HARJU ELEKTER

Electrifying **Tomorrow**

Annual Report 2022

AS HARJU ELEKTER
Consolidated Annual Report 2022
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AUDITOR: AS PricewaterhouseCoopers
BEGINNING OF FINANCIAL YEAR: 1 January 2022
END OF FINANCIAL YEAR: 31 December 2022
ANNEXES:

- Independent auditor’s report
- Profit allocation proposal
- Supplementary annexes

Translation of the company’s consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed https://nasdaqbaltic.com/statistics/en/instrument/EE3100004250/reports

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A year of crisis laying a strong foundation

TIIT ATSO
Chairman of the Management Board

The year 2022 started optimistically at Harju Elekter, but it became clear in the first few months that the company would face yet another year of crisis, marking the third consecutive year of difficulties. After the start of Russia's full-scale military operations in Ukraine, customers who had increased their order volumes, significantly improved supply chains and prices of materials and components found themselves in a difficult situation once again.

To ensure that the supply chains continued to function despite the crisis, we increased our inventory. In addition, we initiated difficult negotiations with customers to increase prices and improve the economic results. Without taking into account one-time write-offs, we managed to improve the financial results in the second half of the year.

Together with the approval of the new strategic plan, the internal restructuring of the Group started in 2020 was almost completed. We have brought all production companies under the common Harju Elekter brand and introduced the tagline "Electrifying tomorrow". Through mergers, the company streamlined its operations, leaving only the main production company with focused activities in each country of location.

Following changes to the Group's Supervisory Board in 2022, the management was given a more effective and responsible role in managing the Group. As a result, a strong Group management consisting of experts was formed, and a more centralized management approach was initiated, especially in areas such as financial management-control, production-supply chain, and sales-marketing. We are gradually working towards creating unified Harju Elekter Group.

In 2022, Harju Elekter faced a difficult situation with its long-term financial partners, the banks of the Nordic countries. These banks reneged on previously given promises, making the Group's liquidity situation increasingly challenging. This left Harju Elekter with no long-term financing for the purchase of a new factory in Sweden, forcing the company to temporarily use all available liquidity.

The situation improved at the end of the year with the loan agreement reached with the local Coop bank, which recognized the Group's strong capitalization, guarantees, and commitment to sustainable activities. Although the Group's capitalization is still strong, rapidly rising interest rates are a new and additional risk to our liquidity and financial results. In response, Harju Elekter has set a goal of reducing foreign capital and has already begun implementing a program to reduce inventory by implementing lean methodologies in production companies.

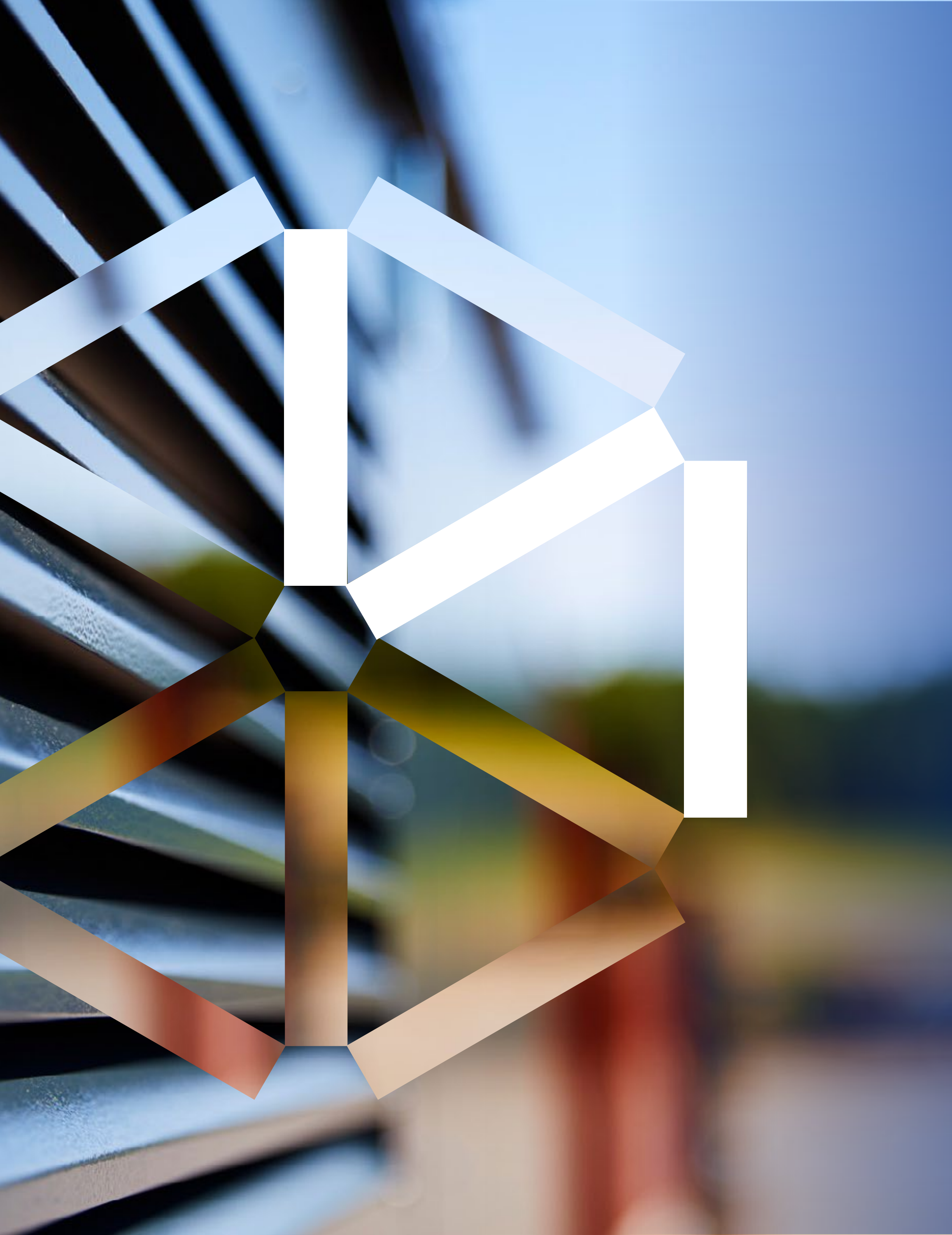
The ongoing war in Ukraine and the energy crisis have caused delays in the fulfilment of green revolution goals in the coming years. However, these events have also accelerated the fulfilment of long-term goals and deadlines. The energy crisis and green revolution have motivated Harju Elekter's customers to invest even more in electrification. Customers are increasingly demanding and in the future are expected to prefer companies that invest in environmentally friendly and socially responsible production.

We have consistently improved the disclosure of our sustainable activities, taking steps to link the sustainable way of doing business with our daily activities and thereby also promote business growth. In 2022, the Harju Elekter Group approved a sustainability strategy that focuses on four topics: customer focus, employees, environment, and responsible management. These topics will be the focus of the Group's five-year vision (2022-2026).

As we head into 2023, we feel that Harju Elekter is in a stronger position than ever before. We have laid a solid foundation for the future with our new strategic plan, which includes specific steps to strengthen the operation of the unified group. We have also completed our long-term investment plan, resulting in modern factories and equipment located in Estonia, Lithuania, Finland and Sweden. The Group has good liquidity and capitalization and a strong management structure.

The main goal for Harju Elekter in 2023 is to continue reviewing business directions and focus on improving production efficiency, ensuring timely product completion, and expanding the real estate investment portfolio through the construction of a new production building for the purpose of rental income. The company has ended its active business activities in retail and wholesale trade in Estonia, where risks taken a few years ago were realized in 2022. Harju Elekter's strategy, which is aligned with sustainability goals, prioritizes increasing sales volumes and profitability of industrial production and projects in the coming years.

TIIT ATSO
Chairman of the Management Board



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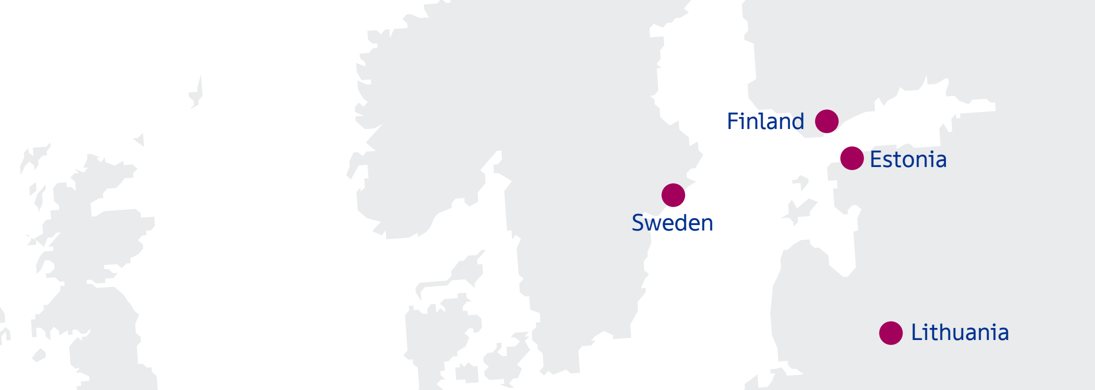
Electrifying **Tomorrow**

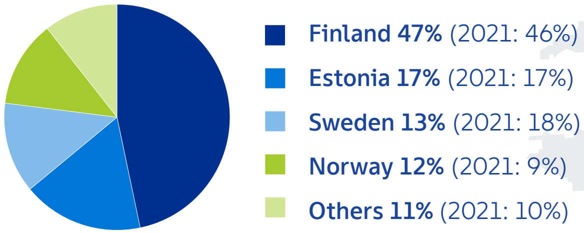


Harju Elekter in brief

Who we are

Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. Harju Elekter Group has its roots and head office in Estonia, and production plants in four countries: Estonia, Finland, Sweden and Lithuania.

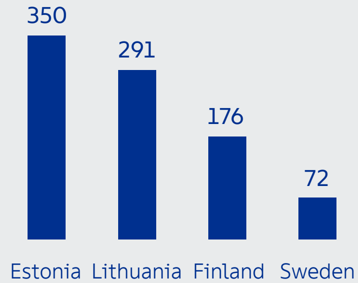
Share of revenue by markets



Turnover 2022

175.3 M€

Employees by country



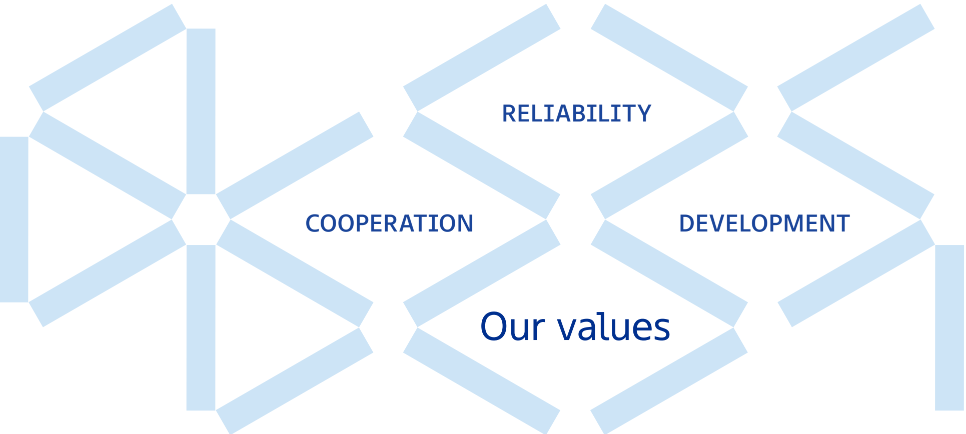
Employees in total

889

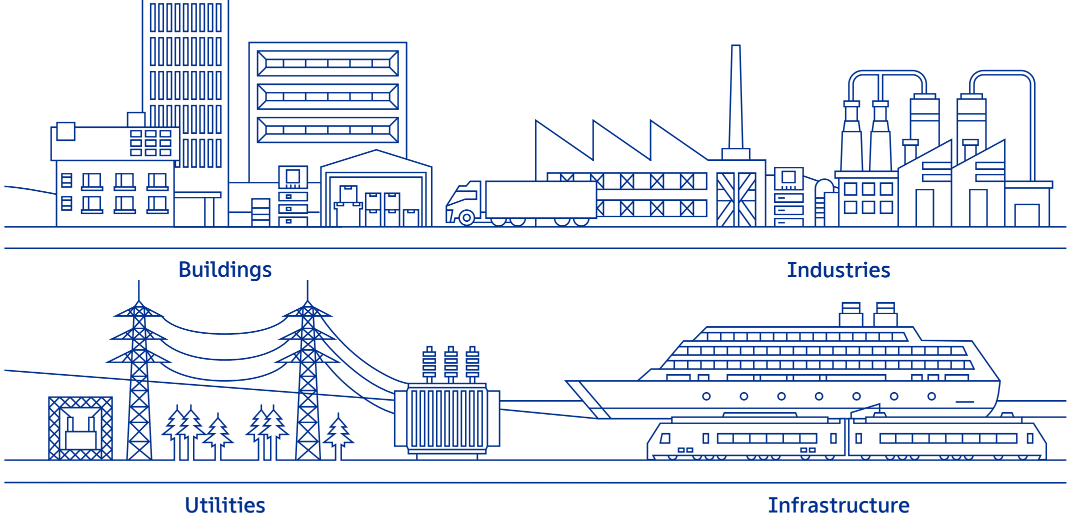
What we do

Harju Elekter contributes to a sustainable society by providing future-proof electrical power distribution solutions.

