek – member from 19/06/2024 to 31/12/2024

Ivan Paić – member since 19/06/2024

In 2024 56 meetings of the Supervisory Board were held. The quorum for the sessions of the Supervisory Board shall be at least half of the total prescribed number of its members.

In 2024 all members participated in decision-making at all sessions. In case of physical disability, absent members were involved in the work of the Supervisory Board via videoconference platform or in writing, all in accordance with the Rules of Procedure of the Supervisory Board.

The Management Board and the Supervisory Board closely cooperate for the benefit of the Company and the Dalekovod Group, through held sessions, but also through other communication channels when there is a need for it. The Management Board regularly informed the Supervisory Board about all major business events, business flow, revenues and expenses, and the general condition of the Company and the Dalekovod Group.

Within the legally prescribed deadlines, the Management Board submitted quarterly, semi-annual and annual written reports on operations to the Supervisory Board, to which the Supervisory Board had no objections and which were unanimously adopted. In addition, the Management Board informed the Supervisory Board about corporate strategy, planning, business events, risk

management, compliance, any deviations of business events from the original plans and estimates, as well as about important business transactions involving the Company and the Dalekovod Group.

The Supervisory Board conducted a self-assessment of the profiles and competencies of the members of the Supervisory Board and the members of its Committees. The self-assessment was carried out by the Chairman of the Supervisory Board with the assistance of the relevant Committees, without the involvement of an external auditor.

The Supervisory Board shall operate in an optimal number of five members so that its members, as a whole, possess the knowledge, competence and professional experience necessary for the proper performance of their tasks, taking into account the aspect of diversity. The evaluation of the members of the Supervisory Board and its Committees confirmed that each individual makes an effective contribution, demonstrating commitment to their role and dedicating time to performing this duty.

Administrative support in the preparation of the Supervisory Board sessions is provided by the Secretary of the Company in an efficient and timely manner. The Supervisory Board supports the aspect of diversity, with, above all, the necessary expertise of candidates when proposing appointment to the Supervisory Board of the Company.

The report on the supervision performed in the business year 2024 prepared for voting at the General Assembly, contains the following:

- the manner in which and to what extent the Supervisory Board supervised the management of the Company in the business year 2024
- the results of the examination of the annual financial statements as at 31 December 2024
- auditor's report,
- the results of the examination of the Management Board's report on the state of business in the business year 2024
- the results of the examination of the report on relations with the parent and related companies.

Supervisory Board Committees

Within the Supervisory Board, there are three committees that support the work and activities of the Supervisory Board: the Audit Committee, the Nomination and Remuneration Committee and the Corporate Governance Committee. In all boards, all members are appointed from among the members of the Supervisory Board.

Audit Committee

It analyses financial statements in detail, provides support to the Company's accounting and establishes good and quality internal controls in the Company. It monitors the integrity of financial information, and in particular the correctness and consistency of accounting methods used by the Company and the Dalekovod Group, including the criteria for the consolidation of the financial statements of the companies belonging to the Dalekovod Group. Also, the task of the Committee is to monitor the quality of the internal control and risk management system, with the aim of adequately identifying and publicly disclosing the main risks to which the Company is exposed, and that they are appropriately managed.

In the period from 01/01/2024 to 31/12/2024 the Chairman of the Audit Committee was Josip Lasić, and the members were Josip Jurčević and Damir Spudić, who were then replaced by Gordan Kolak and Petar Bobek in June 2024. In 2024 1 meeting of the Audit Committee was held. All members of the Audit Committee were present at the decision-making session. The session discussed and decided, and based on that recommendations were made to the Supervisory Board, on the reports on the implementation of the annual internal audit plan, the implementation of the policy on the provision of non-audit services for 2023 the supervision of the implementation of the statutory audit and the consolidated and unconsolidated annual financial statements for 2023 the recommendations for the adoption of these reports, and the appointment of auditors for 2024. The Audit Committee is independent in its work and most of the members of the Audit Committee are experts in the field of accounting and auditing.

Nomination and Remuneration Committee

The Board is responsible, among other things, for discussing and proposing to the Supervisory Board decisions on the appointment and election of members of the Management Board of the Company, as well as the structure of their remuneration. The chairman of the Board is Gordan Kolak, and the members are Josip Jurčević and Pavao Vujnovac, who were then replaced in June 2024 by Miki Huljić and Ivan Paić. All members of the Board are members of the Supervisory Board. In 2024 2 sessions were held in which all members of the Committee participated.

Corporate Governance Committee

The task of the Board is to support the Supervisory Board in the implementation and improvement of the corporate governance strategy in the Company and the Dalekovod Group. In the period from 01.01.2024 to 31.12.2024, the Chairman of the Committee is Josip Jurčević, who was replaced by

Miki Huljić in June 2024, and the members are Josip Lasić and Božidar Poldrugač who was replaced by Petar Bobek in June 2024. All members of the Board are members of the Supervisory Board. In 2024, there were no meetings of the Committee.

Management Board

The role of the Management Board in managing the Company's affairs is regulated by the Companies Act, the Articles of Association and the Company's internal regulations. The Management Board is obliged to perform its function with the attention of an orderly and conscientious businessman, taking into account the interests of the Company and its shareholders. The Management Board of the Company is the leading body that manages the entire business on its own responsibility, and is appointed and recalled by the Supervisory Board. The scope of activities of the members of the Management Board of the Company is determined according to business areas, i.e. activities and processes. The Management Board is responsible for quality business risk management, and at regular sessions it checks the economic, environmental and social impacts of the Company and Dalekovod Group.

At regular sessions, the Supervisory Board assesses and evaluates the performance of the Company's Management Board on the basis of business performance indicators and the maintenance and building of the Company's positive reputation.

Members of the Management Board, through the Assemblies and other adopted rules, coordinate, direct, supervise and monitor the work in the subsidiaries of the Dalekovod Group. Members of the Management Board of the Company do not receive remuneration for their work in the bodies of the subsidiaries of the Dalekovod Group.

The Supervisory Board assessed that the Management Board and the Supervisory Board cooperated effectively in the interest of the Company in 2024, through regular contact. The Management Board duly informed the Supervisory Board about all major business events, the course of business, revenues and expenses, and the general condition of the Company. The Management Board regularly submitted quarterly, semi-annual and annual written reports on operations to the Supervisory Board, to which the Supervisory Board had no objections and which were unanimously adopted. The Management Board regularly informs the Supervisory Board about corporate strategy, planning, business events, risk management, compliance, any deviations of business events from the original plans, as well as important business transactions involving the Company and the Dalekovod Group. The Management Board regularly submits reports prescribed by law to the Supervisory Board, and between sessions, the Management Board duly informs the Supervisory Board of important events related to the Company's operations.

Individual self-assessment of the work of the Management Board is an integral part of the annual process of performance management and performance assessment of Management Board members. In addition, in accordance with the ZTD, the General Assembly approves the manner in

which the Management Board conducted the Company's operations through the granting of discharge for the previous business year.

According to the Statute, the Management Board may consist of from one to a maximum of five members. The convocation on 31.12.2024 has two members. The term of office of the members of the Management Board lasts up to five years, with the possibility of reappointment without limiting the number of mandates. Each member of the Management Board conducts affairs within his scope of activity independently and on his own responsibility with the attention of an orderly and conscientious businessman and makes decisions exclusively in the interest of the Company. When decisions are made on key issues of business policy or on issues that encroach on the scope of other members of the Management Board, the Management Board member is obliged to submit them to the entire Management Board for decision-making.

The contract on the performance of the duties of a member of the Management Board defines the rights and obligations of the members of the Management Board on the basis of performing the function of a member of the Management Board. The report on the remuneration of the Management Board and the Supervisory Board contains information on the amount of remuneration of the members of the Management Board and was prepared in accordance with Article 272 of the ZTD and the adopted Remuneration Policy of the Company and will be sent to the General Assembly for adoption.

Members of the Management Board who held this position during 2024:

Tomislav Rosandić, President of the Management Board in the period from 01/01/2024 to 31/03/2024, Eugen Paić-Karega, Member of the Management Board in the period from 01/01/2024 to 31/03/2024, President of the Management Board in the period from 01/04/2024 to 31/12/2024/

Tvrtko Zlopaša, Member of the Management Board in the period from 01/01/2024 to 31/12/2024

In 2024, the Management Board of the Company held 97 sessions. All members of the Management Board were present at all sessions. In the event of physical disability, the members of the Management Board participated in the sessions via video call and actively participated in the work of the Management Board and decision-making.

Interna revizija

The Company has engaged the Internal Audit Department of Končar – Electrical Industry Inc. for the purpose of performing the function of independent audit and control in the Company. Internal audit informs the Management Board, the Supervisory Board and the Audit Committee through comprehensive reports on the audit (findings and suggestions for improvement). The Internal Audit Charter defines the framework of work and the main principles used in the work of internal audit in the Company and the Dalekovod Group.

Internal audit is responsible for assessing the level of risk management in business processes, auditing the efficiency of the internal control system, with the purpose of improving risk management and compliance with procedures, examining and analyzing the compliance of existing

business systems with the adopted policies, plans, procedures, laws and rules that can have a significant impact on business reports.

It is responsible for recommending preventive measures in the areas of financial reporting, compliance, operations and control in order to eliminate risks and possible deficiencies that could lead to process inefficiencies or fraudulent procedures. The Internal Audit informs the Management Board, the Audit Committee and the Supervisory Board about its work and audit plan. Findings and recommendations help management to improve processes, preventively eliminate potential risk or reduce risk to an acceptable level.

In 2024, audits were carried out or completed in the areas of the reporting process, procurement and project implementation. The Review of Findings and Recommendations presents in more detail all findings and recommendations for all audits performed, with deadlines and status. The reports on the audits carried out were adopted by the Audit Committee.

Employees

An important determinant of the Company's strategy is the creation of a knowledge company based on total intellectual capital. Due to the increased demands for competitiveness, professional development of employees and effective human resource management are among the priorities of the organization. By regulating employment relations and internal organization, the Company and the companies of the Dalekovod Group comply with the regulations in force, collective and individual agreements, and protect human and civil rights, dignity and reputation of each employee. The Company organizes its business in such a way that it respects and applies the provisions of the Constitution, laws and other regulations, bylaws and internal acts of the Company in its work. It continuously informs all employees of all relevant provisions and rules concerning their rights and obligations at work, fights against all forms of irregularities and strives to prevent all forms of irregularities.

The company promotes the equality of all workers, regardless of gender, age, nationality, ethnic origin, race, religion, language, social and economic status, sexual orientation, membership in political and other organizations.

During the reporting period, no cases of discrimination based on race, colour, sex, religion, political opinion, national or social origin were recorded. According to the Collective Agreement, the employer is obliged to protect the dignity of the worker during the performance of work and to provide him with working conditions in which he will not be exposed to harassment or sexual harassment by the employer, superiors, associates or other persons with whom he regularly comes into contact during the performance of work.



Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Dalekovod d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2024, and their respective separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (hereinafter "the financial statements").

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

Basis for Opinion

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



Report on the Audit of the Financial Statements (continued)

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.

REVENUE RECOGNITION UNDER LONG-TERM (CONSTRUCTION) CONTRACTS

Revenue recognized from construction contracts recognized in profit or loss in 2024: the Group EUR 173,706 thousand; the Company: EUR 134,231 thousand (89 and 99 per cent, respectively, of the total revenue for 2024). Please refer to the Notes 2.20 of Significant accounting policies, Note 4 (a) of Key accounting estimates and judgements and Note 6 Segment information in the financial statements.

Key audit matter

The Group's and the Company's principal activities include manufacturing of complex power-generating equipment, its installation and related construction services.

Consequently, contracts with customers typically include one performance obligation which is satisfied over time.

Under the applicable financial reporting standard governing the accounting for revenues, IFRS 15 Revenue from Contracts with Customers, if the requirements for recognition of revenue over time are met, entities measure 'progress to complete satisfaction' of the performance obligation using a method that best depicts the performance.

Given the nature of contracts with customers, revenue from contracts with customers is recognised by reference to the 'progress to complete satisfaction' of the performance obligation which is typically calculated using the 'cost-to-cost' input method which measures the proportion of contract costs incurred for work performed up to the reporting date compared to the estimated total contract costs required to satisfy the performance obligation.

The accounting for long-term construction contracts requires management to make reliable estimates with respect to future costs to completion of a contract and fulfilment of contractual obligations.

This estimate directly impacts the amounts and timing of revenue recognition since it determines the stage of completion achieved under the contract. As a result, we considered this area to be a key audit matter.

How our audit addressed the matter

Our audit procedures in this area included, among others:

- assessing the Group's and the Company's policy for recognizing revenue, including whether the policy is in accordance with the relevant accounting standards;
- testing the design, implementation and operating effectiveness of controls related to accuracy of budgeting process including effectiveness of management review;
- assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for contracts completed in the current year and selected contracts being uncompleted as at the end of both the current and the previous reporting period;
- for a sample of contracts with key customers:
 - challenging management's identification of performance obligations, particularly with respect to the evaluation of whether the contract relates to a single performance obligation;
 - challenging management's assessment of whether the identified performance obligation meets the criteria for recognising revenue over time vs. at a point-in-time, by reference to the provisions of the contract and our understanding of the resulting pattern of satisfying the performance obligation;
 - challenging the appropriateness of the method used to measure 'progress to complete satisfaction' (cost-to-cost vs. output based on surveys of work performed) by considering contractual terms and the nature of goods or services promised to customers;
- for a sample of contracts, evaluating the appropriateness of the
 estimated 'progress to complete satisfaction' as at year-end by
 reference to the provisions of the contract and other supporting
 documents, such as budgets, progress reports and/or surveys of work
 performed;
- for significant subsequent changes in contracts, inspecting their formal approvals by customers;
- assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for construction contracts.