We engineer, manufacture, and install electrification solutions for utilities, industries, infrastructure, public and commercial buildings.



Electrifying **Tomorrow**

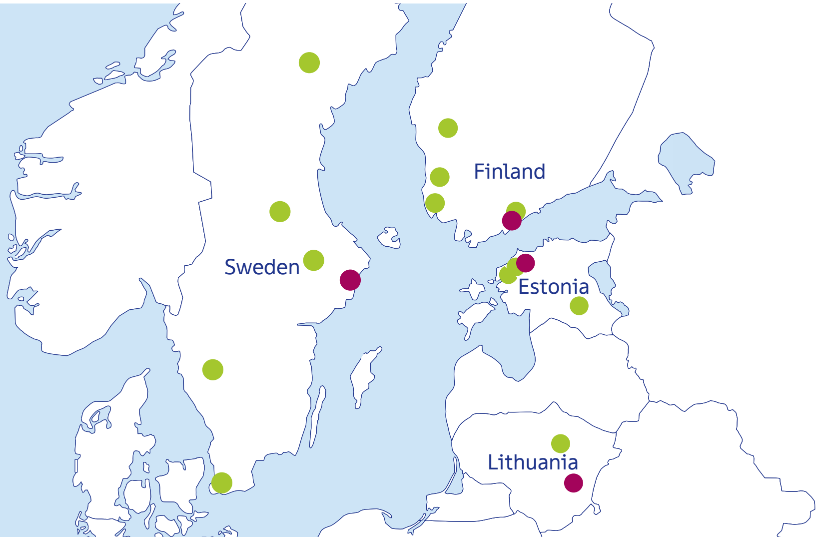


Harju Elekter Group

As of 31 December 2022

AS HARJU ELEKTER

Estonia	Finland	Sweden	Lithuania
AS Harju Elekter Elektrotehnika	Harju Elekter Oy	Harju Elekter AB	Harju Elekter UAB
AS Harju Elekter Teletehnika	Telesilta Oy	Harju Elekter Services AB	
Energo Veritas OÜ (80.52%)	Harju Elekter Kiinteistöt Oy	LC Development Fastigheter 17 AB	



AS Harju Elekter's share in its subsidiaries

is 100%, unless stated otherwise.

ESTONIA

AS HARJU ELEKTER
The Parent company of the Group, focused on coordination of co-operation within the Group's companies and managing industrial real estate holdings, located in Keila

AS HARJU ELEKTER ELEKTROTEHNIKA
Manufacturer of electrical equipment for energy distribution, industrial and construction sectors, located in Keila

AS HARJU ELEKTER TELETEHNIKA
Producer of customer-based sheet metal products for the electrical engineering and telecom sector, located in Keila

ENERGO VERITAS OÜ
A company trading in electrical materials and equipment in Estonia

FINLAND

HARJU ELEKTER OY
Manufacturer of electrical equipment for energy, industry, and infrastructure sectors, located in Ulvila, Kerava and in Kurikka

TELESILTA OY
Electrical engineering company specializing in electrical contracting for the shipbuilding industry, located in Uusikaupunki

HARJU ELEKTER KIINTEISTÖT OY
Industrial real estate holding company in Finland

LITHUANIA

HARJU ELEKTER UAB
Engineering and contract manufacturing of multidrive, MCC's and distribution systems, located in Panevežys

SWEDEN

HARJU ELEKTER AB
Engineering company for MV/LV power and distribution solutions for the construction, infrastructure, and renewable energy sector; manufacturer of prefabricated technical houses located in Malmö, Borlänge, Stockholm, Borås, Luleå and Västerås

HARJU ELEKTER SERVICES AB
Industrial real estate holding company in Sweden

LC DEVELOPMENT FASTIGHETER 17 AB*
(100% subsidiary of Harju Elekter Services AB)
The company that manages the Västerås factory

Strategical Investments

(31.12.2022)

ESTONIA
OÜ SKELETON TECHNOLOGIES GROUP (6.1%)
Developer and manufacturer of ultra-capacitors

FINLAND
IGL-TECHNOLOGIES Oy (10%)
Developer of parking & e-mobility solutions for electric car chargers

* A more detailed overview of the Group's structural changes can be found on page 110.

Key events

New management team

The Supervisory Board of Harju Elekter elected **Priit Treial** as the new Member of the Management Board and Chief Financial Officer, who took office on 14 November 2022. Since then, the Management Board of AS Harju Elekter has three members: Chairman **Tiit Atso**, Members **Priit Treial** and **Aron Kuhi-Thalfeldt**.

A new strong management team was created to manage the Harju Elekter Group centrally, which includes **Tiit Luman** (Chief Commercial Officer) and **Erko Lepa** (Chief Operations Officer) in addition to the Members of the Management Board. The Members of the Management Board of the Group are also members of the supervisory boards of all Harju Elekter subsidiaries, which makes decision-making and management faster and more efficient. The establishment of the management team aims to bring strong sector knowledge and experience to the management of the international group, to centralise key areas, and to shape a unified organisation.

New plant and reorganisation in Sweden

It was decided to concentrate the various units of the Swedish subsidiary of Harju Elekter in Västerås, where a new production building of 6,282 m² was completed at the end of the year, which is wholly owned by Harju Elekter. The reorganisation of operations in Sweden will allow for more efficient production, lower logistics costs, and improved security of supply for customers, which is a prerequisite for profitable growth.

Stock exchange jubilee

Harju Elekter celebrated a quarter of a century since going public. During 25 years on the stock exchange, the Group has increased its turnover 22 times, and the company's market value has increased almost 10 times.

Harju Elekter is the most stable dividend payer on the Tallinn Stock Exchange – it is the only company in Estonia that has paid dividends every year since its listing.

Customer agreements

AS Harju Elekter Elektrotehnika signed a contract with CERN, the European Organization for Nuclear Research, for the supply of low voltage switchgear. For Harju Elekter, the contract provides an opportunity to collaborate innovatively with an international research organization and contribute to the development of research technology.

AS Harju Elekter signed a letter of intent with Reimax Electronics OÜ for the design, construction, and long-term lease of the nearly 6,000 m^2 production building at Allika Industrial Park.

Telesilta Oy signed a contract with **Uuden-kaupungin Työvene Oy** to provide turnkey delivery of electrical, automation, and navigation systems for trailing suction hopper dredger. The delivery will take place at the end of 2023 and the ship operator will be the Maritime Office in Gdynia, Poland.

Harju Elekter UAB signed a contract with U.S. Steel Corporation (Exploratory Ventures LLC) to produce low voltage drives and MCC systems for their new Big River Steel facility in Arkansas.

Harju Elekter AB continued its cooperation with **Region Stockholm,** the administrative authority responsible for public transport, and by February 2024 the substation of Odenplan metro station will be renewed.

Harju Elekter also entered into an agreement with **Gävle Energi AB** based on which the distribution substation will be renewed in the Gävle region by February 2024 and the reconstruction and civil works accompanying the project will be carried out. Once completed, the substation will contribute to meeting the electricity needs of both industrial and private consumers.

Strategic investment

Harju Elekter Oy increased its holding in technology company **IGL-Technologies Oy** from 5.5% to 10%. With the additional investment Harju Elekter sees an opportunity to strengthen the Group's activities in the field of e-mobility. In cooperation with IGL-Technologies Oy, Harju Elekter will continue to improve the availability of complete packages for electric car charging systems and expand the network in both the Nordic and Baltic markets. The role of Harju Elekter in the partnership has been the development, production, and sales of charging equipment hardware and the provision of technologically suitable software and operation of equipment at IGL.

Sustainability at Harju Elekter

- Materiality topics
- Sustainable development goals
- Sustainability strategy
- Stakeholder engagement
- Governance
- Customer focus
- Employees
- Environment
- Responsible governance
- Taxonomy

Harju Elekter is committed to creating a sustainable society, business, living and natural environment, as we believe that this will contribute to the long-term viability of the Group.

In doing so, we take into account environmental, social impact, and governance issues (the ESG view – Environmental, Social, Governance).

Our sustainability ambitions are influenced by global targets aimed to reduce global warming, such as the Paris Agreement, the European Green Deal and the green transition. We will, therefore, ensure that our companies are increasingly efficient, environmentally friendly and involved in the implementation of new innovative technologies.

The Group's core business also contributes to the development of a sustainable society by supporting large-scale electrification with electrical equipment, which contributes to meeting climate targets. Grid-connected electrical appliances make it possible to replace environmentally unfriendly ways of generating energy, while there is a need to replace outdated electrical equipment with new, more environmentally friendly ones. While Harju Elekter cannot guarantee that only green energy will be used in manufactured electrical equipment, the trend is moving towards a more environmentally friendly electricity grid over the next 20 years, thanks to global ambition and demand.

In addition to its core business, Harju Elekter supports sustainable development through other areas of activities. In the real estate segment, the aim is to build increasingly energy-efficient buildings for both our own and our customers' use. The Group also contributes to increasing renewable energy production capacity by setting up solar parks.

Materiality topics

In 2022, we analysed and updated the materiality topics at Harju Elekter. We assessed the positive and/or negative impact (economic, environmental and social) of the organisation on these issues, as well as the impact of these topics on Harju Elekter. We also took into account issues relevant to internal and external stakeholders that influence their decision-making. The aim of this analysis was to ensure that the company focuses its resources and activities on the topics that have the greatest impact and the highest significance to our stakeholders.

To acquire internal stakeholder view, we asked the Local Management Teams of Harju Elekter production companies, the expanded Management Team of AS Harju Elekter and the Supervisory Board to complete the questionnaire created for this purpose. In analysing external stakeholders such as key suppliers and customers, we considered their own material topics, dialogues with them on sustainability issues, and their expectations for Harju Elekter. We also took into account important sector-specific issues, future directives, and the expectations of the main stakeholders when choosing priorities (see "Stakeholders expectations and needs").

These are parts of the strategic and operational management of the Group's companies, which are considered as fundamental principles in management decisions. Therefore, the Group's Annual Report 2022 provides an overview of all these issues. Important aspects of sustainability materiality topics are reflected in the international sustainability reporting framework, the GRI standard, the content of which can be found on the last pages of the report.

Materiality topics for Harju Elekter are the following:

1. Customer focus
2. Employee health and safety
3. Responsible governance
4. Employee wellbeing
5. Cyber security and data protection
6. Environmental management
7. Sustainable supply chain
8. Greenhouse gas footprint
9. Community engagement

Sustainable Development Goals

The United Nations General (UN) Assembly adopted the Sustainable Development Goals (SDGs) in 2015 with the aim of establishing a sustainable society across the world through community, environmental protection, and inclusive economic growth.

At Harju Elekter, we have identified three most impactful SDGs, which are 7, 8, 12, and 13.

Other SDGs that we support, but have lower impact, are goals 3, 4, 5, 9, 16 and 17. Our prioritisation process is based on our materiality analysis, impact evaluation, and internal and external stakeholder reviews. We focus on the SDGs that are most relevant to our business, set sustainability targets based on them, and engage in a wide range of sustainability activities in pursuit of these goals.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
SDG 3. Ensure healthy lives and promote well-being for all at all ages	**3.4** By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. **3.8** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.	• We strive to create an environment where our employees and contract workers can work without concerns over their health and safety in the workplace. • We offer our employees different benefits to promote the health of our employees.
SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	**4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	• In Harju Elekter we contribute to the development of our employees through internal and external training.
SDG 5. Achieve gender equality and empower all women and girls	**5.1** End all forms of discrimination against all women and girls everywhere. **5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	• Our decisions are based on the Code of Conduct of Harju Elekter. We apply equal opportunities and treatment irrespective of gender.
SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all	**7.1** By 2030, ensure universal access to affordable, reliable and modern energy services. **7.2** By 2030, increase substantially the share of renewable energy in the global energy mix. **7.3** By 2030, double the global rate of improvement in energy efficiency.	• We offer various solutions for connecting renewable energy sources to the existing functioning electricity infrastructure. • We contribute to increasing the production capacity of renewable energy by building solar parks.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	**8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. **8.4** Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead. **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	• It is important for us to ensure a safe working environment and adequate working conditions for our employees and partners. • Our business has a positive economic impact through employment.
SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	**9.2** Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries. **9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities **9.5** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	• We contribute to the production of sustainable solutions and the reduction of the carbon footprint through innovation and digitalization.
SDG 12. Ensure sustainable consumption and production patterns	**12.2** By 2030, achieve the sustainable management and efficient use of natural resources. **12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	• We use resources responsibly and apply circular economy principles throughout our supply chain to fight with resource scarcity.
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. **12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	• We are committed to reducing waste and increasing recycling and reuse rate. • We ensure that chemicals and hazardous materials are handled, stored, and disposed in an environmentally safe manner.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
SDG 13. Take urgent action to combat climate change and its impacts	**13.2** Integrate climate change measures into national policies, strategies and planning. **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	• Our goal is to reduce GHG emission in our supply chain and increase the environmental awareness and competence of our employees.
SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	**16.5** Substantially reduce corruption and bribery in all their forms.	• Our operations are based on legislation and the Code of Conduct of Harju Elekter. We address potential conflicts of interest and avoid bribery, money laundering, and corruption at all levels. We have set high standards of trustworthiness, openness, and honesty, and we believe it is important to ensure that employees, customers, and partners have the opportunity to safely report information that suggests illegal or unethical behaviour through the whistleblowing channel.
SDG 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	**17.16** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.	• It is important to us to cooperate with our key partners. We want to create a dialogue with other responsible and like-minded companies, become more aware ourselves, and give more back to society and the community in order to be an exemplary employer for our employees.


Photographer: Kaia-Kristiina Kirikal

Sustainability strategy

In the second half of 2022, we developed a sustainability strategy at Harju Elekter, which received approval from the Group Management and is applicable to the entire Group. The strategy concentrates on four topics which will be the focal point for the next five years (2022-2026). The selection of these focus areas was determined by the materiality analysis and the sustainability development goals. The sustainability strategy is based on four pillars: customer focus, employees, environment and responsible governance. We believe that Harju Elekter can make the most significant contribution to these areas, and that they also have the greatest impact on the company.

We established key indicators, short and long term goals for the four focus areas. We will periodically review the strategy to ensure it remains up-to-date and improve it as necessary. Sub-topics without KPIs and targets will be reviewed in 2023. Each chapter of the focus topic provides a separate explanation of how the key indicators, objectives and analysis of the reporting period were conducted.

Successful **COOPERATION** with our customers leads to a sustainable future

OUR KEY FOCUSES
- Quality
- Customer satisfaction

We create future-proof electrification solutions with **TOMORROW IN MIND**

OUR KEY FOCUSES
- Greenhouse gas footprint
- Renewable energy
- Resource efficiency
- Circularity

DEVELOPMENT and our people are in the centre of Harju Elekter

OUR KEY FOCUSES
- Health and safety in the work place
- Employee development
- Employee satisfaction
- Diversity and fair treatment

RELIABILITY is earned through responsible governance

OUR KEY FOCUSES
- Compliance
- Misconduct reporting
- Sustainable supply chain

Stakeholder Engagement

Stakeholder expectations and needs

Harju Elekter values the reliable cooperation with its stakeholders. We have mapped customers, employees, shareholders, suppliers, local authority and community as well as regulatory and supervisory authorities as key stakeholders. They were selected according to who has the greatest influence on the activities of Harju Elekter and who is most affected by the organisation. In relations with local authorities and residents, regulating and supervisory authorities, issues will be raised mutually on the basis of needs. In cooperation with educational institutions, professional associations, and non-governmental organisations, activities will be seen to create value for both sides.

Thanks to active communication with our various stakeholders, we understand their needs and expectations for our activities in the field of sustainability. Our engagement methods include meetings and discussions, oral and written surveys, and long-term collaboration. Harju Elekter shares the green vision of its stakeholders, which inspires the Group's employees and sends a clear message to shareholders about the sustainability of the Harju Elekter Group.

Stakeholder	Significance to HEG	Stakeholder expectation	Main activities
Customers	• Basis of business	• Right quality products and optimized solutions with competitive pricing • Portfolio with sustainable, energy efficient and technological solutions for electrical power distribution • Cooperative and solution oriented customer centric culture • Complete value chain • On-time delivery • Business ethics and anti-corruption • Good reputation of being a reliable company that is easy to do business with	• Efficient production and value chain (starting from customer relations through design to execution) • Investments (R&D activities), • Local presence and key account management at the best • Develop customer relationships through meetings, trainings, fairs, and visits • Efficient project management from design to sourcing and from production planning to the end customer • Code of Conduct and Whistleblowing system • Certification (ISO 9001, 14001, 45001, 27001) • Publicly listed company in Nasdaq Tallinn Stock Exchange
Employees	• Healthy, competent and engaged employees are the basis of the company's efficient operation and its satisfied customers • Critical resource for business continuity and growth	• Healthy and safe work environment • Opportunities for career and individual development • Fair recognition and reward • Timely payment • Timely and clear communication about strategies, goals, progress and changes • Inclusive organisational culture • Reliable employer	• Following the occupational health and safety standard ISO 45001:2018 or the principles of an internal management system for the work environment and safety • Regular occupational risk assessments • Employee satisfaction survey • Performance interviews • Trainings • Regular salary review • Improving internal communication • Values programme
Suppliers	• Enabler in customer satisfaction via quality, pricing and delivering capability • Sustainable supply chain management	• Open, fair and mutually beneficial partnership • Clear demand and open communication on supplier selection • Sustainable supply chain management • Following health and safety standards • Indexed prices • Joint offer development	• Supplier relationship management • Creation of Supplier Code of Conduct • Risk suppliers' identification and auditing • Periodic supplier assessment • Supplier complaints process
Shareholders	• Decision makers through the General Meeting which is the company's highest governing body	• Financial performance and growing stock price • Stable dividend • Growth and efficiency • Business strategy realisation • Governance stability and sustainability • Risk management • Excellent reputation	• Dividend policy • Implementation of Lean processes • Implementation of Harju Elekter Group's strategy • Updating Code of Conduct • Monitoring and reporting • Open and honest communication with stakeholders
Local authority and community	• Social responsibility • Impact on reputation • Helps to grow the succession of the workforce	• Ethical behaviour • Reliable employer and socially responsible corporate citizen • Economic investments for local welfare • Cooperation with schools, universities and local communities	• Student programs and internship opportunities • Sponsorship projects • Activity in social media, co-operation with local news papers and associations • Promoting engineering education
Regulators and decision makers	• Impact on reputation and doing business • Evaluates the compliance	• Compliance with laws and regulations • Environmental management and compliance • Safety management and compliance • Transparent reporting	• Reporting and informing according to requirements • Following GRI in reporting

Social involvement

The Harju Elekter Group is an active and involved member of the community and supports the development of the sector in the countries where its business units and employees are located. The aim of the Group's support activities is to be a lasting partner and, therefore, focus primarily on building and developing long-term partnerships.

Harju Elekter has formulated two main lines of its sponsorship activities, according to which it will primarily support:

- education and young people's interest in technology;
- local youth sport.

In the framework of education and young people's interest in technology, Harju Elekter will continue various cooperation projects with educational institutions to develop and popularise engineering education among young people. In order to support local youth sports, Harju Elekter will continue to support Keila basketball, and football clubs, as the company values its contribution to the Keila community based on its history and the location of its headquarters.

Supporting engineering education

Harju Elekter awards scholarships named after itself to undergraduate or graduate students annually through the Development Fund of Tallinn University of Technology. Since 2001, a total of 77 students have participated in the scholarship programme. In 2022, one scholarship was awarded to a bachelor's degree student in electrical engineering.

Since 2016, Harju Elekter has been a gold sponsor of the Formula Student Team Tallinn, which brings together students from Tallinn University of Technology and Tallinn University of Applied Sciences. Since 2013, they have maintained an internationally high level of excellence in the design of electrical formula. In addition to a sporty image, it is also an educational project, aiming to raise the quality of educational practice and engineering education, and to popularise engineering. A new objective has been added to promote environmental sustainability, increase awareness, and to build competence in the field of electromobility in Estonia, as it competes with zero-emission cars powered by electricity.

Harju Elekter participates in cooperation programmes with regional educational institutions. Where possible, we will help to equip technical and scientific laboratories and contribute to scientific and research projects. Regular student study visits are organised to the Group's companies, and the employees of the companies contribute their knowledge and experience to the development of technology-oriented curricula. In addition to Tallinn University of Technology, Estonian companies have cooperation programmes with Tallinn Vocational Education Centre, Tallinn University of Applied Sciences, Tallinn Polytechnic School, and the Tallinn Construction School. The Finnish company of Harju Elekter has close links with technical and vocational colleges in the region: Satakunta University of Applied Sciences and Novia University of Applied Sciences, Tampere University of Technology, and the Turku School of Economics.

The Lithuanian company of Harju Elekter cooperates continuously with the regional Panevėžys College of Electrical Engineering and Panevėžys Vocational Training Centre, as well as Visaginas Vocational Training Centre of Business and Technology, and the Lithuanian Maritime Academy.

Sector development and sustainability

The Group also considers it important to contribute to society through professional associations and organisations and focuses knowledge and people's time on issues that stand for fair competition and sustainable and safe product solutions. Organisations help us to keep up to date with the latest information, contribute to a strong business and economic environment, and have our say on amendments to the law. As a member of professional associations, we can have a say in developments in our field and keep up to date with new trends. Harju Elekter, in cooperation with the Estonian Association of Electrical Enterprises (EAEE), continues to raise the issue of electrical safety both in legislation and with the general public. Harju Elekter is a member of the Federation of Estonian Engineering Industry, the Lithuanian Engineering Industry Association LINPRA, the Federation of Finnish Technology Industries, the Finnish Packaging Recycling RINKI Ltd, and other organisations.

In the reporting year, Harju Elekter cooperated with the Foundation of National Defence Development (Riigikaitse Edendamise SA) to help and support Ukrainian hospitals, medical personnel of the defence forces, and fighters.

The emergence of skilled engineers is the basis for the international competitiveness of industrial companies. As the President of LINPRA, the Lithuanian Association of Engineering Industries, the Managing Director of Harju Elekter Lithuania, Tomas Prūsas, contributes to the next generation of engineers and the development of the sector. He helps to lead the work of the Association and promote engineering to in-school youth and to the people who shape their career choices: teachers and parents.

Among the societal activities of the Lithuanian company, an academy opened in August 2021, where current and future employees of the company are trained, has proved a significant and successful step. The aim of creating the Academy is to attract interest in the field of engineering in young people in Lithuania and to increase the qualifications of existing employees. In 2022, the city of Panevežys recognized the Academy of Harju Elekter with a #PanevėžysJungiasi award in the category of increasing the potential of people.

Rohetiiger

In 2022, Harju Elekter joined the Green Tiger organisation. It is a multidisciplinary cooperation platform whose mission is to create and implement environmentally friendly practices in all sectors and develop a green economy.

"We see many great opportunities in joining Green Tiger. We want to create a dialogue with other responsible and like-minded companies, become more aware of the topic and give back to the society and community in order to be an exemplary employer for our employees."

Kaia-Kristiina Kirikal,
Corporate Sustainability and Quality Manager

Governance

During the reporting period, we began the process of updating the Harju Elekter Code of Conduct, which will be published in 2023. We prepared common guiding principles for quality, environment and health and safety at the Group level, and plan to introduce them internally in 2023.

The management system of Harju Elekter is based on the requirements of the quality, environmental and occupational health and safety management system.

The subsidiaries of Harju Elekter are certified according to ISO 9001:2015 standard and all production companies have an ISO 14001:2015 certificate. AS Harju Elekter Elektrotehnika, Harju Elekter UAB and Telesilta Oy processes are certified in accordance with ISO 45001:2018.

Since 2017, Harju Elekter has been following the principles of the GRI (Global Reporting Initiative) in its reporting, which helps the organisation to stress the importance of sustainability and ensure better ESG communication to its stakeholders.

Organisational structure for sustainability initiatives

In 2022, the position of Sustainability Manager was created in Harju Elekter. Her responsibility is to manage sustainability issues at the Group level and to help harmonise the processes and goals of the Group's units. During the reporting year, a Sustainability Steering Committee and four Sustainability Teams were established in line with the strategy's focus topics of customer focus, employees, environment, and responsible governance.

The Sustainability Steering Committee is responsible for updating the organisation's material topics, developing Harju Elekter's sustainability strategy and setting key indicators and goals.

The Steering Committee's role is also to ensure that the goals are met and that the company complies with ESG-related regulations and legislation. The Sustainability Steering Committee is led by the Group Sustainability Manager, who reports directly to the Chairman of the Board.

The Sustainability Teams are responsible for implementing the sustainability strategy and preparing detailed action plans in all subsidiaries. They report directly to the Sustainability Steering Committee.

The Group Management is responsible for risk management and the approval of Group policies, including the sustainability strategy. They also monitor the implementation of the strategy and receive periodic progress reports from the Steering Committee.

Cybersecurity

At Harju Elekter Group, cybersecurity was one of the priorities in 2022 and will continue to be one of the priorities to ensure business continuity. Due to the increasingly serious threats in the cyber world, we put strong emphasis on preventive actions in the Group to protect business processes from the consequences of time- and resource-intensive cyberattacks. Harju Elekter's Lithuanian company also received ISO 27001 Information Security Management System certification in 2022.

Activities in 2022 to promote the Group's cybersecurity:

- We raised awareness among employees of the threats and ways of dealing with the cyber world. Similar to 2021, we conducted cyber hygiene training in companies within the Group so that employees have an overview and knowledge of how to operate safely in the cyber world.
- We made important investments to ensure safer IT infrastructure and introduced new technological solutions.
- We made several changes to improve the security of user accounts to prevent the misuse of accounts more effectively.

Risk management

At Harju Elekter, the Group Management is responsible for ensuring that risk management is part of strategic and operational management. The Audit Committee and Internal Auditor of the Group are responsible for supervising the activities of the risk management process and its performance.

We identify, manage and mitigate risks in the Group's companies to achieve financial and operational goals and prevent unexpected events.