This version of the auditor's 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 the auditor's report takes precedence over this translation.



Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report (including the Sustainability Statement as a separate part of the Management Report) and Corporate Governance Report included in the Annual Report of the Company and 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.

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, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

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



Report on the Audit of the Financial Statements (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Company's and 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 Company or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



Report on the Audit of the Financial Statements (continued)

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

- 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.

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

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

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

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 10 June 2024 to audit the financial statements of the Company and the Group for the year ended 31 December 2024. Our total uninterrupted period of engagement is eight years, covering the period from the year ended 31 December 2017 to the year ended 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 11 April 2025;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.



Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation

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

Responsibilities of Management and Those Charged with Governance

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

- the preparation of the separate and consolidated financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the separate and consolidated 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.

Auditors' Responsibilities

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

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



Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation (continued)

Auditors' Responsibilities (continued)

Our procedures included, among other things:

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

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

Opinion

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

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

KPAL Croatia dos.s.

KPMG Croatia d.o.o. za reviziju

Croatian Certified Auditors Eurotower, 17th floor Ivana Lučića 2a 10000 Zagreb Hrvatska 15 April 2025

DALEKOVOD d.d. CONSOLIDATED AND SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

		Dalekovod G	iroup	Dalekovod	d.d.
(all amounts are expressed in thousands of EUR)	Note	2024	2023	2024	2023
Sales revenue	6	194,489	165,790	135,154	119,637
Other income	7	1,358	2,029	3,147	2,716
Change in work in progress and finished goods		155	998	(5)	(2)
Cost of trade goods sold		(23,222)	(17,297)	(9,351)	(7,084)
Cost of materials and services	8	(99,173)	(95,520)	(72,598)	(73,906)
Employee benefits	9	(45,711)	(37,669)	(33,622)	(27,603)
Depreciation and amortisation	15-17	(4,027)	(3,451)	(3,575)	(3,060)
Other operating expenses Impairment loss on trade	10	(15,231)	(10,526)	(15,455)	(9,098)
receivables and other financial assets	11	(155)	(6,635)	(127)	(6,291)
Operating profit/(loss)	_	8,483	(2,281)	3,568	(4,691)
Finance income	12	754	1,780	1,568	2,206
Finance costs	12	(1,810)	(1,527)	(1,738)	(1,497)
	_	(1,056)	253	(170)	709
Profit / (loss) before tax		7,427	(2,028)	3,398	(3,982)
Income tax	13 _	(1,360)	(1,170)	(782)	(684)
Net profit / (loss) from continuing operations	_	6,067	(3,198)	2,616	(4,666)
Net profit / (loss) from discontinued operations	_	-	(12)	-	(80)
Net profit / (loss)	_	6,067	(3,210)	2,616	(4,746)
Net profit / (loss) attributable to:					
Owners of the Company	_	6,067	(3,210)	2,616	(4,746)
Net profit / (loss)		6.067	(3.210)	2.616	(4.746)
Basic and diluted earnings per share (in EUR)	14	0.15	(0.08)		

DALEKOVOD d.d. CONSOLIDATED AND SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		Dalekovod	Group	Dalekovod	d.d.
(all amounts are expressed in thousands of EUR)	Note	2024	2023	2024	2023
Net profit / (loss)		6,067	(3,210)	2,616	(4,746)
Other comprehensive income / (loss):					
Foreign exchange differences		92	-	-	-
Other		-	(74)	-	-
Total other comprehensive income / (loss)	_	92	(74)	-	-
Total comprehensive income / (loss)	_	6,159	(3,284)	2,616	(4,746)
Comprehensive income / (loss) attributable to:					
Owners of the Company		6,159	(3,284)	2,616	(4,746)
Total comprehensive income / (loss)	_	6,159	(3,284)	2,616	(4,746)

DALEKOVOD d.d. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

ON 31 DECEMBER 2024

		Dalekovod	Group	Dalekovod d.d.		
(all amounts are expressed in thousands of EUR)	Note	2024	2023	2024	2023	
ASSETS						
Intangible assets	15	939	969	721	756	
Property, plant and equipment	16	35,794	31,595	28,020	23,708	
Investment property	17	-	-	4,575	5,279	
Investments in subsidiaries	19	-	-	8,017	11,130	
Investments in associates	20	1	1	1	1	
Loans and receivables	22	5,835	6,065	5,921	6,153	
Non-current assets		42,569	38,630	47,255	47,027	
Inventories	23	16,189	16,134	2,358	2,464	
Trade and other receivables	24	85,020	70,571	73,126	61,759	
Current tax assets		335	243	298	204	
Cash and cash equivalents	25	12,328	12,345	9,692	10,262	
Assets held for sale		-	6	-	-	
Current assets	•	113,872	99,299	85,474	74,689	
Total assets	_	156,441	137,929	132,729	121,716	

DALEKOVOD d.d.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

ON 31 DECEMBER 2024.

		Dalekovod (Group	Dalekovod	l d.d.
(all amounts are expressed in thousands of EUR)	Note	2024	2023	2024	2023
EQUITY AND LIABILITIES					
Share capital	26	41,247	41,247	41,247	41,247
Capital reserves		12,387	12,387	12,387	12,387
Legal reserves	26	22	22	-	-
Treasury shares	26	(1,124)	(1,124)	(1,124)	(1,124)
Statutory and other reserves	26	5,453	5,453	1,124	1,124
Revaluation reserves	26	6,405	6,405	6,405	6,405
Translation reserves		(647)	(739)	-	-
Retained earnings /(accumulated loss)		4,568	(1,499)	(2,130)	(4,746)
Equity		68,311	62,152	57,909	55,293
Total equity	-	68,311	62,152	57,909	55,293
Borrowings	27	7,812	7,806	8,027	8,187
Provisions	29	1,869	3,286	1,676	3,077
Deferred tax liabilities	13	1,406	1,406	1,406	1,406
Non-current liabilities		11,087	12,498	11,109	12,670
Borrowings	27	5,021	4,148	5,224	4,359
Provisions	29	4,745	589	4,486	403
Trade and other payables	28	65,489	54,816	52,447	45,676
Current tax liabilies		1,788	3,685	1,554	3,315
Liabilities held for sale	_	-	41	-	-
Current liabilities	_	77,043	63,279	63,711	53,753
Total liabilities		88,130	75,777	74,820	66,423
Total equity and liabilities		156,441	137,929	132,729	121,716

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

Group

(all amounts are expressed in thousands of EUR)	Note	Share capital	Capital reserves	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Translation reserve	Retained earnings/ (accumulated loss)	Total
As of January 1, 2023		54,744	-	22	(1,124)	5,759	6,405	(665)	601	65,742
Net profit/(loss)		-	-	-	-	-	-	-	(3,210)	(3,210)
Other comprehensive income/(loss)			-	-	-	-	-	(74)	-	(74)
Total comprehensive income/(loss)		-	-	-	-	-	-	(74)	(3,210)	(3,284)
Other changes in equity		-	-	-	-	(306)	-	-	-	(306)
Share capital decrease Total transactions with	30	(13,497)	12,387	-	-	-	-	-	1,110	-
owners		(13,497)	12,387	-	-	-	-	-	1,110	
As of December 31, 2023		41,247	12,387	22	(1,124)	5,453	6,405	(739)	(1,499)	62,152
Net profit/(loss)		-	-	-	-	-	-	-	6,067	6,067
Other comprehensive income/(loss)		-	-	-	-	-	-	92	-	92
Total comprehensive income/(loss) Total transactions with		-	-	-	-	-	-	92	6,067	6,159
owners			-	_	-	-	-	-	-	
As of December 31, 2024		41,247	12,387	22	(1,124)	5,453	6,405	(647)	4,568	68,311

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

Company

(all amounts are expressed in thousands of EUR)	Note	Share capital	Capital reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Retained earnings /(accumulated loss)	Total
As of January 1, 2023		54,744	-	(1,124)	1,124	6,405	(1,110)	60,039
Net profit/(loss)			-	-	-	-	(4,746)	(4,746)
Total comprehensive income/(loss)		-	-	-	-	-	(4,746)	(4,746)
Reduction in share capital	30	(13,497)	12,387	-	-	-	1,110	-
Total transactions with owners		(13,497)	12,387	-	-	-	1,110	-
As of December 31, 2023		41,247	12,387	(1,124)	1,124	6,405	(4,746)	55,293
Net profit/(loss)			-	-	-	-	2,616	2,616
Total comprehensive income		-	-	-	-	-	2,616	2,616
Total transactions with owners			-	-	-	-	-	
As of December 31, 2024		41,247	12,387	(1,124)	1,124	6,405	(2,130)	57,909

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

		Dalekov	od Group	Dalekovod d.d.		
	Note	2024	2023	2024	2023	
(all amounts are expressed in thousands of EUR)						
Cash flows from operating activities						
Cash receipts from customers		188,344	165,918	127,165	117,434	
Cash receipts from insurance compensation		48	2	47	1	
Cash receipts from tax refunds		8,958	7,861	8,272	7,401	
Cash outflows to suppliers		(135,062)	(119,598)	(89,328)	(83,857)	
Cash outflows for employees		(42,103)	(36,476)	(30,447)	(26,610)	
Cash outflows for insurance compensation		(1,303)	(828)	(1,237)	(746)	
Cash outflows for taxes		(5,292)	(5,748)	(3,627)	(4,371)	
Other cash outflows		(2,251)	(2,374)	(2,110)	(2,779)	
Net cash generated from operating activities		11,339	8,757	8,735	6,473	
Interest paid		(595)	(290)	(614)	(289)	
Income tax paid		(3,349)	(994)	(2,637)	(635)	
Net cash flows from operatiing activities		7,395	7,473	5,484	5,549	
Cash flows from investing activities						
Cash receipts from sale of property, plant and equipment and intangible assets		79	185	75	165	
Cash receipts from collection of receivables from sale of shares in subsidiaries		-	655	-	356	
Interest received		1	-	1	-	
Dividends received		-	-	700	745	
Cash receipts from return of term deposits		4,009	884	4,294	813	
Cash receipts from other investing activities		40	-	-	484	
Net cash outflows for purchase of property, plant and equipment and intangible assets		(4,170)	(2,059)	(3,557)	(1,639)	
Cash otflows related to term deposits and other investing activities		(4,007)	(888)	(4,155)	(1,332)	
Net cash outflows used in investing activities		(4,048)	(1,223)	(2,642)	(408)	

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

		Dalekovo	d Group	Dalekovo	d d.d.
(all amounts stated in thousands of EUR)	Note	2024	2023	2024	2023
Cook flows from flows to a set this					
Cash flows from financing activities					
Cash receipts from borrowings and loans		19	4,900	-	4,900
Other cash receipts from financing activities		25	-	9	1
Cash outflows for repayment of borrowings		(1,828)	(1,332)	(1,891)	(1,332)
Other cash outflows from financing activities		(1,580)	(1,257)	(1,530)	(1,284)
Net cash flows from/(used in) financing activities		(3,364)	2,311	(3,412)	2,285
Net (decrease)/increase in cash flows		(17)	8,561	(570)	7,426
Cash and cash equivalents at the beginning of the year		12,345	3,784	10,262	2,836
Cash and cash equivalents at the end of the year	25	12,328	12,345	9,692	10,262

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 1 – GENERAL INFORMATION

At 31 December Dalekovod Group (the Group) comprises of the parent company Dalekovod d.d. and 13 subsidiaries owned by the parent company.

Dalekovod d.d. (hereinafter the Company) was incorporated in compliance with the laws and regulations of the Republic of Croatia. The registered office of the Company is in Zagreb, Marijana Čavića 4 street. Company's shares are listed on the Zagreb Stock Exchange.

The Company's principal activity is engineering, production, construction and installation of electric power facilities, facilities for road, rail road and mass transit and telecommunication infrastructure.

Members of the Supervisory Board:

Rosandić

Tvrtko Zlopaša

Gordan Kolak	President of the Supervisory Board
Josip Jurčević	Vice president of the Supervisory Board from 01/01/2024 until 18/06/2024
Josip Lasić	Member of the Supervisory Board from 01/01/2024 until 18/06/2024; Vice President from 19/6/2024 until 31/12/2024
Dražen Buljić	Member of the Supervisory Board
Božidar Poldrugač	Member of the Supervisory Board from 01/01/2024 until 18/06/2024
Damir Spudić	Member of the Supervisory Board from 01/01/2024 until 18/06/2024
Pavao Vujnovac	Member of the Supervisory Board from 01/01/2024 until 18/06/2024
Miki Huljić	Member of the Supervisory Board from 01/01/2025

Mario Radaković	Member of the Supervisory Board from 01/01/2025,
	Vice president of the Supervisory Board from 02/01/2025

Members	of	the	President of the Management Board (until 31 March 2024)
Manageme	nt		
Board:Tomi	slav		

Eugen Paić-Karega	Member of the Management Board (until 31 March 2024)
	President of the Management Board (from 1 April 2024)

Member of the Management Board

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 – INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies are applicable to both the Group and to the Company and they have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS) under the historical cost convention, except with aspect to the revaluation of land, buildings, financial assets at fair value through income statement and equity instruments at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assessments throughout the process of application of accounting policies of the Group and the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The amounts in these financial statements are rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared on a going concern basis.