The risk level score of the risk analysis framework is formed by the severity of the impact and the probability of the risk materialising. Periodic reviews of the risk level and activities are conducted during management meetings to identify and mitigate risks in a timely manner.

The risk analysis process was updated at the end of 2022, and in addition to financial risks, we consider social, environmental, and governance risks.

In terms of environmental risks, the Group is mainly affected by international and European Union requirements (e.g., CSRD - Corporate Sustainability Reporting, EU Taxonomy, Paris Agreement and European Green Deal).

We acknowledge that these regulations have a long-term impact on the company's competitiveness. Therefore, we strive to ensure compliance and transparent reporting.

The most significant employee-related risks are their high expectations regarding working conditions, including flexibility, development opportunities, and salary. These expectations can complicate the recruitment process and lead to increased voluntary turnover. To mitigate the risk, we have created a motivational package for employees with a transparent remuneration system and offer modern working conditions.

With a view to occupational safety, we monitor the guiding principles of occupational health and safety, and to mitigate the risks of business ethics, we are in the process of creating a revised Code of Conduct, the training of which will be organised for the Group employees in 2023. New principles will be introduced to our key suppliers as well.

In order to mitigate cybersecurity risks, the focus is placed on continuous prevention and training activities.

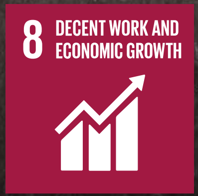
A comprehensive overview of the financial risks of the Group is available in the section of the annual accounts (see Financial risk management).

Risks are classified into the following subgroups:

- environment
- employees
- business ethics
- regulations and legislation
- information technology
- emergencies
- supply chain
- financial risks
- corporate governance

Successful COOPERATION with our customers leads to a sustainable future

Harju Elekter provides competitive and optimum solutions to solve our customers' challenges in electrical power distribution. We use advanced technology and all our knowledge to provide sustainable and future-proof solutions. We provide high-quality service by delivering on what we promise without compromising quality. Harju Elekter aims to be the first choice for our partners to build a sustainable and safe future.



Photographer: Kaia-Kristiina Kirikal

At Harju Elekter, our fundamental focus is on customers, to whom we strive to provide sustainable solutions for electrical power distribution and energy management.

Our goal is to create and maintain lasting and sustainable customer relationships that serve the interests of both parties. Based on the core values of Harju Elekter, we consider competitiveness, innovation, quality and customer trust are essential elements in meeting the expectations and needs of our customers. All of these elements are interlinked and treated as a whole.

Harju Elekter is offering customers optimal and sustainable solutions in an increasingly complex energy world. Green transition, energy deficit, small-scale production of distributed electricity and mobile loads (electromobility) add additional challenges to the stability of networks from day to day. The new challenge is balancing energy consumption and production and replacing fossil fuels that burden the environment with more environmentally friendly ones. For this purpose, we work closely with our customers, from the decision-making and ordering process to the end of the lifetime of the equipment. If necessary, we will work together to create new solutions that meet the customer's needs and the requirements of the existing regulations.

With a focus on the customer, we have concentrated Harju Elekter's sales and product management into a single unit covering the entire Group to have a comprehensive overview of the market needs and the various technical options. On this basis, we can offer customers even more suitable and competitive solutions. The vast majority of electrical equipment has a long lifespan, it is crucial to consider the whole lifecycle of products and solutions. Therefore, in the process of product development, we have created opportunities to retrofill them over time and used equipment and materials from manufacturers that have already proven their sustainability.

To better serve customers, increase competitiveness and produce more efficiently, a Group-wide production management function was established during the year, focusing on the transition to a lean concept in different production units.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Quality	OTD (first confirmed date)	> 90%	69%	Setting common OTD monitoring principles (2023)
	COPQ (Cost of Poor Quality)	<0.1%	0.12% (included Estonian and Lithuanian factories)	Setting common COPQ monitoring and reporting principles (2023)
Customer satisfaction	NPS (Net Promoter Score)	> 80	70	Setting common NPS monitoring and reporting principles in the Group companies (2023)

Quality and product safety

The security of supply is an important quality indicator for Harju Elekter, which has become a significant challenge in recent years due to supply chain failures leading to extended delivery times. Despite the longer delivery times than initially agreed, we prioritise offering customers reliable deadlines to enable them to plan their work and activities more effectively. In order to achieve the security of supply, we have increased the stockpile of materials, which has partly helped to cope with the difficult situation. We continue to explore additional measures to mitigate supply chain risks and enhance our ability to deliver products and services to our customers.

In the accounting year, the timely delivery of compliant products by all the companies of the Group ranged from 51% to 100%. The Group-wide average was 73% (2021: 84%).

Our goal is to provide our customers with a sense of security and at least 90% security of supply.

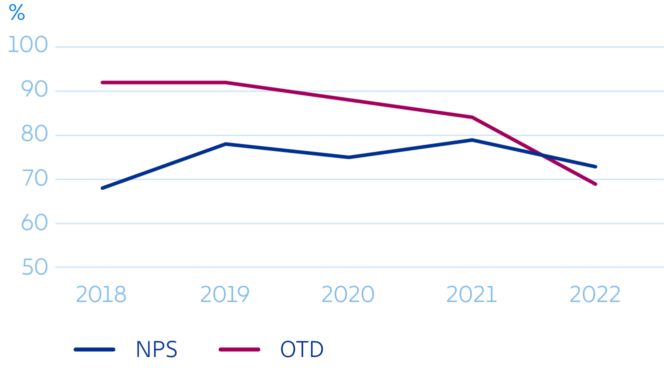
We offer our customers safe, reliable and sustainable equipment designed according to current standards and good practice. Harju Elekter's products are electrification solutions, which include distribution and substations, medium and low voltage switchgear, solar panels and inverters, electric car chargers, technical buildings, as well as relay protection and control systems and frequency converters.

At Harju Elekter, we are guided by the principle of quality without compromise. Product quality assurance in the supply chain is divided into 3 stages: quality of input materials, internal quality and customer complaints. Processes and routines have been created in the companies of Harju Elekter to detect and avoid errors as early as possible in the process and to eliminate them before the product reaches the customer. For this purpose, inspection will be carried out on input materials, production and products before the goods are released. Often, larger projects are subject to joint inspections with the contracting authorities (FAT). If any non-conformity is subsequently discovered at the customer's premises, all complaints will be dealt with as quickly as possible so that the technical characteristics of the product can be properly restored.

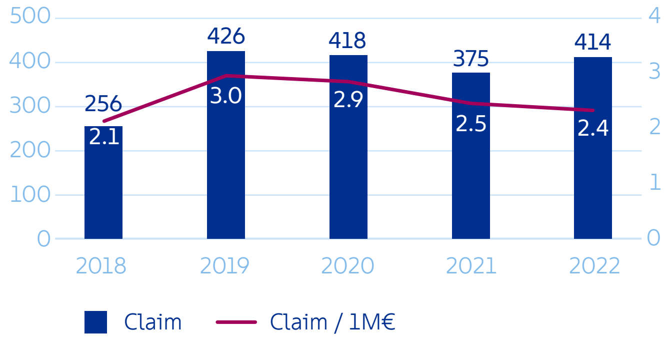
In the reporting year, the number of errors was at a similar level to the previous year, at 2.4 cases per € 1M turnover (2021: 2.5 cases). The main reasons for this are the continued search for new alternatives to existing solutions due to the shortage of materials and the increasingly improved and more accurate statistics. The cost of poor quality has also remained stable, remaining below 0.2% of turnover. In the reporting period, it was 0.12% of turnover (included are Estonian and Lithuanian factories) (2021: 0.19%).

In the history of the Group, there have been no known cases in the last few decades where production errors occurred in the companies of the Group, which would have created a life-threatening situation during the use of the finished product. The Group has concluded product liability insurance contracts to compensate for possible losses.

On-time delivery and customer satisfaction



Customer complaints



Customer satisfaction

Gathering customer feedback and recommendations is a crucial aspect for Harju Elekter. Although the Group's companies use different methods to collect and analyse feedback from the customers, they all measure overall satisfaction, willingness to recommend, and the extent to which products and engineering solutions meet expectations. The feedback received helps map customers' overall attitude towards the company, understand the reasons and draw conclusions. All customer referrals are recorded, analysed and the praise and criticism received is given further attention.

Customer satisfaction decreased in the reporting period due to the impact of global material shortages and uncertainty in supply chains caused by the war in Ukraine, resulting in a decline in the security of supply. The Group's average customer satisfaction was 70 out of 100 (2021: 75). The goal is to achieve an average customer satisfaction rate of at least 80.

Customers and partners about Harju Elekter

Many years ago, we were looking for a solid, professional partner in the Baltic region, and Harju Elekter was the obvious choice. Working with Harju Elekter means that our common agreements are kept and challenges are solved by cooperating well with one another. This is the best way to develop our partnership and achieve success. We hope you keep up the same professional competence that has been the company's driving force so far."

Tuomas Juvonen,
Jean Müller Finland, General Manager

Harju Elekter is a reliable partner to work with because of their professional people, commitment to working together at all levels, and well-specified inquiries. The reasons for choosing Harju Elekter as a partner were mostly related to their speed of service - a fast response time and quick after-sales support."

Olli Lehtonen,
Siemens Osakeyhtiö, Sales Director

The cooperation between Järvi-Suomen Energia and Harju Elekter is a genuine and constructive partnership. We can always trust that things will proceed as agreed. Deliveries keep and we get what we have ordered. Harju Elekter's professionals are quick to get a grip with things and are very innovative. They are also a flexible partner when piloting projects and testing new equipment."

Mika Matikainen,
Järvi-Suomen Energia Oy, Network Director

DEVELOPMENT and our people are in the centre of Harju Elekter

Harju Elekter considers health and safety in the workplace an absolute priority. We support the professional development of our personnel and the creation of the Learning Organization. We aim to build a culture where diversity and inclusion are key assets.

Photographer: Kaia-Kristiina Kirikal

Harju Elekter recognises that the knowledge, skills, experience, and motivation of its employees are crucial to the company's effective and efficient operation. Our human resources strategy is designed to promote professionalism, flexibility, independence, and customer orientation among our employees.

In 2022, we approved the sustainability strategy that focuses on key areas where the company can make a meaningful contribution and have the greatest impact on our performance. One of our focus areas is the well-being and safety of our employees. We are committed to providing a supportive environment that prioritises their health and safety, and we encourage professional development, foster a culture of learning, promote employee involvement, and ensure equal treatment for all.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Health and Safety in the workplace	LTIFR (Lost Time Injury Frequency Rate)	< 3	10.8	• Forming harmonized safety reporting system within Harju Elekter (2023) • Carrying out ISO 45001 certification for Estonian sheet metal factory (2023-2024)
Employee development	% of employees received trainings	100%	36% of employees received external trainings at 2022	• Implementing e-training and leadership development programs over the HEG (2026) • Creating a system for measuring training hours within the Group (2023)
Employee satisfaction	Response rate for general job satisfaction survey	> 80%	The result of 2021 was 66%	• Developing cross-group satisfaction survey (2023) • An analysis of the causes of voluntary turnover (2023)
	Voluntary turnover	< 15%	26%	
Diversity and fair treatment	Employee by age group	under 30 years 24%, 30–49 years 52%, 50 years and over 24%	Results of 2022 under 30 years 21%, 30–49 years 55%, 50 years and over 24%	• Creating a transparent system for pay gap analysis (2024)
	Pay gap	To be confirmed	Data not available	

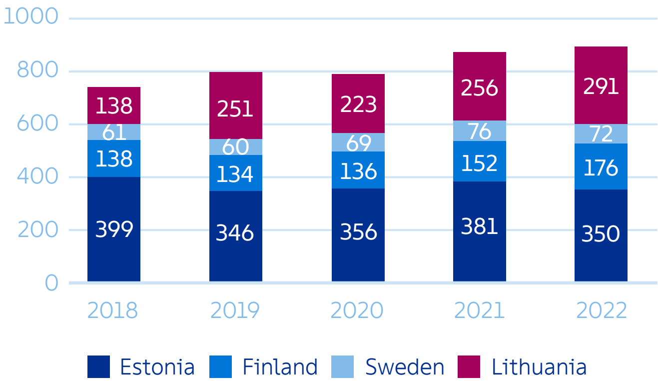
Employees

At the end of the reporting period, Harju Elekter employed 889 people, which is 24 employees more than a year ago. The biggest increase in the number of employees was in Lithuania, due to the expansion of the factory.

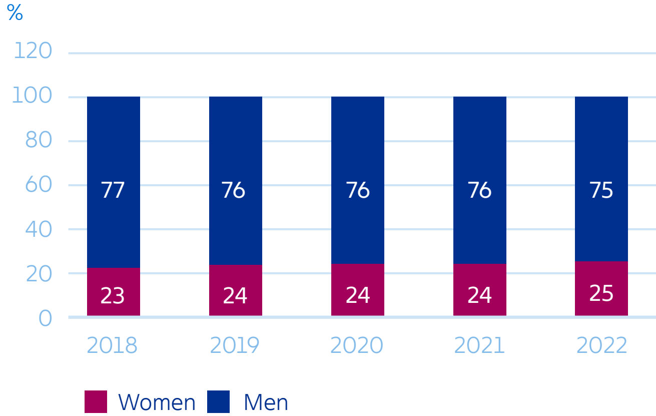
A total of 97% of all employees of Harju Elekter work full-time and 98% have an employment contract of indefinite duration.

The gender distribution of the Group's workforce has remained relatively stable over the past five years, with women representing approximately 25% of the total workforce. This is a result of the specific nature of the Group's core business. Out of the 16 top managers (Supervisory Board, Management Board and Managing Directors), one is a woman.

Number of employees



Employees by gender



Overview of employment as at the end of the reporting period:

Employees	2021		2022	
	Total	% of all employees	Total	% of all employees
Total number of employees	**865**		**889**	
incl. Management Board and Managing Directors	12	1%	10	1%
incl. administrative and engineering staff	278	32%	305	34%
incl. workers	575	67%	574	65%
incl. Supervisory Board, Management Board and Managing Directors	**16**		**16**	
incl. men	15	94%	15	94%
incl. women	1	6%	1	6%
incl. 30-49 year-old	9	56%	10	62%
incl. 50 year-old and older	7	44%	6	38%
New employees	**193**		**253**	
incl. men	44	23%	66	26%
incl. women	149	77%	187	74%
incl. under the age of 30	76	39%	103	40%
incl. 30-49 year-old	97	50%	127	50%
incl. 50 year-old and older	20	11%	23	10%
Employees left	**122**		**224**	
incl. men	28	23%	35	16%
incl. women	94	77%	189	84%
incl. under the age of 30	40	33%	99	44%
incl. 30-49 year-old	72	59%	94	42%
incl. 50 year-old and older	10	8%	31	14%

Working environment, occupational safety and health

Harju Elekter prioritises the safety and well-being of its employees by adhering to internal guiding principles and processes for work environment and safety, as well as complying with applicable legislation and other relevant requirements. Health and safety management is strategically important across all companies within the Group.

To maintain a safe working environment, a risk assessment of the workplace is conducted periodically to evaluate compliance with regulations, identify potential risks, and address employee concerns.

The Group assesses risks itself and with the help of a trusted service provider. The risk assessment of the working environment consists of three parts: a workplace inspection, taking measurements and interviews with employees to ensure their involvement

We carry out periodic workplace surveys and audits to identify and prevent hazards. We react to changes in the working environment and identify potential risks in the creation of new jobs. We value open communication with our employees and encourage them to report any potential hazards or risks. Based on the results of the analysis, we develop a work environment action plan to create a safe and healthy work environment for our employees.

The main risks at the Harju Elekter production facilities include mobile forklifts, manual lifting of heavy weights, handling sharp metal components, the use of work equipment with incorrect work methods, and the risk of electric shock. Companies use a hierarchy of control measures to reduce the level of risk and eliminate hazards.

We have taken several steps to eliminate the hazards in our factories. We have rearranged work areas to ensure separate movement areas for workers and vehicles. Additionally, we have created safety instructions, provided personal protective equipment and conducted safety trainings for employees. Safety tours, which observations help to prevent accidents at work, are also conducted regularly.

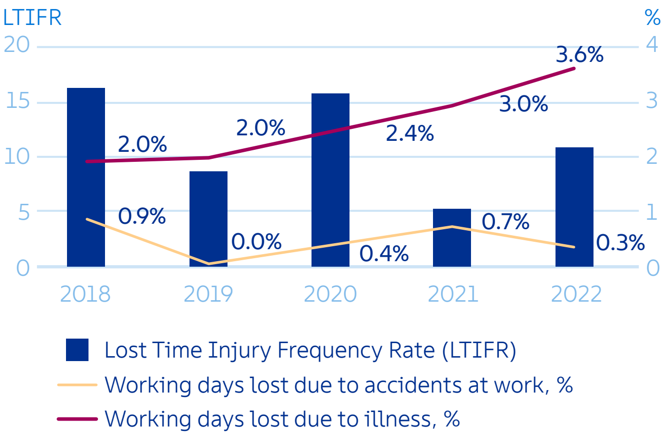
Working with the occupational health co-operation partner, we conduct medical examinations of employees in accordance with the procedure provided by law and after a period determined by the occupational health doctor. The service provider maps the risks related to mental health and prepares health audit reports with recommendations for improving employees' health.

In 2022, activities were continued to mitigate the risk of COVID-19 to prevent outbreaks at work and ensure the safety of employees. To this end, companies implemented stricter requirements, depending on the situation: wearing protective masks at the workplace, disinfecting surfaces and hands, limiting the reception of guests, and, where possible, referring employees to the home office.

As part of strategy implementation, we have introduced a new key performance indicator called the Lost Time Injury Frequency Rate (LTIFR). LTIFR is the ratio of the number of accidents at work which result in health damage to an employee's incapacity for work per million hours of work. The objective is to keep this figure below three (the result for 2022 was 10.8).

None of the accidents at work resulted in death and no cases of occupational disease were recorded. On average, the Group's companies lost 0.3% of working days due to accidents at work and 3.6% due to illnesses. Although

Work accidents and lost working days



the number of accidents at work increased compared to the previous period, the percentage of lost working days decreased, as accidents at work resulted in fewer lost working days.

We plan to increase our focus on the working environment and safety issues to achieve our goals. In 2023, we will begin the preparation of ISO 45001:2018 certification at the Estonian sheet metal factory. We intend to launch a common incident registration system for Harju Elekter Group companies to ensure a safe working environment and reduce the number of accidents at work by identifying and raising awareness of incidents.

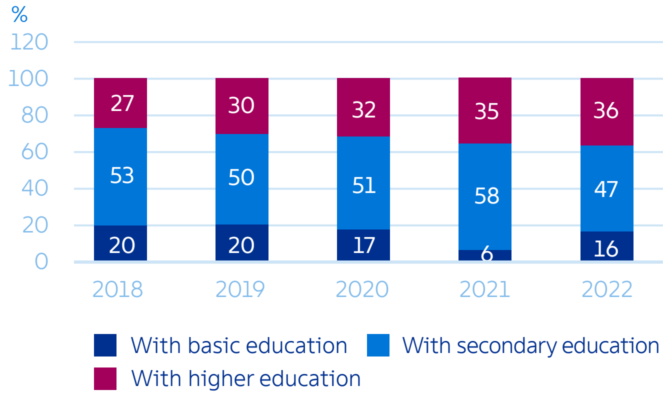
To promote a culture of occupational safety, a week of occupational safety was organised in the Estonian units during the accounting year, where employees were made aware of healthy workplaces. The main topic was how to maintain your physical and mental health. In addition, a digital platform, VITS, was implemented at the Estonian factory to streamline occupational safety and health processes.

Employee development and succession

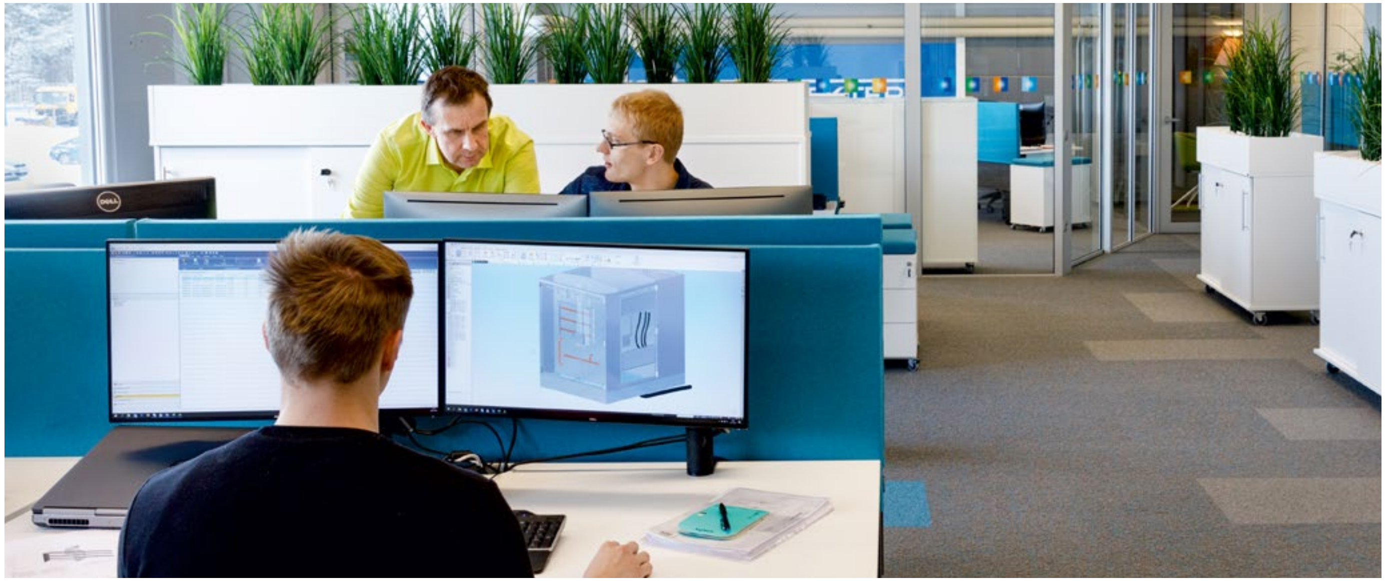
Harju Elekter is committed to supporting the all-round development of employees, strengthening teams and promoting the sharing of experience. Harju Elekter encourages the acquisition of additional education as well as skills and specialised professions alongside work. Annual comparisons demonstrate that the proportion of employees with higher education in the Group has increased significantly.

We believe that the involving employees in the decision-making process is crucial to help them understand the decisions and to be able to support the company in its development. To gather employees' expectations and feedback, Harju Elekter carries out annual development interviews to identify training needs and to obtain valuable feedback on the company and its management. In 2022, 84% (2021: 71%) of administrative and engineering

Education of the employees



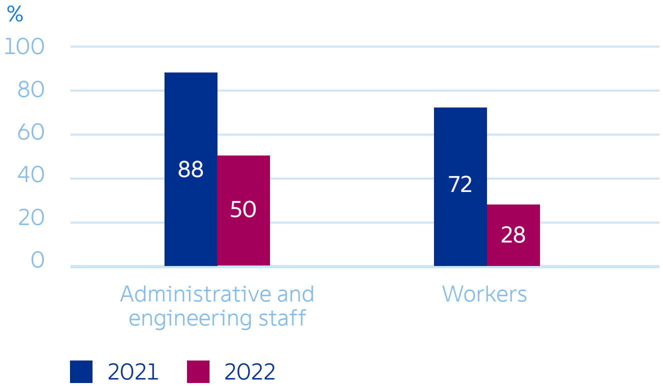
personnel and 57% (2021: 59%) of production personnel had development interviews. All of the Group companies will continue to develop adaption training and programmes for new employees, adding more Group-wide and



responsible business principles. In the reporting year, a special professional training programme was started for new employees in Estonia and a new career page was introduced in Sweden. Training for managers has provided them with practical tools to improve management and guidance for smoother cooperation.

In Estonia, a large-scale lean management training programme was started. Its aim is to apply both new theoretical knowledge and practical methods of lean philosophy in our production. In addition, trainings were provided primarily to employees who needed to improve or rotate their professional knowledge. In Lithuania, the training academy continued to increase the qualifications of engineers and work-based learning. Overall, the volume of external training has decreased in the accounting year due to the difficult times of the economy. Instead, more in-house trainings were organised. 50% of the administrative and engineering staff and 28% of the employees received external training. We plan to develop

Proportion of employees who participated in external training



a system for measuring training hours in the Group's companies in the next period to get a better overview of which training courses the employees have completed (group-wide training, professional training, etc.). In addition, as part of the strategy, we plan to introduce a Group-wide training and e-learning programme by 2026. At the moment, we are monitoring how many employees have had any training and set a goal of 100%.

> For the growth of engineers, Harju Elekter supports academic learning in universities by sharing practical experience and knowledge.

We organise tours and job shadowing days for young people, participate in student events, provide practical work experience, and assist students in writing course and graduation papers, offering the opportunity to use Group companies as research sites. In 2022, there were 21 (2021: 29) pupils and students in internships at the Harju Elekter Group companies. Such an opportunity creates for the Harju Elekter companies a succession of employees of people who are ambitious and willing to develop.

Employee satisfaction and motivation

Employee feedback plays an important role in Harju Elekter's organisational culture. We have made it a strategic goal to conduct a cross-group satisfaction survey and set the survey response rate at 80%. A satisfaction survey shall be carried out every two years to find out the opinions of employees. The 2021 survey focused on measuring the satisfaction of work, work colleagues, management culture and development opportunities. The Swedish unit was not able to participate due to reorganisation. Swedish and Finnish companies carried out a slightly shorter survey in 2022 at their own initiative. In 2023, the satisfaction survey will be carried out on a Group-wide basis and will include more topics.

Results of the satisfaction survey by country as of 2022

%	Estonia	Finland	Lithuania	Weighted average
Satisfaction	75	84	62	74
Response rate	68	69	53	66

In 2022, the labour turnover rate (the number of employees who voluntarily left the company during the year divided by the average number of employees) in the Harju Elekter companies was 26%, which is higher than in 2021 (15%). The significant increase in employee turnover in Lithuania was caused by a large number of new employees who left partly due to the expectation of too complex technical skills and insufficient support for settling in. The increase in the Swedish company's turnover has been influenced by a change in the location of production units. It will be important to further analyse the causes of voluntary turnover and aim to reduce the figure.