During 2024 the Company and the Group decided to change the accounting policy and present the items in the cash flow statement using the direct method instead of the indirect method in order to align the presentation with that of the ultimate owner.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 – INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

(a) Subsidiaries

In the separate financial statements, the Company states investments in subsidiaries at cost, less impairment. Investments are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries that suffered an impairment in previous periods are reviewed for possible reversal of the impairment at each reporting date.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date of sale or date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated, unless there is evidence of impairment of transferred assets. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership of subsidiaries without loss of control

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, 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.

(c) Disposal of subsidiaries

When the Group loses control or significant influence, all retained interest in the entity are remeasured to their fair value, with a change in book value recognised in profit or loss. The fair value is the initial book value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Furthermore, all amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss statement where appropriate.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 – INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(d) Associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the book value of the investment. When the Group's share of losses is equal to or exceeds its ownership interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are being changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Mergers

The predecessor method of accounting is used to account for the merger of entities under common control. The carrying value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and unrealised gains and losses on transactions between the two entities merging are eliminated. Any difference between the carrying value of net assets merged and net assets given up is recorded as equity. Mergers within the Group have no effect on consolidated financial statements.

2.3 Foreign currencies

(a) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(b) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

At consolidated level, exchange differences arising from the translation of the net investment in foreign operations are taken to 'Cumulative foreign exchange differences' within shareholders' equity. When a foreign operation is partially disposed of or sold and control over the subsidiary is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

2.5 Property, plant and equipment

Building, plants and equipment are carried in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation is calculated using linear method individually for each asset through estimated life expectancy of asset in use. Depreciation is calculated when tangible asset is available and ready to use. Depreciation is calculated over their estimated useful lives, as follows:

	Useful live in years:
Buildings	20 – 40
Equipment	5 – 10
Plants	25

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Revaluation of land

Land is carried at fair value based on periodic assessment (usually every three years) performed by external independent assessors. Increases in the carrying amount of assets arising on revaluation are credited to other comprehensive income and presented in equity under revaluation reserves. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity, all other decreases are charged to the income statement.

Land after initial recognition is stated at a revalued amount based on its fair value at the date of revaluation less any subsequently accumulated impairment losses. Independent estimates of land values are made when the carrying amount is significantly different from the fair value. Any increase in the value of the land is recorded within other comprehensive income on the revaluation reserve position, unless and only to the extent to which it reverses an impairment of the same asset that was previously recognized as an expense in which case is recognised as income. Any impairment is first offset by an increase that relates to an earlier valuation of the value of the same asset and is subsequently recognized as an expense. The relevant part of the revaluation reserves made during the previous valuation of the value is released from the revaluation reserves directly to retained earnings after the disposal of the asset.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property investments

Investments in property, principally office buildings and land that are held for long-term rental yields or increase of their value. Investments in property are treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case they are classified within current assets.

Investments in property are carried at historical cost less accumulated depreciation and provision for impairment, if necessary. Depreciation for buildings is calculated using the straight-line method to allocate cost over estimated life cycle (20 to 40 years).

Subsequent costs are capitalised only when it is probable that future economic benefits associated with it will benefit to the Group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the income statement when incurred. If the Group starts using the property intended for sale, it is reclassified to property, plant and equipment, and it book value at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.7 Intangible assets

Intangible assets consist mainly of the right of use and software and are capitalized on the basis of the costs incurred to bring to use the specific software. These costs are amortised during their useful lives (5 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life (such as land or goodwill) which are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

2.9.1 Financial assets

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) debt investment;
- FVOCI equity investment;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at FVTPL:

- they are held within a business model whose objective is to collect contractual cash flows; and
- their contractual terms on specified dates lead to cash flows that are solely payments of principal amount and interest on the principal amount outstanding.

During initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This choice is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. The Group and the Company do not have any recognized amounts of assets measured at FVTPL.

The main categories of financial assets recognized by the company are cash and cash equivalents, trade receivables and loans, all of which are measured at amortized cost, with receivables and loans held in the hold-to-collect business model.

Assessment of whether the contractual cash flows represent solely principal and interest payments

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as a consideration for the time value of money, the credit risk associated with the time period over which the remaining principal is repaid, and other basic risks and costs of lending (e.g. liquidity risk and administrative costs), as well as a profit margin.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Assessment whether the contractual cash flows represent solely principal and interest payments (continued)

When assessing the baseline criteria of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether financial assets contain a contractual condition that could change the timing or the amount of contractual cash flows in such a way that the basic criterion would not be met. In making of this assessment, the Group considers:

- contigent events that could change the amount or timing of cash flows;
- terms that may influence the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the 'solely principal and interest payments' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and recognition of gains and losses

The table below provides an overview of key features of the accounting policy that the Group and the Company apply with respect to subsequent measurement and recognition of gains and losses of the main financial asset category recognized in their financial statements:

Financial assets
at amortized
cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. The gain or loss on de-recognition is recognised in profit or loss.

(c) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from that financial asset expire or when the rights to the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains the risks and rewards of ownership but does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

2.9.2 Financial liabilities

(a) Recognition and initial measurement

Debt securities issued are initially recognized at the time of origination. All other financial assets are initially recognized when the Group becomes a party to the contractual provision of the financial instrument.

A financial liability is initially measured at fair value plus, if it is an instrument not carried at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the instrument.

(b) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss at de-recognition is also recognised in income statement.

(c) De-recognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the contractual terms are modified and the cash flow of the modified liability is significantly different from the initial one, with the new financial liability based on the modified terms being recognized at fair value.

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

2.9.3 Offsetting

Financial assets and financial liabilities are offset and the net amount shown in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

2.9.4 Impairment of derivative financial assets

Recognition of loss allowaances

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;
- investments in debt securities measured at fair value through other comprehensive income; and
- contract assets.

The Group recognizes provisions for losses equal to lifetime ECLs, except in the following cases in which it measures them at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank accounts for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supporting information that are relevant and available without additional cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Company assumes that the credit risk of financial assets is significantly increased when early warning indicators are activated in accordance with the Group's policy or the contractual terms of the instruments.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- financial assets are more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

2.9.4 Impairment of derivative financial assets (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as significant days past due
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statament of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross book value of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off of financial assets

The gross book value of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For smaller individual customers, the Group has a policy of writing off the gross book value when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For larger corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group generally expects no significant recovery from the amount written off.

2.10 Leases

The Group and the Company are the Lessee

At the inception of a contract, the Group and Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and Company use the definition of a lease in IFRS 16.

At commencement or on amendment of a contract that contains a lease component, the Group and Company allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group and Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (continued)

The Group and the Company are the Lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option. In that case the right-of-use asset will be depreciated from the lease commencement date over the useful life of the underlying asset, which is determined on the same basis as those for property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and the Company's marginal borrowing rate. Generally, the Group and the Company use its marginal borrowing rate as the discount rate.

The Group and the Company determine its marginal borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the expected price under a purchase option that the Group and the Company are reasonably certain to exercise, lease payments in an optional renewal period if the Group and the Company are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there are changes in future lease payments due to changes in index or rates, if there is a change in the estimate of the expected number of payments under residual value guarantees, if the Group or the Company change its estimates of whether to exercise the purchase, extension or termination option, or if there are changes in lease payments that are fixed in substance.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the book value of the right-of-use asset, or is recorded in income statement if the book value of the right-of-use asset has been reduced to zero.

The Group and Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (continued)

The Group and the Company are the Lessee (continued)

Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company lease certain property, plant and equipment. Leases of property, plant and equipment in which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance expense to achieve a constant rate on the remaining financial position. The interest component of the finance expense is charged to the income statement over the lease term. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases in which the Group or the Company does not bear a significant share of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are recognised in the income statement on a straight-line basis over the lease term.

The Group and the Company are the Lessor

The accounting policy applicable to the Group and the Company as a lessor in comparative information is not different from the policy in accordance with the new standard. When concluding a contract, the Group and the Company determine whether it is a financial or operating or operating lease, depending on whether the lease agreement transfers almost all risks and rewards associated with the ownership of the property.

All leases where the Group and Company are lessors are operating leases.

Assets under an operating lease where the Group and the Company are the lessor are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

2.11 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value represents the estimated selling price in the ordinary course of business less variable selling expenses.

The cost of work in progress and finished goods include raw materials, direct labour, other direct costs and an appropriate portion of production overheads (based on normal regular production capacity).

Small inventory and tools are fully written off when put into use.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are reported net of related transaction costs and income tax.

The consideration paid for the purchase of treasury shares, including any directly attributable transaction costs (net of income tax), reduces the equity attributable to the Company's shareholders until the shares are withdrawn or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.14 Borrowings

Borrowings are recognised initially at fair value, less transaction costs incurred. In future periods, borrowings are stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense. Borrowing that will be settled solely by the sale of foreclosed assets is measured in accordance with the estimated fair value of the foreclosed assets.

Borrowing fees are recognised as transaction costs of the loan if it is probable that some or all of the loan will be drawn down.

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

2.15 Income tax

The tax expense for the year comprises of current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In that case, the tax is recognised in the statement of other comprehensive income or directly in equity, respectively.

Current tax expense is calculated based on the tax laws that are in force or partially applied at the reporting date in the countries in which the subsidiaries and the Company operate and generate taxable profit. The basis for calculating income tax is the difference between income and expenses determined in accordance with the Law. The management periodically assesses individual items in tax returns with regard to situations in which applicable tax provisions are subject to interpretation and considers the formation of provisions, where appropriate, based on the expected amount to be paid to the Tax Authorities.

2.16 Deferred income tax

The amount of deferred tax is calculated using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their book value in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized to the extent of probable future taxable profit being utilized for temporary differences.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Deferred income tax (continued)

The amount of deferred income tax is calculated on temporary differences arising from investments in subsidiaries and associated companies, except when the timing of the cancellation of temporary differences is controlled by the Group, and there is a probability that the temporary difference will not be cancelled in the foreseeable future.

Deferred tax assets and liabilities are netted in the case when there is a legally enforceable right to offset current tax assets and current tax liabilities, and when deferred tax assets and liabilities relate to income taxes imposed by the same tax authority on the same or different tax subject and when there is an intention to settle on a net basis.

2.17 Supplier liabilities and other liabilities

Supplier and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.18 Employee benefits

(a) Retirement obligations and other post-retirement obligations

In the normal course of business through salary deductions, the Group and the Company make payments to 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.

Furthermore, according to the Collective labour agreement, the Group and the Company have an obligation to make severance payments to employees at the time of the employees' retirement. The liability recognised in the balance sheet is the present value of defined benefit obligation at the balance sheet date less past service costs with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of governmental bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement severance payment.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary termination of employment in exchange for these benefits. The Group recognises termination benefits 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 severance benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Other 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 using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the future value of money and the risks specific to the obligation. The number of provisions increases in each period to reflect the passage of time. This increase is recognized as interest expense.

2.20 Revenue recognition

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over goods or services to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or on a specific date (recognition on completion). Before revenue is recognised, the Company identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Most of the Company's contracts involve only one performance obligation. Revenue recognition policies under IFRS 15 applicable to revenue streams are as follows:

(a) Revenue from construction contracts

Revenues from construction contract is determined on the basis of the last relevant estimate of the total selling price in the construction contract. The Group and the Company recognize revenue from the construction contract at the end of each period using the method of assessing the "degree of performance" of the performance obligation.

The Group and the Company estimate the 'progress to satisfaction' of the performance obligation to determine the appropriate amount of revenue and costs to recognize in each period. The 'stage of completion' is measured using the cost input method by comparing contract costs to the reporting date with the total estimated costs for each contract. In determining the 'stage of completion', all costs incurred during the year that relate to future contract activities are excluded and are reported as inventories, advances or other assets, depending on their nature.

For all contracts in progress where costs incurred and recognised profits (net of recognised losses) exceed the amounts progressively charged, the Group and the Company present the gross amount due from customers as assets. Amounts progressively charged but not paid by customers and amounts retained are presented as trade and other receivables.

For all contracts in progress where the amounts progressively charged exceed the costs incurred and the profits recognised (net of any losses recognised), the Group presents the gross amount as a liability towards the customers.

As soon as a loss on a construction contract is identified and can be measured reliably, the Company and the Group create a provision for expected losses until the end of the contract. The loss on a construction contract is provided for in full, regardless of the stage of completion.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 2 - INFORMATION ON SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(b) Revenue from the sale of finished goods and merchandise

Revenue from the sale of finished goods and merchandise is recognized when the Group and the Company deliver goods to the customer, when the customer accepts the delivered goods and merchandise, and when the possibility to collect receivables is reasonably certain. Revenue is recognised in amounts net of value added tax, estimated returns, rebates and trade discounts.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. The even unwinding of the discount in future periods is recognized as interest income. Interest income on impaired loans is recognized using the original effective interest rate method.