As an employer, we consider it very important that the work and private life of our employees is balanced. This is why the company does not favour overtime and allows workers flexible working hours. People whose jobs allow work from a home office and combine it with office work. In addition to the work-life balance, we consider it important to ensure a supportive mental and physical working environment. In cooperation with the employee, the working conditions of the home office shall be assessed on the basis of a risk analysis and instructions for working in the home office. Recent challenging years have increased mental health risks. We have carried out various studies to support employees in the Harju Elekter companies, conducted seminars and shared materials on mental health to support employees. We are organising various physical movement challenges to alleviate the mental burden. The Harju Steps, a Group-wide walking competition held in the summer, has become a tradition. From 2022, employees of the companies based in Estonia are offered a health allowance under which they can choose between a sports allowance or supplementary health insurance, depending on their needs. In addition, the companies have health rooms with massage chairs and other supporting equipment for alleviating forced positions.

The Group's remuneration policy is developed to provide fair, motivating, transparent and legally compatible remuneration. The aim of the policy is to recruit staff with the skills, competences, and experience to deliver the strategy, to align the interests of employees and shareholders, and to motivate employees. The remuneration systems consist of basic and variable pay, benefits, and employee incentives.

The decision on the level of remuneration is based on objective criteria. Most employees of the company have the opportunity to earn performance-based pay, which is calculated using clear and transparent principles.

THE FOLLOWING WILL BE TAKEN INTO ACCOUNT WHEN DETERMINING REMUNERATION:

- the knowledge and experience needed for the job
- employee engagement and performance
- accountability and leadership
- the volume and intensity of work
- the labour market situation

For employees with length of service, we offer additional benefits in the form of additional leave; for the duration of national defence exercises, we partially maintain the remuneration.

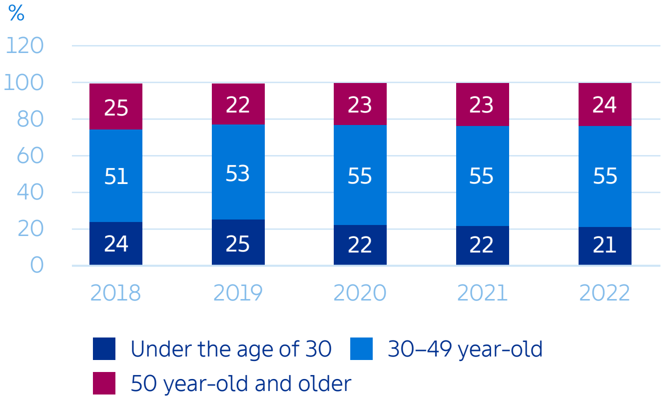
A variety of possibilities and channels are used to best reach, involve, and listen to employees, as well as establish an open organisational culture. To increase the unity of Harju Elekter, we aim to create programmes involving all companies and employees of the Group. In 2022, a Group-wide intranet was introduced to facilitate the flow of information and create a common information space. The recognition of employees is supported by the “Praise your colleague” initiative in the Intranet, through which all employees are able to recognise their colleagues. In addition, at the end of each year, the Colleagues of the Year, i.e., the people who have best represented Harju Elekter's values, are selected and recognised.

This year, **Veikko Kivipõld**, the Head of Department, was awarded the title of Colleague of the Year in the category of Harju Elekter's value Development. Veikko has been part of the Harju Elekter family for more than 15 years. “Initially, I was only planning to come for a short time, but gradually I learned new skills, work roles, and so I became the Head of Department. A supportive and inclusive culture and the opportunities offered by the employer have enabled all this.”

Diversity and fair treatment

Harju Elekter employs people from different cultural, educational, and professional backgrounds. It is important for us to ensure that no one is discriminated based on their age, gender, religion, origin, disability, marital status or any other circumstances. These issues are also outlined in the Group's Code of Conduct.

Employees by age



The average age of a Harju Elekter employee is 40.7 years old. We are committed to keeping staff in different age groups so that there is the succession of young people and the sharing of older generation experiences to ensure the company's sustainability.

The majority of our employees, 64%, have less than 5 years' length of employment, while 18% of employees have more than 10 years. The successful future of Harju Elekter relies on the cooperation of long-standing professionals in their field and young future top scorers. The sustainable development of the company is powered by a diverse workforce with extensive experience.

In our personnel policy, all recruitment and promotion decisions are based on gender-neutral and non-discriminatory equality-based and measurable characteristics, such as education, skills and experience, and, where appropriate, regulatory requirements. The search for filling vacancies is open, but in addition, job offers are notified internally. We encourage our employees to continuously evolve and support the movement between teams.

Harju Elekter accepts trade union membership among its employees. Trade union agreements have been concluded in five companies within the Group. Manufacturing companies operating in Estonia have a constructive cooperation with the Keila Industrial Park Trade Union (KETA), where around 20% of the employees are registered as members. At the end of the year, benefits and pay systems in collective agreements were reviewed and updated in the light of the economic environment. The obligations and benefits set out in a collective agreement apply to all workers, regardless of trade union membership. Employees in the Group's Lithuanian company belong to the local trade union on a voluntary basis, and employees in the Finnish and Swedish companies belong to local professional associations.

Career change: from cosmetician to quality control engineer

Ieva Malinauskaitė took the opportunity to participate in an electrician's vocational training programme and is excellent proof that in just one year it is possible to make a real change in a career and acquire new skills. "At the moment I'm working as a quality engineer, but I still have a lot of questions, and I don't think I'll have any fewer in the future, so I have to keep learning and improving," says Ieva. She adds that the specific nature of the company's activities ensures a dynamic and development-friendly environment for employees. Due to the fact that Harju Elekter's Lithuanian production unit works on the basis of project-based orders, the employees also need to constantly update their skills and knowledge - with tomorrow in mind.

We create future-proof electrification solutions with TOMORROW IN MIND

Harju Elekter contributes to a sustainable future and emission reduction by developing efficient and durable electrical power distribution products and solutions. We are committed to decreasing our carbon footprint and implementing circular economy principles throughout our supply chain to fight climate change and resource scarcity.

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Photographer: Kaia-Kristiina Kirikal

One of Harju Elekter's strategic focus topics is the environment. As a result of the environmental impact assessment, we defined the main environmental aspects as the consumption of electricity and heat energy in the production facilities; the use of components and materials in the products; the generation of waste and product transportation.

Based on the outcome of the assessment, we selected key indicators for the most significant impacts and set targets (see table below) to reduce negative environmental impacts and mitigate climate change. In 2023, we will conduct a more in-depth analysis of the use of materials and waste management, which will help us determine key indicators for these aspects.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Greenhouse gas (GHG) footprint	GHG emissions scope 1 & 2	Reduce 50% by 2026 (base year 2021)	• Scope 1 and 2 emissions were calculated for the first time and base year (2021) was set • First targets set for scope 1 & 2 reduction • 2022: 3,350.6 tCO_2e (2021: 3,360.1 tCO_2e)	• Actions to reduce scope 1 and 2 emissions (continuous) • Carrying out scope 3 measurements in Estonian factories and setting targets for scope 3 emission reduction (2023)
	GHG emissions scope 3	To be confirmed	Data not available	
Renewable energy	Investments to increase the amount of produced renewable energy	-	Installed capacity of solar power plants in 2022 was 140 kW (whole capacity: 2,403 kW)	• Start switching to renewable electricity in Estonian factories (2023-2024)
	Ratio of consumed renewable electricity from total electricity consumption	100% by 2026	29%	
Resource efficiency	District heating consumption (kWh/m²)	Reduce 15% by 2026 (base year 2022)	58.2 kWh/m²	• Continue efforts on energy efficiency and reducing municipal water consumption
	Electricity consumption (kWh/revenue*1,000)	Reduce 17% by 2026 (base year 2022)	32.3 kWh/revenue*1,000	
	Domestic water consumption (m³/number of employees)	Reduce 20% by 2026 (base year 2022)	9.1 m³/number of employees	
Circularity	To be confirmed	To be confirmed	Data not available	• Carrying out Green Audit in Estonian factory (2023)

The environmental management of Harju Elekter is based on three principles:

1. compliance with environmental laws, regulations and other interested parties' requirements;
2. periodic environmental analysis and environmental impact assessment;
3. implementation of the necessary improvement measures and the ISO 14001 environmental management standard in the Group's production companies.

There were no violations of environmental laws or regulations at Harju Elekter in 2022 or in previous years.

Greenhouse gas footprint

During the reporting year, we initiated the process of measuring our carbon footprint and setting goals to reduce our emissions throughout the Harju Elekter Group.

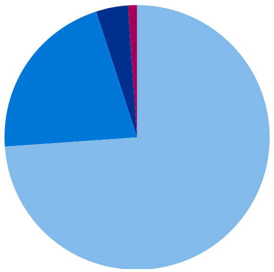
The Greenhouse Gas (GHG) footprint is calculated by following the Greenhouse Gas Protocol, the most commonly used global standard for measuring and managing GHG emissions from business, value chains and mitigation measures. The standard includes the assessment of seven greenhouse gas emissions.

We selected scope 1 and 2 and took 2021 as the base year for our calculations. Scope 1 consists of direct emissions from sources owned or controlled by the company, and scope 2 consists of indirect GHG emissions from purchased energy.

The carbon footprint calculation includes the following Group companies: AS Harju Elekter, AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Oy, Telesilta Oy, Harju Elekter UAB, Harju Elekter AB. The boundaries are defined on the basis of operational control, which means that we considered all emissions arising from sources and activities that are directly controlled by the Harju Elekter.

In 2022, Harju Elekter's GHG footprint (scope 1 and 2) was 3,350.6 tCO_2e (2021: 3,360.1 tCO_2e). The largest share of the emissions was accounted for by electricity and heat purchased and consumed.

GHG emissions (scope 1 and 2)



tCO_2e	2021	2022
Petrol	39.4	30.0
Diesel	100.4	99.9
Liquid gas (LPG)	11.7	10.2
Natural gas	133.8	83.7
Refrigerants (leakage)	0.2	20.9
Scope 1	**285.5**	**223.7**
Purchased electricity	2,553.7*	2,429.0*
Purchased heating	520.9*	677.0*
Scope 2	**3,074.6**	**3,106.0**
tCO_2e /revenue* 1,000,000	**22.0**	**19.1**

*Based on the reported values by the service providers, the results for heat and electricity are in tCO_2.

Harju Elekter Group's carbon footprint results for 2021 have been certified by a third party.

In the reporting year, we set emission reduction targets for scope 1 and 2. By 2026, we plan to reduce GHG emissions by 50%. To achieve this. we aim to increase energy efficiency and the share of renewable energy consumed in our production facilities.

Furthermore, in 2023, we will begin calculating scope 3 emissions in our Estonian production units. These emissions refer to indirect emissions resulting from upstream and downstream activities in the value chain of a company.

Renewable energy production

In order to reduce its ecological footprint, Harju Elekter has focused on the production and use of renewable energy. By investing in solar panels, the Group is both reducing the carbon footprint and saving on energy costs.

During the reporting year, Harju Elekter's solar power plant portfolio grew by 140 kW, raising the total capacity for renewable energy generation to 2,403 kW. A solar power plant installed at 308 kW capacity will be launched in the Västerås manufacturing facility in Sweden in 2023.

In 2022, the Group's solar power plants generated 2,273 MWh of electricity, of which 230 MWh was used for own consumption.

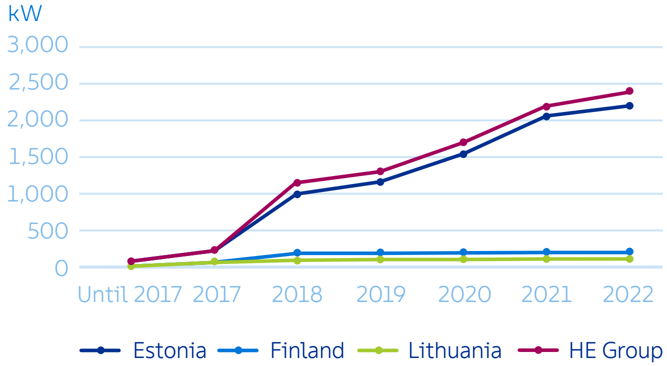
Over the year renewable energy production increased from 1,733 MWh to 2,273 MWh, an increase of around 31%.

29% (2021: 23%) of the electricity consumed by the Group's companies and 4% (2021: 4%) of the heat consumed came from renewable energy sources. Both Swedish and Lithuanian companies of Harju Elekter covered 100% of their electricity consumption with renewable energy.

The Swedish factory produced 16% of its own renewable energy and the Lithuanian factory 5%. We have set a goal to consume 100% of our electricity from renewable sources by 2026.

The use of solar energy accounts for an increasing share of the Group's own and tenants' current energy consumption. The Group will continue to integrate solar power plants into new and renovated production buildings. Most of the solar electricity (2,043 MWh) was sold directly to the tenants of the buildings or to the grid.

Capacity of installed solar power



Use of resources

Energy

The Group's companies reduce electricity and heat consumption through smart and sustainable technologies and energy-efficient buildings. In addition to the buildings used by the subsidiaries, it is important to also ensure energy efficiency for the industrial real estate under development in the Keila and Allika Industrial Park and Haapsalu.