(d) Revenue from dividends

Dividend income is recognized when the right to receive payment is established.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

2.22 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.23 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.24 Assets held for sale

Fixed assets, classified as held for sale if their carrying value, will be largely compensated through sale rather than through its continuing use; if these assets are available for immediate sale in their existing state under conditions which are frequent and common for sale of such assets, and if the sale is probable.

Assets held for sale are stated at the lower of net book value and fair value less cost to sell. Loss on impairment from reduction to fair value less cost to sell, is charged to profit or loss.

Investments in associates and joint ventures that meet the criteria for classification as assets held for sale at a certain time ceased to be measured using the equity method and are measured at lower of carrying value based on equity method and fair value less cost to sell.

NOTE 3 – FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

3.1 Financial risk factors

The activities undertaken by the Group and the Company expose them to various financial risks: market risk (including currency risk and cash flow interest rate risk), price risk, credit risk, and liquidity risk. While the Group and the Company do not have a formal risk management program, overall risk management is handled by the Company's Finance Department.

- (a) Market Risk
- (i) Currency Risk

Revenue from foreign sales is predominantly earned in EUR. Domestic sales revenue is also generated in EUR. Most long-term and short-term loans are contracted with a currency clause tied to EUR. In addition to EUR, the Company is exposed to fluctuations in NOK, SEK, and UAH currencies. Changes in the exchange rates of EUR and other currencies relative to EUR do not significantly impact the Group's and Company's business results, and the Company does not use instruments for hedging against currency risk.

As of December 31, 2024, if SEK weakened/strengthened by 1.00% against EUR (2023: 1.00%), assuming other variables remain unchanged, the profit for the reporting period would increase by €126 thousand for the Group and €123 thousand for the Company (2023: €95 thousand for both Group and Company) or decrease/increase accordingly. This is mainly due to positive/negative exchange rate differences arising from the conversion of receivables from customers, payables to suppliers, loans, and foreign currency cash expressed in EUR. According to Management's assessment, currency fluctuations do not have a significant impact on the financial statements of the Group and Company.

(ii) Price Risk

The Group is exposed to the risk of investing in securities through fair value risks and price change risks, as the Group's investments are classified in the consolidated balance sheet as available for sale and at fair value through profit and loss. Investments in securities classified as available for sale are not traded on the stock exchange, while securities classified at fair value through profit and loss are traded on the stock exchange without significantly impacting the financial position. The management of risks arising from their fair value and price changes is monitored by the Group through market transactions and the performance of the investment entity.

(iii) Interest Rate Cash Flow Risk

Since the Group does not hold significant assets that generate interest income, the Group's revenues and cash flow from operating activities are not substantially dependent on changes in market interest rates. The Group's and Company's interest rate risk arises from long-term loans, bonds, and commercial papers. Loans granted at variable rates expose the Group and Company to cash flow risk.

The Group and Company continuously monitor changes in interest rates. Various scenarios are simulated, taking into account refinancing, renewal of current conditions, as well as alternative financing. Based on these scenarios, the Group and Company calculate the impact of interest rate changes on the profit and loss account. As of December 31, 2024, if the effective interest rate on borrowings with variable rates increased/decreased by 0.82% annually (2023: 0.82%), post-tax results would be €65 thousand lower/higher (2023: €19 thousand) due to higher/lower interest expenses.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash, ensuring the availability of financial resources with an adequate amount of contracted credit lines and the ability to meet all obligations. The Group's goal is to maintain financing flexibility by ensuring that contracted credit lines are available. The table shows the maturities of contractual liabilities and receivables reported in the balance sheet at the end of the reporting period. The analysis is based on undiscounted cash outflows for financial liabilities and financial assets at the maturity date. The tables show cash flows for principal and interest.

For the Group:

	Average weighted interest rate	Up to 1 year	Between 1-5 years	Over 5 years	Total contracted cash flow	Net book value
December 31, 2024						
Loans receivable and deposits	1%	3,557	6,197	-	9,754	9,392
Trade and other receivables		72,803	-	-	-	72,803
Cash and cash equivalents		12,328	-	-	-	12,328
Trade and other payables		(32,590)	-	-	(32,590)	(32,590)
Borrowings	4.80%	(5,601)	(8,180)	(230)	(14,011)	(12,833)
		50,497	(1,983)	(230)	48,284	49,100
December 31, 2023	•					
Loans and deposits given		2,128	6,126	-	8,254	8,193
Trade and other						
receivables	1%	56,557	-	-	56,557	61,557
Cash and cash equivalents		12,345	-	-	12,345	3,345
Trade and other payables		(30,664)	-	-	(30,664)	(30,664)
Borrowings	4.80%	(4,293)	(7,778)	(853)	(12,924)	(11,954)
	_	36,073	(1,652)	(853)	33,568	34,477

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

For the Company:

	Average weighted interest rate	Up to 1 year	Between 1-5 years	Over 5 years	Total contracted cash flow	Net book value
December 31, 2024						
Loans receivable and deposits	1%	3,763	6,221	-	9,984	9,613
Trade and other receivables		62,321	-	-	62,321	62,321
Cash and cash equivalents		9,692	-	-	9,692	9,692
Trade and other payables		(23,668)	-	-	(23,668)	(23,668)
Borrowings	4.80%	(5,650)	(8,328)	(342)	(14,320)	(13,251)
		46,458	(2,107)	(342)	44,009	44,707
December 31, 2023	_					
Loans and deposits given	1%	2,294	6,215	-	8,509	8,447
Trade and other receivables		49,185	-	-	49,185	49,185
Cash and cash equivalents		10,262	-	-	10,262	10,262
Trade and other payables		(25,477)	-	-	(25,477)	(25,477)
Borrowings	4.80%	(4,582)	(8,273)	(882)	(13,737)	(12,546)
	_	31,682	(2,058)	(882)	28,742	29,871

(b) Credit risk

The Group's and the Company's assets which potentially subject them to concentrations of credit risk primarily include cash, trade and other receivables. The Group and the Company have policies in place to ensure that the sales of products are made to customers with an appropriate credit history, within previously defined credit limits. A favourable structure of buyers (major buyers are mainly state-owned companies) and the fact that, if necessary, collection from buyers is regulated by bank payment guarantees, bills of exchange, letters of credit and other types of security, almost completely diminishes the risk arising from the collection of trade receivables. A detailed analysis and maximum exposure to credit risk are shown in note 28. Furthermore, judgements and estimates in respect of credit risk exposure and related impairment provisions are described in more detail in note 2.9.4.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Company's and Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net received loans are calculated as total received loans (long-term and short-term shown in the balance sheet) minus cash and cash equivalents and given short-term deposits. The total capital is calculated by adding to the capital net received loans and reserves shown in the balance sheet.

The Company's gearing ratio is as follows:

(in thousands of EUR)	31 December 2024	31 December 2023
Borrowings (Note 27)	13,251	12,546
Cash and cash equivalents (Note 25)	(9,692)	(10,262)
Net debt	3,559	2,284
Equity	57,909	55,293
Total equity and net debt	61,468	57,577
Company's gearing ratio	5.8%	4.0%

The Group's gearing ratio is as follows:

(in thousands of EUR)	31 December 2024	31 December 2023
Borrowings (Note 27)	12,833	11,954
Cash and cash equivalents (Note 25)	(12,328)	(12,345)
Net debt	505	(391)
Equity	68,311	62,152
Total equity and net debt	68,816	61,761
Group's gearing ratio	0.7%	(0.6%)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 3 - FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimate

The Group publishes fair value measurements by level in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The fair value of financial instruments traded on active markets is based on quoted market prices on the reporting day. The market is considered active if the quoted prices are known on the basis of the stock exchange, the activities of a broker, industry group or regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments not traded on the active market (for example: OTC derivatives) is determined using valuation techniques. These assessment techniques require the maximum use of visible market data where possible and rely as little as possible on entity-specific estimates. If all significant input required for a fair valuation of the instrument are visible, the instrument shall be included in level 2. Where one or more significant input is not based on visible market data, the instrument shall be included in level 3.

The table below presents the Company and the Group's assets at fair value:

(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Group				
December 31, 2024				
Property, plant and equipment				
Land		-	8,815	8,815
Total	-	-	8,815	8,815
December 31, 2023				
Property, plant and equipment				
Land		-	8,815	8,815
Total		-	8,815	8,815

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 4 - KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group prepares estimates and makes assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the book value of assets and liabilities within the next financial year are outlined below.

(a) Revenue recognition

The Company and the Group generally recognize revenue over time, but also at a point in time, depending on the specifics of the specific contractual relationship with the customer as described in the relevant accounting policy. When recognizing revenue over time, which primarily refers to the construction segment, the progress measurement method emphasizes the importance of accurate estimates in measuring progress in fulfilling the obligation and may include estimates of the scope of deliveries and services required to fulfil the performance obligations defined by the contract. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks and other judgements. The Company and the Group have determined the input method as the best method for measuring progress in providing services because there is a direct link between the Company's and the Group's activities (total costs incurred per project) and the transfer of services to the customer. If revenue is recognized over time, the same is done by measuring the costs incurred to a specific date in relation to the total expected costs required to fulfil the performance obligations under the contract.

The Group also recognizes revenue at a point in time (primarily in the production segment) for the delivery of goods by recognising revenue when the customer obtains control over certain goods, which is usually after the delivery of the goods when the customer has full discretion over the goods and when there are no unfulfilled obligations that could affect the customer's acceptance of the goods. Delivery usually occurs when the goods have been delivered to the agreed location and the risk of loss has been transferred to the customer and the customer has accepted the goods in accordance with the contract, or the provisions on acceptance of the goods have expired or if the Group has objective evidence that all the criteria for acceptance have been met.

(b) Recoverability of investments in subsidiaries

The Company annually identifies indicators that may indicate that the value of its investments in subsidiaries (disclosed in Note 19) is potentially impaired and, if such indicators are identified, the Company conducts an assessment of the recoverable amount of the investment through impairment testing.

When implementing the process of identifying indicators of impairment, the Company considers a number of factors. Depending on the circumstances, a single factor, or more than one in combination, may result in an indication of impairment. The Company monitors key operating indicators of subsidiaries, the most important of which are realized operating margins and net assets of subsidiaries.

When the Company concludes that one factor alone or more in combination result in an indication of impairment for a particular investment, a detailed impairment test and an estimate of the recoverable value of the investment are performed. The discounted cash flow method (DCF method) is generally used to estimate the investment, which is based on the assumption that the value of the company represents the present value of future net cash flows.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 4 - KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

(b) Recoverability of investments in subsidiaries (continued)

When calculating the recoverable amount, the Company generally applies the terminal growth rate of cash flow after the estimated period until the stability of operations and discounts such cash flows using a discount rate that reflects the risk of the subject asset and which, for the purposes of calculating the impairment test, is approximated by the weighted average cost of capital (WACC) related to the primary sales market of the individual subsidiary and the industry. Impairment tests are also tested for sensitivity to changes in key variables such as discount rate, growth rate, etc. The Company also takes into account impairments made in previous periods and considers potential reversals of impairments made in previous periods, and to what extent, taking into account other circumstances in which the subsidiaries operate (liquidity, stability of operations over a longer period of years, etc.).

NOTE 5 - IMPLEMENTATION OF NEW AND AMENDED INTERNATINAL FINANCIAL REPORTING STANDARDS

Except for the changes mentioned below, for all periods presented in these consolidated financial statements, the Company and the Group have consistently applied the accounting policies described in the notes below.

(a) Applicable standards, amendments to existing standards and implementations – adopted during 2023

The following new standards, interpretations and amendments to existing standards are mandatory for periods starting on or after 1 January 2024:

- Amendments to IFRS 16 Leases: Lease liabilities in sale and leaseback arrangements
- Amendments to IAS 1 Presenting financial statements: Classification of liabilities as current or non-current, Long-term liabilities in arrangements
- Amendments to IAS 7 Statement of cash flow and IFRS 7 Financial instruments: Disclosures:
 Supplier financing arrangements.

The adoption of these standards did not have a significant impact on the amounts presented in the statement of financial position or statement of comprehensive income or on the accounting policies disclosed.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 5 - IMPLEMENTATION OF NEW AND AMENDED INTERNATINAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

The following new standards, interpretations and amendments to existing standards issued by the IASB and adopted by the EU are not yet effective or have not been adopted by the EU and therefore the Group has not adopted them early and does not expect them to have a significant impact on the Group's financial statements when they become effective:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Inability to Exchange
- Amendments to Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9):
 Classification of Financial Assets, Electronic Payment Settlement
- IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7 Annual Improvements Volume 11: Clarifications, Simplifications, Corrections and Amendments to Improve the Consistency of the IFRSs
- IFRS 18 Presentation and Disclosure in Financial Statements: New Standard
- IFRS 19 Non-Publicly Liable Subsidiaries Disclosures: New Standard
- IFRS 9 and IFRS 7 Amendments to IFRS 9 and IFRS 7 Contracts relating to nature-dependent electricity: Contracts for nature-dependent electricity.

NOTE 6 - INFORMATION ON BUSINESS SEGMENTS

The Group separately monitors and presents business results of basic business segments, Production and Construction, whose operating activities are interrelated for the purpose of making profit for the Group.

- 1. The Production segment includes forging works, the casting plant and the laboratory for quality control and the production and sales of metal frames/structures, as well as the manufacture and sales of suspension and jointing equipment.
- The Construction segment includes the services of construction and project documentation
 preparation of power and distribution facilities, transformer stations, laying submarine and
 subterranean energy and telecommunication cables, posting public lighting, installing
 antenna, television and telecommunication posts as well as work relating to the construction
 of motorways.