In 2022, the Harju Elekter companies consumed 5,663 (2021: 5,715) MWh of electricity and 3,350 (2021: 3,525) MWh of heat energy, which remains at the same level as in the previous period.

We are committed to increasing energy efficiency in the Group's companies. We plan to reduce heat consumption per heated surface by 15% (2022: 58.2 kWh/m^2) and electricity consumption per turnover by 17% (2022: 32.3 kWh/ turnover*1000) by 2026.

Our thermal energy efficiency targets will be achieved through reducing overheating and optimising temperatures, building new energy-efficient buildings, renovating existing production buildings, implementing more energy-efficient ventilation aggregates, and reconstructing thermal assemblies.

In 2022, the Estonian factory continued to replace old fluorescent lamps with LED lighting, and also installed luminaires with motion sensors. Replacing the indoor and outdoor lighting of the Group's various buildings with more energy-efficient lighting has been a long-term activity, with the aim of replacing all previous lighting with LED lighting solutions. In the following periods, we will move forward with the exchange of fluorescent lamps in other companies.

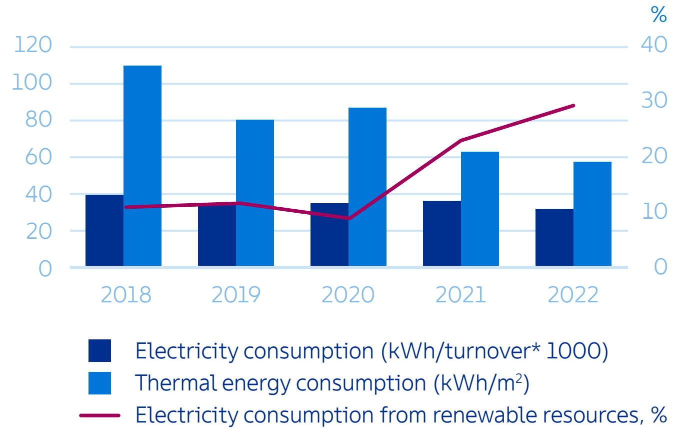
The companies of Harju Elekter are making a concerted effort to replace outdated production machines with new, more energy-efficient ones, with the aim of reducing the energy needed to run the equipment.

Harju Elekter is committed to environmentally sustainable industrial real estate development. When constructing new buildings, a thorough assessment is conducted to determine the most suitable heating solution for the building or type of production. All new buildings built by Harju Elekter since 2017 have been equipped with rooftop solar panels, and this principle will continue to be followed. Older buildings are being renovated to improve energy-efficiency, including insulation of walls and roofs and modernisation of heating and ventilation systems.

Such improvements will help to better meet tenants' growing expectations, value environmental benefits and more sustainable energy use, and save on running costs.

AS Harju Elekter Teletehnika has a heat recovery system integrated into the building's technical systems, which enables the company to produce heat from residual heat. In total, this amounted to 82 MWh (2021: 66 MWh), representing 14% of total heat consumption.

Energy consumption



Materials and waste

For Harju Elekter, the reuse of resources and recycling of waste, following the principles of the waste hierarchy, is important.

The Group's factories generate production and municipal waste. Production waste, including metal waste (e.g., steel and copper), plastic waste, hazardous waste and packaging waste (film, carton, cardboard), will be sorted and sent for recovery or recycling. Municipal waste is generated by non-production activities.

Metal and packaging residues are reduced by optimising production processes. Majority of the packaging materials are recycled both in-house and when the products are dispatched to customer. Circulating containers are used with some suppliers.

Metal factory's paint lines use powder paints, which is one of the most popular surface treatment methods in the metal industry. Powder paints do not contain solvents or heavy metals and are therefore environmentally friendly. Any leftover paint from the paint lines is collected and recycled.

Waste management instructions have been prepared to guide waste sorting, and waste containers and bins have been marked, as well as staff trained. The companies have contractual and reliable partners for waste management, who provide the Group's companies with information on waste statistics.

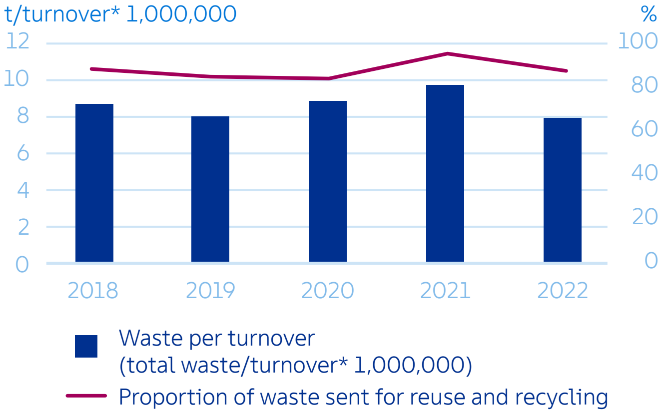
Compared to previous periods, the proportion of hazardous and non-hazardous waste has decreased.

The Group's companies attach great importance to compliance with European directives and the use of environmentally friendly components in their products, and therefore have REACH and RoHS databases in order to be certain of the composition of components.

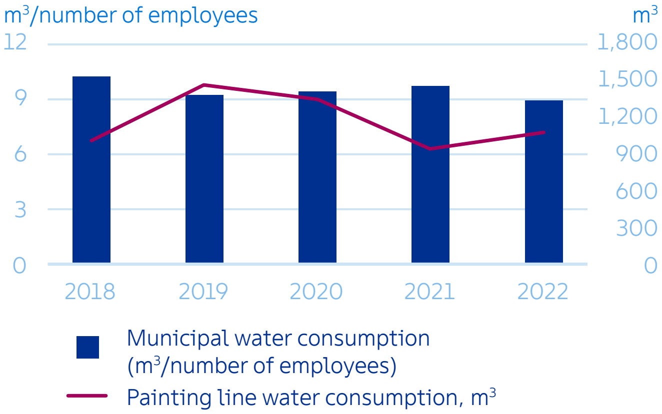
Water consumption

Harju Elekter Group's water consumption in the reporting year was 9.1 (2021: 9.3) ML. The main use of water in the companies is for domestic purposes. At the Estonian sheet metal plant, water is used in the production of the paint line processes, which accounts for 12% of total water consumption. Compared to previous periods, water consumption has remained at the same level. We have set a goal to reduce 20% domestic water consumption by 2026 compared to 2022.

Waste



Water consumption



Product life cycle

Harju Elekter's goal is to provide its customers with safe, flawlessly functioning and long-lasting solutions that are sustainable for both society and the environment.

> Typically the lifetime of an electrical installation is calculated to be 40 years or more. Therefore, it is necessary to create solutions while considering the possibility of retrofill and the handling of materials at the end of product's lifespan.

By extending the life and increasing the proportion of recyclable materials, Harju Elekter contributes to reducing the environmental impact of electrical installations. Along with the development of new technologies, materials that are less burdensome to the environment (e.g., SF6 free equipment) will also be introduced to ensure the safety and reliability of Harju Elekter's solutions for many years to come.

To reduce the environmental impact of electrical installations throughout their lifecycle, we plan to conduct a scope 3 analysis and develop a green roadmap for our Estonian manufacturing plants in 2023. The analysis will provide a better understanding of the carbon footprint of components and materials used in the production process, enabling to make informed decisions and identify opportunities for improvement.

RELIABILITY is earned through responsible governance

Harju Elekter conducts business with integrity in accordance with the law and ensures that our management principles, work methods, and structures are transparent, reflecting the responsibility and the highest ethical standards. We do not implement or tolerate illegal and unethical business practices or involvement in corruption in any way. We cooperate together, strengthen existing partnerships, and create new alliances by sharing our skills and knowledge.

Photographer: Kaia-Kristiina Kirikal

At Harju Elekter, we rely on fair, transparent, and ethical management principles in its communication with all stakeholders. That is why we have focused on responsible management and integrated these issues into our sustainability strategy.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Compliance	% of employees committed to the Code of Conduct	100%	Started developing Group-wide Code of Conduct, which will be publised at the beginning of 2023	• Publishing and updated Code of Conduct and training of our employees (2023) • Introducing Code of Conduct to the suppliers (2023) • Publishing and introducing new Group policies (Quality, Environment, OH&S) (2023-2024)
	% of TOP suppliers committed to the Code of Conduct	100%	Plan to form Code of Conduct for Suppliers	
	% of employees who have gotten introduction of new Group policies (Quality, Environment, OH&S)	100%	In 2022 we developed new policies	
Misconduct reporting	% of employees completed whistleblowing channel training	100%	Started making preparations for setting up whistleblowing channel	• Setting up whistleblowing channel in Estonia and carrying out training to employees (2023) • Whistleblowing channel set up in other countries (2023-2024)
Sustainable supply chain	% of key suppliers have filled self-assessment	100%	70% of suppliers filled the self-assessment	• Developing a supplier audit plan based on self-assessment results (2023) • Carrying out supplier audits according to the audit plan (2023-2026)
	% of planned supplier audits have been carried out	100%	Data not available	

Fair and ethical business practices

The Group has a zero-tolerance policy towards corruption (including bribery, conflict of interest, abuse of position and influence, embezzlement) and unfair competition (including the dissemination of know-how and inside information and its use for personal gain), both for employees and partners.

In order to prevent, avoid and mitigate the risks of corruption and unfair competition, we have agreed on certain principles: for example, in the case of large-scale transactions, we involve an additional decision-maker to avoid conflicts of interest that may arise, among other things, from business, family or other ties. Employees are prohibited from accepting or giving gifts or benefits with the purpose of influencing a customer in a way that is more favourable to themselves or the company. In our activities, we follow laws and established practices and norms.

We have established rules, guidelines, and verbal agreements at the management levels of the companies of Harju Elekter to increase transparency and mitigate reputational risks, and thereby maintain the Group's credibility in the market and in its relations with the stakeholders. Key persons must declare their business interests and holders of inside information must comply with the established rules of conduct. To ensure that Group employees are aware of the required guidelines and responsibilities, they are introduced to the internal rules of the job upon taking up their positions and regularly undergo area-specific training and internal audits.

In 2022 the Harju Elekter Group:

- did not register any corruption-related incidents, resulting in the dismissal of any employees of the Group's company, the imposition of corresponding fines or the filing of any lawsuits, and the termination or suspension of the renewal of agreements with business partners due to corrupt behaviour;
- did not register any non-compliances with existing regulations (including social, economic, and environmental) in the companies' activities, thus, no fines or non-monetary sanctions were imposed;
- did not register any cases where companies contributed to political activities either in cash or in kind;
- AS Harju Elekter Elektrotehnika was approached in a court case. Due to a significant decrease in the workload of the employee trustee's position, the company was forced to lay off the trustee. The employee decided to defend their rights in the Labour Dispute Committee, whose decision contained legal inaccuracies, which is why the case has been referred to the court.

Developing an open organisational culture helps to ensure that employees have the information they need to make informed decisions and that management is aware of critical transactions and potential non-compliances involving high economic risks.

In 2023 we will update Code of Conduct and conduct training for all Group employees. In addition we intend to introduce updated guiding principles in the areas of quality, environment, working environment and safety.

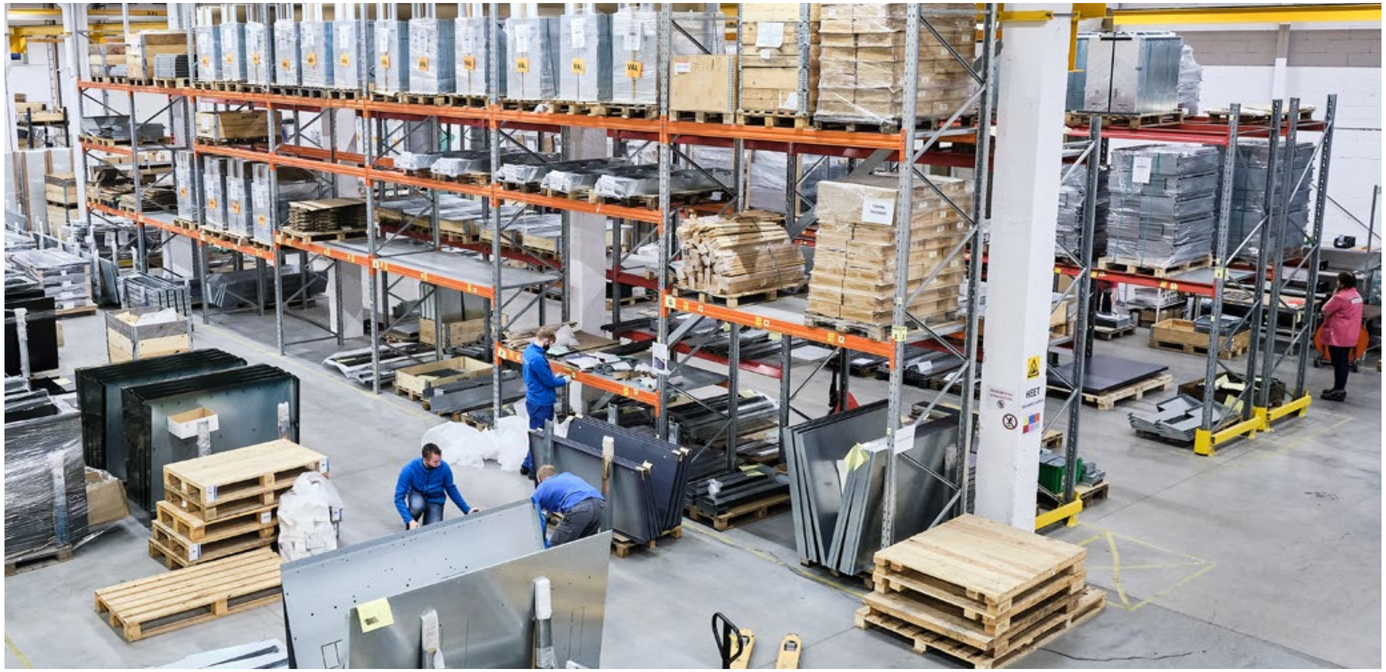
In our operations, we have set the highest standards of honesty, reliability and openness and ensure that our transactions comply with ethical standards. It is important for us to ensure that our employees, customers and partners report information that suggests illegal, unethical or fraudulent behaviour. If today there is an opportunity to report a breach or conflict of interest by e-mail mainly to employees, we are in the process of establishing a whistleblowing platform where all persons working or working with us have the opportunity to report the above violations without following pressure methods.