Management monitors the operating results of the business segments to make decisions on the allocation of resources and performance assessment. Segment performance assessment is based on the gross segment revenue and realised profit from regular operations, as explained in the following table. The Group manages finance income and costs, share of profit of joint ventures and income tax and they are not allocated by operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 6 – INFORMATION ON BUSINESS SEGMENTS (continued)

Group's operating results per business segment

(In thousands of EUR)	Construction	Production	Other	Total
For the year ended 31 December 2024				
Gross revenue	180,420	28,528	-	208,948
Inter-segment revenue	(6,714)	(7,745)	-	(14,459)
Total revenue Operating profit/(loss) before depreciation	173,706	20,783	-	194,489
and amortisation Depreciation and	11,573	937	-	12,510
amortisation	(3,799)	(228)	-	(4,027)
Operating profit/(loss)	7,774	709	-	8,483
Total assets Total liabilities	137,817 78,410	18,624 9,720	<u>-</u>	156,441 88,130
For the year ended 31 December 2023				
Gross revenue	151,534	28,663	1	180,198
Inter-segment revenue	(5,125)	(9,283)	-	(14,408)
Total revenue Operating profit/(loss) before depreciation	146,409	19,380	1	165,790
and amortisation Depreciation and	(735)	1,918	(13)	1,170
amortisation	(3,283)	(168)	-	(3,451)
Operating profit/(loss)	(4,018)	1,750	(13)	(2,281)
Total assets	117,742	20,422	65	137,929
Total liabilities	63,915	11,806	15	75,777

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 6 – INFORMATION ON BUSINESS SEGMENTS (continued)

/i/ Sales income allocated to geographical area based on customer headquarters.

Dalekovod Group

	2024		2023	
			(in	
	(in thousands of		thousands of	
	EUR)	%	EUR)	%
Croatia	62,034	32,22	53,757	32,42
Sweden	33,589	17,27	38,272	23,08
Norway	26,019	13,06	23,397	14,11
Slovenia	21,120	10,86	14,387	8,68
Bosnia and Herzegovina	17,481	8,99	11,587	6,99
Germany	7,707	3,96	2,387	1,44
Northern Macedonia	7,495	3,85	6,020	3,63
Ukraine	6,176	3,18	4,254	2,57
United Kingdom	996	0,51	425	0,26
Other	11,872	6,10	11,304	6,82
Total	194,489	100	165,790	100

In 2024 the Group achieved 12% and the Company 18% of total sales revenue with its largest customer. In 2024 the Group achieved 10% and the Company 15% of total sales revenue with the next largest customer.

In 2023 the Group achieved 14% and the Company 19% of total sales revenue with its largest customer. In 2023 the Group achieved 13% and the Company 18% of total sales revenue with the next largest customer.

/ii/ Sales revenues by sectors are as follows:

	Dalekovod Group		
	2024	2023	
	(in thousands of	EUR)	
Energetics	139,869	124,414	
Rail road	20,813	7,308	
Sale of metal constructions	6,845	6,973	
Sale of suspension and coupling equipment	13,936	12,407	
Roads	5,964	9,349	
Planning	5,856	4,870	
Industrial buildings and facilities	17	23	
Other	1,189	446	
Total	194,489	165,790	

Revenue from construction contracts amounts to 173,706 thousand EUR for the Group (2023: 146,409 thousand EUR) and EUR 134,231 thousand for the Company (2023: EUR 118,633 thousand). Revenue from construction contracts is recognized over time while revenue from production is recognized at a specific point in time.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 6 - INFORMATION ON BUSINESS SEGMENTS (continued)

The following table shows information on receivables and liabilities to customers based on construction contracts, for which, on the reporting date, receivables from customers under a contractual obligation or liabilities to customers under a contractual obligation were stated:

	Dalekovo	Dalekovod Group		Dalekovod d.d.		
(in thousands of EUR)	2024	2023	2024	2023		
Trade receivables	41,411	35,484	33,943	30,617		
Retention	8,628	7,411	8,628	7,410		
Contract assets	31,022	20,830	27,587	17,988		
Contract liabilities	(25,777)	(18,530)	(23,100)	(15,864)		
	55,284	45,195	47,058	40,151		

Contract assets primarily relate to the Company's or the Group's rights to compensation for work performed but not yet paid for at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company or the Group issues an invoice to the customer.

Contract liabilities relate to deferred revenue for construction work, for which revenue is recognised over time, and to advances received from customers.

Advances received for projects under construction for the Company, which are active at the reporting date, are disclosed within advances in Note 29 and amount to EUR 14,260 thousand (2023: EUR 9,601 thousand) for the Company and EUR 16,937 thousand (2023: EUR 11,168 thousand) for the Group.

NOTE 7 – OTHER REVENUE

(in thousands of EUR)	2024	2023	2024	2023
Income from reversal of				
provisions	_	697	_	678
Insurance claims proceeds	105	61	104	58
Rental income	117	88	1,290	857
Income from write-off of			_,	557
liabilities	16	134	-	-
Other operating income	1,120	1,049	1,753	1,123
_	1,358	2,029	3,147	2,716

The Company's rental income is generated from investments in real estate (Note 18), based on the leases that the Company grants to its affiliated companies Dalekovod MK d.o.o. and Dalekovod OSO d.o.o.

The most significant part of other revenues refers to revenues from the sale of waste coming from the Sweden branch in the amount of EUR 432 thousand and from the Macedonia branch in the amount of EUR 173 thousand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 8 - COSTS OF MATERIALS AND SERVICES

	Dalekovod Gr	oup	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Raw material and material				
Raw material and material	36,789	46,577	30,054	40,396
Energy	2,465	2,711	1,816	1,900
Spare parts	2,259	1,149	1,766	1,010
_	41,513	50,437	33,636	43,306
External services				
Subcontractor manufacturing				
services	46,046	32,438	29,397	19,969
Rental expense	5,419	7,162	5,317	7,063
Transportation	2,627	2,421	1,649	1,436
Repairs and maintenance	2,449	2,039	1,808	1,495
Advertising and promotion	408	253	373	226
Other material costs	711	770	418	411
	57,660	45,083	38,962	30,600
Total cost of materials and services	99,173	95,520	72,598	73,906

NOTE 9 – EMPLOYEE BENEFITS

	Dalekovo	d Group	Daleko	Dalekovod d.d.	
(in thousands of EUR)	2024	2023	2024	2023	
Net salaries	27,343	23,533	20,746	18,042	
Taxes and contributions on and from salaries	12,238	9,569	8,151	6,218	
Severance costs	207	496	160	351	
Other staff costs	5,923	4,071	4,565	2,992	
_	45,711	37,669	33,622	27,603	

Other staff costs include gifts, jubilee awards, field allowance, labour hire services, employee performance awards and other benefits.

The cost of employees includes the calculated cost for management bonuses, the Company 1,518 thousand euros and the Group 1,653 thousand euros.

As of 31 December 2024, there were 1,081 employees in the Group (2023: 1,029 employees) and 684 employees in the Company (2023: 645 employees).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 10 - OTHER OPERATING EXPENSES

	Dalekovod Grou	р	Dalekovod d.o	l.
(in thousands of EUR)	2024	2023	2024	2023
Intellectual and non-				
production services	3,471	2,788	2,531	2,676
Daily allowances and				
travel expenses	4,604	2,720	4,364	2,503
Insurance	1,419	1,296	1,292	1,156
Bank charges	1,076	962	852	781
Taxes and contributions	789	641	589	474
Entertainment	688	456	436	234
Impairment of inventories	380	324	-	-
Change in the provision for legal cases	(1,449)	299	(1,446)	299
Change in other provisions	2,469	-	2,469	-
Interest from suppliers Sponsorships, donations	46	70	11	41
and other aids	106	50	58	26
Fines and penalties	11	56	-	27
Impairment and write-off				
of property, plant and equipment	-	41	-	-
Inventory shortages	47	24	11	6
Cost of value adjustment				
of investments in	-	_	3,110	_
subsidiaries (Note 19)			,	
Other	1,574	799	1,178	875
	15,231	10,526	15,455	9,098

Costs of intellectual and non-production services at the Group level include fees to the audit firm related to audit services and permitted non-audit consulting services. The total audit fees at the level of the Company amount to EUR 109 thousand at the Company level (2023: EUR 76 thousand), while at the Group level they amounted to EUR 151 thousand (2023: EUR 118 thousand), Auditors' fees relate to statutory audits of Group member companies.

In 2024 the auditors provided the Group with permitted non-audit services related to financial analysis in the amount of EUR 15 thousand (2023: EUR 30 thousand).

Within the costs of intellectual and non-production services, there are non-production services, which largely consist of various services of testing, commissioning, etc. on projects, then legal services, design services and security services.

The cost of daily allowances and travel expenses in 2024 includes the cost of accommodation and meals, which to a significant extent constitute the costs of workers in the field, especially posted workers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 11 – VALUE ADJUSTMENT OF FINANCIAL ASSETS

	Dalekovod Group		Dalekovod	Dalekovod d.d.	
(in thousands of EUR)	2024	2023	2024	2023	
Impairment of financial assets	-	(6,636)	-	(6,636)	
Impairment of trade receivables and loans – net	(155)	1	(127)	343	
	(155)	(6,635)	(127)	(6,291)	

Impairment of trade receivables and loans in 2024 refers to impairment of trade receivables and the uncertainty of their collection.

NOTE 12 - FINANCE INCOME AND COSTS - NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	2024	2023	2024	2023
Positive foreign exchange-rate differences	632	1,116	572	1,064
Income from interest	28	11	15	68
Income from unwinding of discount on guarantee deposits	70	-	70	-
Interest income from bank deposits	16	2	-	1
Income from shares in profit	-	-	905	978
Other finance income	8	651	6	95
Finance income	754	1,780	1,568	2,206
Negative exchange-rate differences	(1,081)	(415)	(1,014)	(355)
Interest expenses	(729)	(901)	(724)	(931)
Discount cost of long-term receivables		(211)	-	(211)
Finance costs	(1,810)	(1,527)	(1,738)	(1,497)

Income from shares in profit at the Company level refers to the voted profits of the companies Dalekovod Projekt d.o.o., Dalekovod EMU d.o.o. and Dalekovod Ljubljana d.o.o.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 13 - INCOME TAXES

The reconciliation of accounting and taxable profit is shown in the table below:

	Dalekovod	Group	Dalekovo	d d.d.
(in thousands of EUR)	2024	2023	2024	2023
		()		
Profit/(loss) before tax	7,426	(2,040)	3,398	(4,062)
Tax at the rate of 18%	1,337	(367)	612	(731)
Effect of non-taxable income	(298)	(286)	(282)	(269)
Effect of tax non-deductible				
expenses	1,398	396	1,248	236
Effect of tax losses not				
recognized as deferred tax	163	1,049	-	1,049
assets				
Utilized tax losses for which				
deferred tax assets were not	(336)	(454)	(325)	-
recognized				
Effect of applying different	(22.1)		()	
tax rates	(904)	835	(471)	402
Other	-	(3)	-	(3)
Income tax expense	1,360	1,170	782	684
Effective tax rate	18.3%	(43.6%)	23.0%	(16.8%)

In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect books and records of the Company and Company subsidiaries operating in Croatia within 3 years following the year in which the tax liability is reported, and may impose additional tax assessments and penalties. Companies and foreign subsidiaries abroad must comply with tax regulations of the country in which they operate. During the year there were no changes in tax rates in countries where members of the Group operate. Reported income tax expense in the Company includes income tax expense recorded in separate business units abroad in accordance with the tax laws of the countries in which the units operate.

Overview of tax losses for which deferred tax asset has not been recognised is as follows:

	Dalekovod	Group	Dalekovo	d d.d.	
(in thousands of EUR)	2024	2023	2024	2023	
Unutilised tax losses					
Tax loss 2019 - expires in 2024	-	4,690	-	-	
Tax loss 2020 - expires in 2025	5,172	7,841	3,185	5,854	
Tax loss 2021 - expires in 2026	6,364	6,364	6,233	6,233	
Tax loss 2023 - expires in 2028	5,819	5,819	5,819	5,819	
Tax loss 2024 - expires in 2029	1,003	-	-		
	18,358	24,714	15,237	17,906	

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 13 - INCOME TAXES (continued)

The Company and the Group did not recognise deferred tax asset as it is not probable that future taxable profits will be available to utilize the tax losses.

Deferred tax liability is recognized upon revaluation of assets (Note 17).

Movement of deferred tax liability

	Dalekovod (Group	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
At beginning of year	1,406	1,406	1,406	1,406
Charged to revaluation reserves	-	-	-	-
Reversed		-	-	
At end of year	1,406	1,406	1,406	1,406

NOTE 14 - BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the Company's net profit attributable to the Company shareholders and the weighted average number of ordinary shares in issue, excluding treasury shares. There are no diluted potential ordinary shares.

	Dalekovo	d Group
(in thousands of EUR)	2024	2023
Net loss attributable to shareholders (in thousands of EUR)	6,067	(3,210)
Weighted average number of shares:	31,246,205	41,246,205
Basic earnings per share (in EUR)	0,15	(0,08)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 15 - INTANGIBLE ASSETS

The Group

(in the average of EUD)	Caadwill	Caftuuana	Assets under	Total
(in thousands of EUR)	Goodwill	Software	construction	Total
At January 1, 2023				
Cost	161	6,077	687	6,925
Accumulated amortization and				
impairment losses	-	(5,942)	-	(5,942)
Net book value	161	135	687	983
For the year ended 31 December 2023				
At January 1	161	135	687	983
Additions	-	9	111	120
Capitalized salary costs	-	-	6	6
Transfer	-	712	(712)	-
Amortization	-	(140)	-	(140)
At December 31st	161	716	92	969
At 31 December, 2023				
Cost	161	6,798	92	7,051
Accumulated amortization and				
impairment losses	-	(6,082)	-	(6,082)
Net book value	161	716	92	969
For the year ended 31 December 2024				
At January 1	161	716	92	969
Additions	-	16	113	129
Transfer	-	12	(12)	-
Amortization	-	(159)	-	(159)
At December 31st	161	585	193	939
At December 31, 2024				
Cost	161	6,826	193	7,180
Accumulated amortization and				
impairment losses	-	(6,241)	-	(6,241)
Net book value	161	585	193	939

Goodwill is fully allocated to construction segment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 15 - INTANGIBLE ASSETS (continued)

The Company

		Assets under	
(in thousands of EUR)	Software	construction	Total
At January 1, 2023			
Cost	5,659	683	6,342
Accumulated amortization	(5,573)	-	(5,573)
Net book value	86	683	769
For the year ended 31 December 2023			
At January 1	86	683	769
Additions	_	101	101
Capitalized salary costs	-	6	6
Transfer	704	(704)	-
Amortization	(120)	-	(120)
At January 31st	670	86	756
At 31 December, 2023			
Cost	6,363	86	6,449
Accumulated amortization	(5,693)	-	(5,693)
Net book value	670	86	756
For the year ended 31 December 2024			
At January 1	670	86	756
Additions	-	106	106
Amortization	(141)	-	(141)
At December 31st	529	192	721
At 31 December, 2024			
Cost	6,363	192	6,555
Accumulated amortization	(5,834)	-	(5,834)
Net book value	529	192	721

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

The Group

				Assets	
			Plants and	under	
(in thousands of EUR)	Land	Buildings	equipment	construction	Total
At January 1, 2023					
Cost or deemed cost	10,436	38,900	52,058	110	101,504
Accumulated depreciation and		(31,345)	(38,330)		(69,675)
impairment losses		(31)3 .37	(30)330)		(03,073)
Net book value	10,436	7,555	13,728	110	31,829
For the year ended					
31 December 2023					
At January 1	10,436	7,555	13,728	110	31,829
Correction IFRS 16	10,430		(109)	-	(109)
Additions	_	27	3,835	_	3,862
Transfer	_	36	(36)	_	-
Disposals and write-offs	_	(3)	(632)	(41)	(676)
Depreciation	_	(742)	(2,569)	(41)	(3,311)
At December 31st	10.426		. , ,	60	
At December 31st	10,436	6,873	14,217	69	31,595
At December 31, 2023					
Cost or or deemed cost	10,436	38,960	55,116	69	104,581
Accumulated depreciation and	-	(32,087)	(40,899)	-	(72,986)
impairment losses					•
Net book value	10,436	6,873	14,217	69	31,595

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

For the year ended 31 December 2024	Land	Buildings	Plants and equipment	Assets under construction	Total
At January 1	10,436	6,873	14,217	69	31,595
Transfer	-	29	5,708	(5,737)	-
Exchange rate differences	-	-	24	-	24
Disposals and write-offs	-	-	(402)	-	(402)
Additions	-	8	2,071	6,365	8,444
Depreciation	-	(1,067)	(2,800)	-	(3,867)
At December 31st	10,436	5,843	18,818	697	35,794
At December 31, 2024					
Cost or deemed cost	10,436	38,997	62,895	697	113,025
Accumulated depreciation and impairment losses	-	(33,154)	(44,077)	-	(77,231)
Net book value	10,436	5,843	18,818	697	35,794

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

			Plants and	
(in thousands of EUR)	Land	Buildings	equipment	Total
At January 1, 2023				
Cost or deemed cost	8,815	14,458	37,195	60,468
Accumulated				
depreciation	-	(10,777)	(26,439)	(37,216)
Net book value	8,815	3,681	10,756	23,252
For the year ended				
31 December 2023				
At January 1	8,815	3,681	10,756	23,252
Revaluation	-	-	-	-
Additions	-	27	3,434	3,461
Disposals and write-offs	-	(3)	(764)	(767)
Depreciation	-	(288)	(1,950)	(2,238)
At December 31st	8,815	3,417	11,476	23,708
At December 31, 2023				
Cost or deemed cost	8,815	14,482	39,865	63,162
Accumulated				
depreciation	-	(11,065)	(28,389)	(39,454)
Net book value	8,815	3,417	11,476	23,708

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

				Assets	
For the year ended			Plants and	under	
31 December 2024	Land	Buildings	equipment	construction	Total
At January 1	8,815	3,417	11,476	-	23,708
Additions	-	-	1,010	6,365	7,375
Transfer	-	20	5,717	(5,737)	-
Disposals and write- offs	-	48	(340)	-	(292)
Exchange rate differences	-	(67)	91	-	24
Depreciation	-	(287)	(2,508)	-	(2,795)
At December 31st	8,815	3,131	15,446	628	28,020
At December 31, 2024					
Cost or deemed cost Accumulated	8,815	14,483	46,343	628	70,269
depreciation	-	(11,352)	(30,897)	-	(42,249)
Net book value	8,815	3,131	15,446	628	28,020

The land was revalued and assessed at fair value. The initial cost of the land amounted to EUR 2,410 thousand and an amount of EUR 6,405 thousand was recognised in previous years in revaluation reserve as the fair value adjustment. Other tangible assets are carried in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Plants in the amount of EUR 2,111 thousand were pledged as collateral for loan repayment as of 31 December 2024 (2023: EUR 2,224 thousand).

As of 31 December 2024, assets under lease where the Group and the Company are lessees amounted to EUR 521 thousand for the Group and EUR 340 thousand for the Company (2023: EUR 68 thousand for the Group, while the Company had no assets under lease).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 17 – INVESTMENT PROPERTY

(in thousands of EUR)	Land	Buildings	Plants and equipment	Total
At January 1, 2023				
Cost	790	20,687	3,199	24,676
Accumulated depreciation	-	(17,198)	(1,497)	(18,695)
Net book value	790	3,489	1,702	5,981
For the year ended 31 December 2023				
At January 1	790	3,489	1,702	5,981
Depreciation	-	(453)	(249)	(702)
At December 31st	790	3,036	1,453	5,279
At December 31, 2023				
Cost	790	20,687	3,199	24,676
Accumulated depreciation	-	(17,651)	(1,746)	(19,397)
Net book value	790	3,036	1,453	5,279
For the year ended 31 December 2024				
At January 1	790	3,036	1,453	5,279
Disposals and write-offs	-	(48)	(17)	(65)
Depreciation	-	(391)	(248)	(639)
At December 31st	790	2,597	1,188	4,575
At December 31, 2024				
Cost	790	20,639	3,182	24,611
Accumulated depreciation	-	(18,042)	(1,994)	(20,036)
Net book value	790	2,597	1,188	4,575

Investments in real estate at the Company level relate to a portion of real estate that is leased intragroup to subsidiaries. These assets are treated as regular real estate at the Group level and the Group does not perform or disclose fair value estimates related to these assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 18 - LEASES

The Company leases vehicles under lease agreements.

/i/ The leases reported in the statement of financial position within the Property, plant and equipment as at 31 December are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	2024	2023	2024	2023
Property with the right of use:				
Vehicle	496	29	340	-
Equipment	25	39	-	
	521	68	340	
Lease liabilities:				
Short-term	188	34	147	-
Long-term	338	37	198	
	526	71	345	-

/ii/ Long-term lease liabilities at 31 December as follows:

	Dalekovod	Group	Dalekovod d.d.		
(in thousands of EUR)	2024	2023	2024	2023	
1-2 years	227	15	198	-	
2-5 years	111	22	-		
	338	37	198	-	

/iii/ The leases reported in the statement of comprehensive income are as follows:

	Dalekovod	Group	Dalekovod d.d.		
(in thousands of EUR)	2024	2023	2024	2023	
Depreciation	155	56	111	-	
Interest expenses (Note 12)	22	4	13	-	
Rental cost related to short-term leases (Note 8)	5,419	7,162	5,317	7,063	
	5,596	7,222	5,441	7,063	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 18 - LEASES (continued)

/iv/ An overview of movements in right-of-use assets is as follows:

	Dalekovod Group	Dalekovod Group	Dalekovod d.d.	Dalekovod d.d.
_	2024	2023	2024	2023
(in thousands of EUR)	Assets	Assets	Assets	Assets
For the year ended at 31 December 2023				
Opening net book value of leases recognized under IFRS 16	1,660	1,738	843	952
Accumulated depreciation	(1,592)	(1,536)	(843)	(843)
Net book value	68	202	-	109
Opening net book value	68	202	-	109
Increase	608	-	451	-
Correction IFRS 16	-	(78)	-	(109)
Depreciation	(155)	(56)	(111)	-
Closing net book value	521	68	340	-
At 31 December 2024				
Cost	2,268	1,660	1,294	843
Accumulated depreciation	(1,747)	(1,592)	(954)	(843)
Net book value	521	68	340	-

NOTE 19 - INVESTMENTS IN SUBSIDIARIES

	Dalekovod d.d.			
(in thousands of EUR)	2024	2023		
At January 1	11,130	6,491		
Value adjustment /i/	(3,110)	-		
Transfer of share	-	4,904		
Prodaja Adria d.o.o.	-	(265)		
Closing of Cinčaonica d.o.o. in liquidation /ii/	(3)			
At December 31st	8,017	11,130		

/i/ The value adjustment of investments in subsidiaries in 2024 in the amount of EUR 3,110 thousand refers to Dalekovod MK d.o.o. (note 20). The Management Board recognized a value adjustment following an evaluation conducted by an independent appraiser.

/ii/ In 2024 the liquidation of the company Cinčaonica usluge d.o.o. in liquidation, was completed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 19 - INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2024 the Company owns shares in the following subsidiaries:

Company name	Country of incorporation	Primary activity	Ownership	Investment	Impairment	Net investment
				(in thousands o	f EUR)	
Dalekovod d.o.o., Ljubljana	Slovenia Bosnia and	Construction	100.00	275	-	275
Dalekovod d.o.o., Mostar	Herzegovina	Construction	100.00	28	-	28
Dalekovod MK d.o.o., Velika Gorica	Croatia	Production	100.00	29,565	(29,186)	379
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	612	-	612
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	2,700	(2,700)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	2	(2)	-
Dalekovod OSO d.o.o., Velika Gorica	Croatia	Other	100.00	4,904	-	4,904
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	1,003	-	1,003
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	531	-	531
Dalekovod Libya for engineering, joint venture	Libya	Construction	65.00	117	(117)	-
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	10	-	10
Dalekovod Norge AS	Norway	Construction	100.00	275	-	275
			_	40,022	(32,005)	8,017

During 2024, the liquidation of the company Cinčaonica d.o.o. in liquidation was completed, and a value impairment of the investment in the company Dalekovod MK d.o.o. was recognized, amounting to EUR 3,110 thousand. The value of the company Dalekovod MK d.o.o. at 31 December 2024 is EUR 379 thousand, which ih line with the assessment of an independent appraiser.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 19 - INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2023 the Company owns shares in the following subsidiaries:

	Country of					
Company name	incorporation	Main activity	Ownership	Investment	Impairment	Net investment
				(in thousands o	f EUR)	
Dalekovod d.o.o., Ljubljana	Slovenia Bosnia and	Construction	100.00	275	-	275
Dalekovod d.o.o., Mostar	Herzegovina	Construction	100.00	28	-	28
Dalekovod MK d.o.o., Velika Gorica	Croatia	Production	100.00	29,565	(26,076)	3,489
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	612	-	612
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	2,700	(2,700)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	2	(2)	-
Dalekovod OSO d.o.o., Velika Gorica	Croatia	Other	100.00	4,904	-	4,904
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	1,003	-	1,003
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	531	-	531
Dalekovod Libya for engineering, joint venture	Libya	Construction	65.00	117	(117)	-
Dalekovod Ukrajina d.o.o.	The Ukraine	Construction	100.00	10	-	10
Dalekovod Norge AS	Norway	Construction	100.00	275	-	275
Cinčaonica usluge d.o.o.	Croatia	Other	100.00	3	-	3
			_	40,025	(28,895)	11,130

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 19 – INVESTMENTS IN SUBSIDIARIES (continued)

Recoverability of investments in subsidiaries

At the end of each reporting period, the Company assesses whether there are indicators that the value of investments in dependent entities needs to be reduced and estimates the recoverable amount of the investment.

For investment valuation, the Discounted Cash Flow (DCF) method is applied, based on the assumption that a company's value represents the present value of its future net cash flows. The objectivity of the DCF calculation largely depends on the realism of medium-term business plans, the discount rate applied to future cash flows, and the calculation of the entities' residual value. Determining the discount rate depends on the interest rate applied to risk-free investments (government bonds) and a risk premium reflecting the specificities, market position, and technological capabilities of the entity.

In 2024, as in 2023, the Company performed impairment tests on investments in dependent entities where indicators of value reduction were identified. During 2024, an independent external appraiser conducted valuations of the dependent entities.

In 2024, the Company conducted an impairment test on its investment in the dependent entity Dalekovod MK d.o.o. The recoverable amount calculation was based on the approved five-year business plans of the dependent entity, grounded in existing order books and the application of the discounted future cash flow method with a capital return rate of 9.96%. The impairment test assumed a compound annual growth rate of 6% over the five-year period and a terminal growth rate of 1%.

Based on the valuation for Dalekovod MK d.o.o., a significant impairment was recognized (Note 19).

The Company also analyzed the sensitivity of impairment tests to changes in key assumptions, such as the discount rate and terminal growth rate. A reasonable increase (by 50 basis points) in the weighted average cost of capital (with an unchanged terminal growth rate) would not significantly impact the impairment test outcome for Dalekovod MK d.o.o., nor would a reasonable decrease (by 50 basis points) in the terminal growth rate (with an unchanged weighted average cost of capital).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 20 - INVESTMENTS IN ASSOCIATES

	Dalekovod G	roup	Dalekovod (d.d.
(in thousands of EUR)	2024	2023	2024	2023
At beginning of year	1	1	1	1
At end of year	1	1	1	1
Associates are as follows:				
	Dalekovod (Group	Share %	,
(in thousands of EUR)	2024	2023	2024	2023
Members of TLM Group	1	1	22-25	22-25
Total	1	1		

NOTE 21 – FINANCIAL INSTRUMENTS PER CATEGORIES

Group

(in thousands of EUR)	Note	2024	2023
Financial assets			
Trade receivables	24	41,411	35,483
Receivables under construction agreements	24	31,022	20,830
Loans receivable and deposits	24	9,429	8,193
Other receivables	24	333	244
Cash and cash equivalents	25	12,328	12,345
Total		94,523	77,095
Financial liabilities			
Loans	27	4,035	5,718
Bonds	27	1,346	1,540
Lease liabilities	27	7,452	4,696
Trade payables	28	31,850	30,271
Other payables	28	740	393
Total		45,423	42,618

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 21 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company

(in thousands of EUR)	Note	2024	2023
Financial assets at amortised cost			
Trade receivables	24	33,943	30,617
Receivables under construction agreements	24	27,587	17,988
Loans receivable and deposits	24	9,613	8,447
Interest receivables	24	13	85
Receivables from subsidiaries for share in profit	24	536	331
Other receivables	24	242	164
Cash and cash equivalents	25	9,692	10,262
Total		81,626	67,894
Financial liabilities at amortised cost			
Loans	27	4,217	5,909
Bonds	27	1,776	2,033
Lease liabilities	27	7,258	4,604
Trade payables	28	23,271	25,142
Other payables	28	397	335
Total	_	36,919	38,023

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 22 - LOANS AND RECEIVABLES

	Dalekovod	Group	Dalekov	vod d.d.
(in thousands of EUR)	2024	2023	2024	2023
	242	0.40	222	000
Long-term deposits	910	919	900	909
Long-term guarantee deposits -				
retentions	5,264	5,556	5,264	5,555
Other long-term receivables	12	6	-	-
Long-term loans receivable:				
 housing and other loans to 				
employees	11	16	11	13
- loans to subsidiaries	-	-	108	108
Impairment of long-term deposits				
and loans receivable	(362)	(432)	(362)	(432)
Total long-term deposits and loans				
receivable	5,835	6,065	5,921	6,153
_				
<u></u>	5,835	6,065	5,921	6,153

Deposits

Deposits are mostly denominated in EUR and used as collateral for bank guarantees. Some deposits are not interest bearing and other had effective interest rates, ranging to 0.01%.

Long-term guarantee deposits refer to retentions or retentions for each invoice / situation issued, which amounts are defined in accordance with the provisions of the contract. The amounts of retentions for individual projects vary between 5% -10% and are cumulated up to a certain contract value.

While for the Norwegian market the specific cumulation of retention value is 10% for each invoice issued, at the same time this amount is limited to a maximum of 5% of the total contract value. While for the Swedish market the specific cumulation of retention value is 5% for each invoice issued, at the same time this amount is limited to a maximum of 5% of the total contract value.

For other retentions, the accumulation in % is characteristic, defined by the contract, for the entire period of contract implementation. In all cases, the retention is released after the takeover of the facility by the Investor, after the construction period and if the contracts allow it after the partial takeover of part of the facility with the consent of the Investor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 22 - LOANS AND RECEIVABLES (continued)

Changes in provisions for impairment of long-term deposits and loans are as follows:

	Dalekovod Gro	oup	Dalekovod o	d.d.
(in thousands of EUR)	2024	2023	2024	2023
At January 1	432	221	432	221
Discount of guarantee deposits	(70)	211	(70)	211
At 31 December	362	432	362	432

NOTE 23 - INVENTORIES

	Dalekovod Gi	oup	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Raw materials Finished and semi-finished products	6,520	6,956	1,263	1,118
and work in progress	3,879	4,233	-	-
Spare parts	1,388	1,298	1,022	767
Commercial goods	4,402	3,647	73	579
_	16,189	16,134	2,358	2,464

Cost of raw materials and supplies recognised in the income statement is disclosed in Note 8.

The cost of inventory adjustment recognized in the income statement is shown in note 10.

The value of the inventory position in the Statement of financial position is reduced by the cost of value adjustments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 24 - TRADE AND OTHER RECEIVABLES

	Dalekovod Gr	oup	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Domestic trade receivables	16,448	13,894	17,538	15,484
Foreign trade receivables	25,304	21,775	16,539	15,140
Impairment of trade receivables	(341)	(186)	(134)	(7)
	41,411	35,483	33,943	30,617
Receivables from customers for				
contract work	31,022	20,830	27,587	17,988
Guarantee deposits (retentions) -				
short-term part	3,364	1,855	3,364	1,855
Short-term deposits /iii/	193	221	129	105
Loans to subsidiaries	-	-	199	334
Other short-term loans /i/	199	256	162	204
Receivables for interest	-	-	13	85
Receivables from subsidiaries for				
profit share	-	-	536	331
Other receivables	6,970	6,880	6,879	6,800
Impairment of other financial				
assets	(6,799)	(6,840)	(6,799)	(6,840)
Total financial assets	76,360	58,685	66,013	51,479
Advances /ii/	5,457	8,250	4,791	7,352
Receivables from employees	17	6	16	6
VAT receivables	2,238	2,725	1,428	2,048
Outstanding VAT receivables	83	2	34	2
Prepaid expenses	865	903	844	872
Total non-financial assets	8,660	11,886	7,113	10,280
	85,020	70,571	73,126	61,759

/i/ Other short-term loans and loans to subsidiaries are with annual interest rates from 0%-3.25%. Interest rates for domestic loans is adjusted according to the Decision on interest rates on loans between related parties, while part of the loan is interest-free (0%). Loans to related parties are approved for a period of up to 9 months with equal repayment instalments, and are secured by promissory notes. Credit risk related to credit claims is limited due to the allocation of these claims to various customers.

/ii/ Advances were granted to suppliers for the purchase of material and equipment, as well as for design services.

/iii/ Short-term deposits are mostly dedicated time deposits whose purpose is insurance for issued bank placements and deposits. All deposits are due within a period of one year after the reporting date. Short-term deposits are completely interest-free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 24 - TRADE AND OTHER RECEIVABLES (continued)

Ageing structure of customer receivables is as follows:

	Dalekovod Group Dalekovod d.d			d d.d.
(in thousands of EUR)	2024	2023	2024	2023
Not due	26,008	19,147	22,463	16,249
Up to 90 days	10,015	9,266	5,739	6,517
From 91 to 180 days	1,737	1,627	1,723	1,749
Over 180 days	3,651	5,443	4,018	6,102
	41,411	35,483	33,943	30,617

Changes in provisions for impairment of customer receivables and other financial assets are as follows:

	Dalekovod Gro	ир	Dalekovod d	.d.
(in thousands of EUR)	2024	2023	2024	2023
At January 1	7,026	966	6,847	1,137
Additional				
impairment	155	6,643	127	6,581
Collected amounts				(290)
Written off	(41)	(583)	(41)	(581)
At 31 December	7,140	7,026	6,933	6,847

The carrying amounts of the Group's and the Company's financial assets are denominated in the following currencies:

	Dalekovod	Group	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
EUR	48,689	39,465	39,026	32,769
NOK	8,010	3,500	7,768	3,213
SEK	11,337	7,879	10,897	7,694
UAH	2,581	2,728	2,581	2,728
Other	5,743	5,113	5,741	5,075
Total	76,360	58,685	66,013	51,479

Fair value of customer receivables approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 25 - CASH AND CASH EQUIVALENTS

	Dalekovod	Group	Dalekovo	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Cash at bank and in cash in local currency	6,807	5,916	4,506	4,211
Cash at bank and in cash in foreign currency	5,521	6,429	5,186	6,051
	12,328	12,345	9,692	10,262

Cash and cash equivalents in foreign currency is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	2024	2023	2024	2023
NOK	2,287	1,657	2,287	1,657
SEK	2,618	4,246	2,529	4,245
UAH	12	21	7	10
Other foreign currencies	604	505	363	139
Total	5,521	6,429	5,186	6,051

NOTE 26 - SHAREHOLDERS' EQUITY

Share capital

The share capital as of December 31, 2024 is EUR 41,247 thousand (December 31, 2024: EUR 41,247 thousand), and is divided into 41,247,193 shares (2023: 41,247,193 shares). The nominal value of one share is EUR 1.00 (December 31, 2023: (EUR 1.00).

The structure of shareholders at December 31 is as follows:

	Number of shares		Share	
_	2024	2023	2024	2023
Napredna energetska rješenja d.o.o.	31,000,000	31,000,000	75.16%	75.16%
Financial institutions	8,543,017	9,144,753	20.71%	22.17%
Foreign individuals or entities	3,776	3,928	0.01%	0.01%
Individuals	1,630,438	463,956	3.95%	1.12%
Own shares	988	988	0.00%	0.00%
Other _	68,974	633,568	0.17%	1.54%
_	41,247,193	41,247,193	100%	100%

At 31 December 2024 the company Napredna energetska rješenja d.o.o. (NER) held 75.16% of Company shares. Only member of NER, holding 100% of ownership share is company KONČAR-Elektroindustrija D.D. In 2025, NER was dmerged with company KONČAR-Elektroindustrija D.D.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 26 - SHAREHOLDERS' EQUITY (CONTINUED)

Capital reserves

During 2024 there were no changes to capital reserves.

Legal reserves

The legal reserve is required under Croatian law whereby a minimum of 5% of the profit for the year is required to be allocated to legal reserves until they reach 5% of the Company's share capital. Legal reserves are not distributable.

Treasury shares

As at 31 December 2024 the Company owns 988 treasury shares (2023: 988 treasury shares).

Statutory and other reserves

Statutory and other reserves consist of reserves for own shares in the amount of EUR 1,124 thousand (2023: EUR 1,124 thousand).

Revaluation reserves

Revaluation reserves arise from determining the fair value of the land. In 2024 there were no significant changes that would require the need for an additional value correction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 27 - BORROWINGS

	Average					
(in thousands of	interest	Dalekovod Gr	oup	Dalekovod d.d.		
EUR)	rate	2024	2023	2024	2023	
Long-term						
Loans from banks						
and subsidiaries	5.78%	1,497	3,131	1,497	3,131	
Bonds	4.00%	1,143	1,345	1,508	1,776	
Lease liabilities	6.10%	5,172	3,330	5,022	3,280	
		7,812	7,806	8,027	8,187	
Short-term Loans from banks						
and subsidiaries	5.78%	2,538	2,587	2,720	2,778	
Bonds	4.00%	203	195	268	257	
Lease liabilities	6.10%	2,280	1,366	2,236	1,324	
		5,021	4,148	5,224	4,359	
Total loans	<u>-</u>	12,833	11,954	13,251	12,546	

Gross liabilities for lease - minimum lease payments:

	Dalekovod (Group	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Up to 1 year	2,329	1,374	2,237	1,323
Between 1 to 5 years	5,172	3,330	5,021	3,281
	7,501	4,704	7,258	4,604
Future finance costs for finance lease Present value of liabilities for finance	(49)	(8)	0	0
lease	7,452	4,696	7,258	4,604

Of the total amount of loans from banks and subsidiaries reported by the Company and the Group as of December 31, 2024, part of the debt in the amount of EUR 905,000 thousand relates to a bank in Norway that has a lien on the Company's movable property up to a total value of EUR 2,111 thousand.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 27 – BORROWINGS (continued)

The Group's borrowings in the amount of EUR 7,960 thousand (2023: EUR 8,454 thousand) are exposed to changes in interest rates, as the contractual interest rate is variable. Other borrowings in the amount of EUR 4,873 thousand have a fixed interest rate and relate to bonds and part of financial leasing liabilities. (2023: EUR 3,500 thousand).

The interest rate for bonds is fixed at 4%, for the loan granted to the subsidiary Dalekovod NUF subsidiary with a repayment period until the end of 2024, the currently applicable interest rate is 10.99%, the variable interest rate for financial lease ranges between 5.64%-6.75%, while the fixed interest rate for financial lease is 4.75%-6.55%.

Borrowings for the Group:

		Lease	
(in thousands of EUR)	Loans and bonds	liabilities	Total,
At January 1, 2023	4,106	4,179	8,285
Cash receipts	4,900	-	4,900
Loan repayments	(1,332)	-	(1,332)
Bond redemption	(188)	-	(188)
New leases	-	1,923	1,923
Lease repayment	-	(1,069)	(1,069)
Other non-cash transactions	-	(109)	-109
Exchange rate differences	(228)	(228)	-456
At December 31, 2023	7,258	4,696	11,954
			_
At January 1, 2024	7,258	4,696	11,954
Loan repayments	(1,633)	-	(1,633)
Bond redemption	(195)	-	(195)
New leases	-	4,276	4,276
Lease repayment	-	(1,580)	(1,580)
Other non-cash transactions	-	152	152
Exchange rate differences	(49)	(92)	(141)
At December 31, 2024	5,381	7,452	12,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 27 – BORROWINGS (continued)

Borrowings for the Company:

At January 1, 2023 5,608 4,051 9,659 Cash receipts 4,900 - 4,900 Loan repayments (1,332) - (1,332) Bond redemption (248) - (248) New leases - 1,923 1,923 Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 Cash receipts - - - Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151) At December 31, 2024 5,993 7,258 13,251 </th <th></th> <th>Loans and</th> <th>Liabilities for</th> <th></th>		Loans and	Liabilities for	
Cash receipts 4,900 - 4,900 Loan repayments (1,332) - (1,332) Bond redemption (248) - (248) New leases - 1,923 1,923 Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 Cash receipts - - - Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	(in thousands of EUR)	bonds	loans	Total
Loan repayments (1,332) - (1,332) Bond redemption (248) - (248) New leases - 1,923 1,923 Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	At January 1, 2023	5,608	4,051	9,659
Bond redemption (248) - (248) New leases - 1,923 1,923 Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Cash receipts	4,900	-	4,900
New leases - 1,923 1,923 Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Loan repayments	(1,332)	-	(1,332)
Lease repayment - (1,035) (1,035) Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Bond redemption	(248)	-	(248)
Other non-cash transactions (745) (109) (854) Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	New leases	-	1,923	1,923
Exchange rate differences (241) (226) (467) At December 31, 2023 7,942 4,604 12,546 At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Lease repayment	-	(1,035)	(1,035)
At December 31, 2023 7,942 4,604 12,546 At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Other non-cash transactions	(745)	(109)	(854)
At January 1, 2024 7,942 4,604 12,546 Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Exchange rate differences	(241)	(226)	(467)
Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	At December 31, 2023	7,942	4,604	12,546
Cash receipts - - - Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)				_
Loan repayments (1,633) - (1,633) Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	At January 1, 2024	7,942	4,604	12,546
Bond redemption (257) - (257) New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Cash receipts	-	-	-
New leases - 4,276 4,276 Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Loan repayments	(1,633)	-	(1,633)
Lease repayment - (1,530) (1,530) Exchange rate differences (59) (92) (151)	Bond redemption	(257)	-	(257)
Exchange rate differences (59) (92) (151)	New leases	-	4,276	4,276
	Lease repayment	-	(1,530)	(1,530)
At December 31, 2024 5,993 7,258 13,251	Exchange rate differences	(59)	(92)	(151)
	At December 31, 2024	5,993	7,258	13,251

Loans are denominated in currencies as follows:

	Dalekovod Gr	Dalekovod d.d.		
(in thousands of EUR)	2024	2023	2024	2023
EUR	10,196	8,237	10,432	8,829
NOK	2,615	3,689	2,797	3,689
Other currencies	22	28	22	28
Total	12,833	11,954	13,251	12,546

The repayment plan for long-term loans is as follows:

	Dalekovod Gro	Dalekovod Group		
(in thousands of EUR)	2024	2023	2024	2023
Between 1 to 5 years	1,497	3,131	1,497	3,131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 28 – TRADE AND OTHER PAYABLES

Short-term liabilities

	Dalekovod G	roup	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
Domestic trade payables	15,682	16,339	14,462	15,567
Foreign trade payables	16,168	13,932	8,809	9,575
	31,850	30,271	23,271	25,142
Interest liabilities	100	96	182	164
Accrued and other liabilities	640	297	215	171
Financial liabilities	32,590	30,664	23,668	25,477
Advances	16,937	13,017	14,260	10,450
Deferred income	8,840	5,513	8,840	5,414
Accrued expenses	602	906	602	906
Liabilities towards employees	3,073	2,808	2,331	2,238
VAT payables	964	259	962	129
Taxes and contributions	1,120	941	692	614
Unused vacation days	1,282	638	1,014	382
Other short-term liabilities	81	70	78	66
Non-financial liabilities	32,899	24,152	28,779	20,199
	65,489	54,816	52,447	45,676

There are no long-term obligations to suppliers in 2024.

The Group's and the Company's short-term financial liabilities are denominated as follows:

	Dalekovod G	roup	Dalekovod	d.d.
(in thousands of EUR)	2024	2023	2024	2023
EUR	23,704	22,889	18,193	18,127
NOK	1,102	893	1,102	891
SEK	1,369	2,665	1,127	2,410
UAH	2,367	2,461	2,367	2,461
Other foreign currencies	4,243	1,756	1,074	1,588
Total	32,785	30,664	23,863	25,477

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 29 - PROVISIONS

Group

		Severance	Other	
(in thousands of EUR)	Jubilee awards	payments	provisions	Total
At 1 January 2024	219	809	2,847	3,875
Increase	13	1,708	2,528	4,249
Decrease	(2)	-	(1,508)	(1,510)
At 31 December, 2024	230	2,517	3,867	6,614
Analysis:			2024	2023
Non-current portion			1,869	3,286
Current portion			4,745	589
Total			6,614	3,875

The Company

(in thousands of EUR)	_ Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2024	117	529	2,834	3,480
Increase	4	1,655	2,519	4,178
Decrease	-	-	(1,496)	(1,496)
At 31 December, 2024	121	2,184	3,857	6,162
Analysis:				
			2024	2023
Non-current portion			1,676	3,077
Current portion			4,486	403
Total		<u> </u>	6,162	3,480

Provisions for jubilee awards and retirement benefits and bonuses

These provisions relate to estimated long-term employee benefits for jubilee awards and regular retirement benefit at the time of retirement according to the Collective Labour agreement. The liability is calculated by independent actuaries. Significant assumptions used by the actuary are as follows: an annual fluctuation rate of 9.00% for the Group, and 11.8% for the Company (2023: Group 9.05%, Company 11.8%), the age of retirement is determined for each individual employee considering their present age and the overall realised years of service. The average age of retirement used in the calculation for the Company is 62 years and the Group is 61 years for men and for women it is 61 for the Company and 62 for the Group (2023: the average age of retirement used in the calculation for the Company and the Group is 62 years for men, and for women 61 years for the Company and 62 years for the Group).

Within the category for severance pay and bonuses, the Company calculated the cost for bonuses to management in the amount of EUR 1,518 thousand, while the Group calculated the amount of EUR 1,653 thousand.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 29 – PROVISIONS (continued)

Other provisions

Other provisions relate to provisions for litigation in the amount of EUR 1,389 thousand (in 2023 in the amount of EUR 2,834 thousand) for the Company and EUR 1,399 thousand (2023: EUR 2,847 thousand) for the Group, as well as provisions related to the dispute initiated by Hanfa in the amount of EUR 2,468 thousand for the Company and the Group.

Provisions for litigation refer to pending litigation and for the costs of litigation against the Company and the Group. Based on the first-instance verdict, the claim was partially accepted in the dispute in Poland, and during 2024 the provision for litigation in the amount of EUR 1,418 thousand was released.

Other provisions relate to liabilities under the misdemeanour dispute initiated by Hanfa against Dalekovod d.d. By the first-instance verdict, Dalekovod d.d. was found guilty and fined EUR 3,703 thousand, or EUR 2,468 thousand, if paid within 30 days of becoming final. Based on this judgment, a reservation in the amount of EUR 2,468 thousand was made and the said amount was paid in 2025.

NOTE 30 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party, if it is under common control or if it has significant influence over the other party's operations.

In the ordinary course of business operations, the Company enters into related party transactions, which include the purchase of goods and services and loans. The nature of services with related parties is based on normal commercial terms. In addition to the subsidiaries presented in Note 19, associates presented in Note 20, the Company's related parties include its Management Board, Executive Directors, their related parties.

Transactions with related companies also include the owner of Napredna energetska rještenja d.o.o. and its founders Končar – Ulaganja d.o.o. and Construction Line Limited as well as their associated companies. Končar – Ulaganja d.o.o. is owned in full by Končar – Elektroindustrije d.d. which is considered the ultimate owner.

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 30 - RELATED PARTY TRANSACTIONS (continued)

Items in the income statement for the year and balances in the statement of financial position at the end of the year that relates to subsidiaries are as follows:

Income and expenses

(in thousands of EUR)	2024	2023
Sales revenue	5,646	4,071
Rental income	1,177	777
Interest income	9	62
Other financial income	-	91
Income from profit sharing	905	978
Other operating income	1,697	1,195
	9,434	7,174
Costs of raw material and material	6,909	7,930
Subcontractor services	911	792
Other staff costs	33	198
Other operating expenses	3,175	68
Interest expense and foreign exchange losses	23	37
	11,051	9,025

In 2024, the methodology for calculating the fee for business cooperation and support services was changed and new business cooperation agreements were concluded with all members of the Dalekovod Group. The Company observes the significant activity of an individual organizational unit/entity, according to which the share of completed work for an individual member of the Dalekovod Group in the total business activities of that organizational unit is defined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

Receivables, liabilities and loan		
(in thousands of EUR)	2024	2023
Trade receivables	4,945	7,006
Receivables from subsidiaries for profit share	536	331
Impairment of trade receivables	-	(2,074
Short-term deposits	41	38
Interest receivables	13	85
Advances	832	842
Loans receivable	307	733
Impairment of loans receivable		(292)
	6,674	6,669
Trade payables	1,576	3,525
Interest payables	83	79
Accrued and other liabilities	-	27
Bonds	430	493
Loans	182	191
	2,271	4,315
Company transactions with Končar Group companies:		
Income and expenses		
(in thousands of EUR)	2024	2023
Sales revenue	231	1,438
_	231	1,438
Costs of goods sold		
Costs of raw material and material	598	753
Subcontractor services	2,167	514
Other operating expenses	248	40
Other employee expenses	20	2
<u>-</u>	3,033	1,309
Receivables, liabilities and loan		
(in thousands of EUR)	2024	2023
Trade receivables	98	423
Advances	191	380
_	289	803
Trade payables	1,408	785
-	1,408	785

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 30 - RELATED PARTY TRANSACTIONS (continued)

Dalekovod Group transactions with Končar Group companies:

Income	and	expend	liture
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(in thousands of EUR)	2024	2023
Sales revenue	834	1,842
	834	1,842
Costs of raw material and material	5,295	753
Subcontractor services	2,272	549
Other operating expenses	265	42
Other employee expenses	27	3
	7,859	1,347
Receivables, liabilities and loan		
(in thousands of EUR)	2024	2023
Trade receivables	332	492
Advances	1,128	380
	1,460	872
Trade payables	1,561	792
	1,561	792

Transactions with key management

Key management consists of Management Board, Executive Directors, and Heads of departments, 47 people in total (2023: 35 people). Remuneration to key management at Group's level amounted to EUR 5,110 thousand (2023: EUR 3,287 thousand), while remuneration at the level of the Company amounted to EUR 4,018 thousand (2023: EUR 2,384 thousand).

Remuneration to Supervisory Board members in 2024 amounted to EUR 7 thousand (2023: EUR 7 thousand).

FOR THE YEAR ENDED 31 DECEMBER 2024

NOTE 31 - CONTINGENCIES AND COMMITMENTS

As on 31 December 2024, the Group had concluded contracts whose performance had started, but has not been completed. Undertaken obligations at the level of the Group that have yet to arise under these agreements are estimated at EUR 239,095 thousand (2023: EUR 233,806 thousand).

As of December 31, 2024, the Group and the Company are exposed to potential liabilities on the basis of issued bank guarantees (as a means of securing payment, ensuring the quality of performed works) in the total amount of EUR 92,503 thousand and EUR 78,408 thousand (2023: EUR 57,021 thousand for the Group and EUR 47,489 thousand for the Company). The Company is additionally exposed as a co-debtor of subsidiaries in the total amount of EUR 12,552 thousand (2023: EUR 8,814 thousand). The Group and the Company estimate that it is not probable that the contingent liabilities on account of bank guarantees will be collected since the Group and the Company, just as in the previous periods, have been meeting all their project-related contractual obligations.

During regular business operations, the Group was involved in several court proceedings, either as the plaintiff or the respondent. In the opinion of the Management and legal consultant, a provision is made for those disputes that will potentially result in a loss (Note 30). In addition to the disputes for which reservations have been made, there are also court proceedings which, in the opinion of the Board and the legal consultant, will not result in a loss.

NOTE 32 - EVENTS AFTER THE REPORTING DATE

Payment based on reservation

During 2025, the payment was made on the basis of provisions, as detailed in note 29 to the financial statements.

There were no other significant events after the reporting date.