Sustainable supply chain

We consider it good practice to organise tenders and consider alternatives when making purchases to obtain suitable purchasing conditions. The selection of supplier is based on factors such as reputation, reliability, quality, delivery conditions and price. The main cooperation partners tend to be permanent, and new ones are sought when the need arises, or a new product is launched.

During the reporting year, the focus was on close cooperation with suppliers in relation to global supply chain challenges, both due to rising prices of purchased components and extended delivery times. To mitigate these problems and find solutions, all companies in the Group placed greater emphasis on monitoring supplier performance, continuous communication, and finding common solutions with suppliers. In order to mitigate the risks, companies increased their stock levels and identified alternative suppliers.

It is important for the Group's companies to maintain good partnerships with suppliers and to provide continuous feedback. Periodic supplier assessments are carried out, in which feedback is sent to suppliers and development opportunities are reviewed together in accordance with the results.



During the reporting period, five audits were carried out in Finland, covering quality, environmental and social issues. In addition, we sent a self-assessment questionnaire to 56 major suppliers in the Group, covering topics such as strategic management, quality management, production, product development, supplier management, environment, occupational safety and health and social responsibility. The self-assessment questionnaire was completed by 70% of suppliers.

The aim of this assessment was to map the risks associated with the supplier, evaluate the performance of suppliers and promote sustainability issues. Based on the analysis of the results, we plan to prepare a Group-wide supplier audit plan in 2023.

Specific social and environmental criteria have been agreed with 36% of the Group's suppliers. In 2023, we aim to introduce a Code of Conduct for suppliers, with the goal of having 100% of key suppliers adhere to our principles.

EU Taxonomy for Sustainable Activities

In 2020, the European Union adopted a classification system that establishes a list of environmentally sustainable activities – the EU Taxonomy regulation, [1] which establishes the criteria for classifying economic activities as environmentally sustainable. By fulfilling these criteria, sustainable economic activities contribute to the achievement of the European Union's environmental objectives.

A list of economic activities that are eligible to make a substantial contribution to these objectives is adopted through delegated acts. As of the end of 2022, a delegated act has been adopted regarding the objectives of mitigating and adapting to climate change (the 'Climate Act') [2]. The climate delegated act focuses on the nine economic activities as they have the greatest potential to contribute to the climate objectives.

Harju Elekter's 2022 taxonomy report section covers manufacturing, energy, construction, and real estate activities.

Harju Elekter Group discloses the proportion of taxonomy-eligible and taxonomy-non-eligible economic activities in their total revenue, capital expenditure (CapEx) and operational expenditure (OpEx) in accordance with the delegated act supplementing reporting obligations [3]. According to the implementation timeline outlined in the taxonomy regulation act, Harju Elekter Group assessed the alignment of taxonomy-eligible activities with the taxonomy regulation and disclose the proportion of taxonomy-aligned activities in the revenue, CapEx and OpEx.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council.
[2] C(2021) 2800 final.
[3] C(2021) 4987 final.

Proportion of Harju Elekter revenue from products or services associated with Taxonomy-aligned economic activities in 2022

	NACE code(s)	Proportion of revenue	Proportion of revenue	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm')						Taxonomy-aligned proportion of revenue, 2022
				Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		EUR´000	%	%	%	yes/no	yes/no	yes/no	yes/no	yes/no	yes/no	
A. Taxonomy-eligible activities (A.1 + A.2)		**42,430**	**24.2%**	**24.2%**	**0.0%**							
A.1. Environmentally sustainable activities (Taxonomy-aligned)		**4,984**	**2.8%**	**2.8%**	**0.0%**							0.0%
incl 3.1 Manufacture of renewable energy technologies [1]	*C27.1.2*	*4,241*	*2.4%*	*2.4%*	*0.0%*		*no*	*no*	*no*	*no*	*no*	*0.0%*
incl 4.1 Electricity generation using solar photovoltaic technology	*D35.1.1*	*370*	*0.2%*	*0.2%*	*0.0%*		*yes/no [2]*	*-*	*yes/no [2]*	*-*	*yes/no [2]*	*0.0%*
incl 7.7 Acquisition and ownership of buildings	*L68.2.0*	*373*	*0.2%*	*0.2%*	*0.0%*		*no*	*no*	*yes*	*no*	*no*	*0.0%*
A.2. Taxonomy-Eligible but not environmentally sustainable		**37,446**	**21.4%**									
incl 3.1 Manufacture of renewable energy technologies [1]	*C27.1.2*	*0*	*0.0%*									
incl 3.6 Manufacture of other low carbon technologies [1]	*C27.1.2*	*34,495*	*19.7%*									
incl 4.1 Electricity generation using solar photovoltaic technology	*D35.1.1*	*0*	*0.0%*									
incl 7.7 Acquisition and ownership of buildings	*L68.2.0*	*2,951*	*1.7%*									
B. Taxonomy-non-eligible activities		**132,863**	**75.8%**									
Taxonomy-non-eligible activities		**132,863**	**75.8%**									
Total (A+B)		**175,293**	**100.0%**									

[1] Transitional activity.

[2] Solar panels that meet the criteria "Does Not Significantly Harm" and are installed on the roof of buildings.

Proportion of Harju Elekter CapEx from products or services associated with Taxonomy-aligned economic activities in 2022

	NACE code(s)	Proportion of revenue	Proportion of revenue	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm')						Taxonomy-aligned proportion of revenue, 2022
				Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		EUR´000	%	%	%	yes/no	yes/no	yes/no	yes/no	yes/no	yes/no	
A. Taxonomy-eligible activities (A.1 + A.2)		**13,429**	**88.1%**	**88.1%**	**0.0%**							
A.1. Environmentally sustainable activities (Taxonomy-aligned)		**12,847**	**84.4%**	**84.4%**	**0.0%**							0.0%
incl 4.1 Electricity generation using solar photovoltaic technology	*D35.1.1*	*332*	*2.2%*	*2.2%*	*0.0%*	-	*yes/no* [2]	-	*yes/no* [2]	-	*yes/no* [2]	*2.1%*
incl 7.1 Construction and real estate activities	*F41.2.0*	*11,200*	*73.5%*	*73.5%*	*0.0%*	-	*no*	*no*	*no*	*no*	*no*	*0.0%*
incl 7.3 Installation, maintenance and repair of energy efficiency equipment [1]	*F43.2.1*	*100*	*0.7%*	*0.7%*	*0.0%*	-	*yes*	-	-	*yes*	-	*0.7%*
incl 7.7 Acquisition and ownership of buildings	*L68.2.0*	*1,215*	*8.0%*	*8.0%*	*0.0%*	-	*no*	*no*	*yes*	*no*	*no*	*0.0%*
A.2. Taxonomy-Eligible but not environmentally sustainable		**582**	**3.8%**									
incl 4.1 Electricity generation using solar photovoltaic technology	*D35.1.1*	*141*	*0.9%*									
incl 7.1 Construction and real estate activities	*F41.2.0*	*0*	*0.0%*									
incl 7.3 Installation, maintenance and repair of energy efficiency equipment [1]	*F43.2.1*	*0*	*0.0%*									
incl 7.7 Acquisition and ownership of buildings	*L68.2.0*	*441*	*2.9%*									
B. Taxonomy-non-eligible activities		**1,815**	**11.9%**									
Taxonomy-non-eligible activities		**1,814**	**11.9%**									
Total (A+B)		**15,243**	**100.0%**									

[1] Transitional activity.

[2] Solar panels that meet the criteria "Does Not Significantly Harm" and are installed on the roof of buildings.

Proportion of Harju Elekter OpEx from products or services associated with Taxonomy-aligned economic activities is 0% in 2022.

Specification of information accompanying key performance indicators

1. Accounting method

In the assessment of the Taxonomy-eligible part, Harju Elekter Group was guided by the descriptions of performance indicators and the definitions of numerator and denominator set out in Annex I to the Taxonomy Regulation governing information to be disclosed. [2] The company used the definitions of performance indicators to calculate the share of Taxonomy-eligible activities, given that the performance indicators for the 2022 report are the share of Taxonomy-eligible activities in revenue, in capital expenditure, and in operating expenditure. The identification of the numerator was based on the descriptions of activities set out in Annexes I and II [3] to the Taxonomy Regulation Climate Delegated Act.

Performance indicator related to revenue – The denominator included revenue which is generated in the course of the Group's traditional business and is in accordance with International Accounting Standard IAS 1 §82. The Group's core business is the manufacture and sale of electrical distribution and control equipment, as well as various metal products. In addition, it earns income from project and retail sale of electrical goods, rental of industrial real estate, and electrical installation work in the shipbuilding sector. The numerator included revenues of the company from activities that according to the Group correspond to the descriptions of activities in the Taxonomy Regulation Climate Delegated Act.

Performance indicator related to capital expenditure – The denominator included the investments made by the Group in 2022. During the year, the Group invested in tangible and intangible fixed assets, and accounted for new lease contracts under IFRS accounting. The numerator also includes those capital expenditures that are related to Taxonomy-eligible economic activities. In addition, the numerator also includes capital expenditures that are related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. At that, it has been considered that individual measures will be implemented within a period of 18 months.

Performance indicator related to operating expenditure – The denominator included direct non-capitalised development costs incurred in 2022. The numerator equals the share of the operating expenditure included in the denominator that the Group considers Taxonomy-eligible economic activities.

2. Information about assessment of compliance with the Taxonomy Regulation

Description of activities and explanation of the assessment of compliance

In mapping Taxonomy-eligible economic activities, Harju Elekter was guided by the NACE codes of activities outlined in the technical screening criteria of the Climate Delegated Act and the description of the activity. According to the Taxonomy Regulation, activities contributing to climate targets are divided into three: low-carbon activities, enabling activities, and transitional activities. The Harju Elekter Group's activities include both low-carbon activities and enabling activities. The Group did not assess the technical criteria for climate change adaptation because the company has no corresponding areas of activity.

In 2022, the activities of Harju Elekter covered by the Taxonomy Regulation are:

- NACE C27.1.2, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **3.1 Manufacture of renewable energy technologies**. Harju Elekter manufactures substations and other electricity distribution equipment for solar, wind and hydro power plants. This is an enabling activity for renewable energy production according to climate change mitigation criteria. In the reporting period, the Group is unable to assess the compliance of these activities with regard to undermining other climate goals, as it has not assessed the circularity and environmental impact of the products. In 2023, Harju Elekter will carry out a carbon footprint calculation and a green audit which will help to provide the relevant assessment in subsequent periods.
- NACE C27.1.2, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **3.6 Manufacture of other low carbon technologies**. The Group manufactures chargers and heaters for electric vehicles. Another enabling activity of the Group is the production of substations and other electricity distribution equipment that are sold for the modernisation and construction of low-carbon ships. This is an enabling activity that contributes to climate change mitigation. Harju Elekter's products are used in final solutions, which is why the Group does not have a sufficient overview to assess the compliance of these projects with the technical screening criteria.

[2] C(2021) 4987 final, Annex I, point 1.1.
[3] C(2021) 2800 final.

- NACE D35.1.1, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **4.1 Electricity generation using solar photovoltaic technology**. The Group produces and sells renewable electricity generated by solar panels. This activity makes an important contribution to climate change mitigation as it generates electricity using photovoltaic technology. The Group has assessed that solar farms installed in place of fields or forests are detrimental to the achievement of environmental objectives. Roof-mounted solar farms do not cause any significant detriment.
- NACE F41.2.0, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.1 Construction of new buildings**. The Group invests in new energy-efficient production buildings. The energy performance label of the newly completed building in Sweden meets the technical screening criteria for climate change mitigation. Despite the fact that the construction was designed and carried out in accordance with building standards that comply with European Union regulations, the Group cannot currently confirm that the field of activity in question does not jeopardise other environmental objectives. No further risk analyses have yet been carried out for the criteria under the Regulation.
- NACE F43.2.1, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.3 Installation, maintenance and repair of energy efficiency equipment**. The Group invests in the installation and replacement of energy-efficient light sources. The screening criteria for climate change mitigation are met because the replacement of energy efficient light sources in the Group's buildings meets the minimum requirements set out in the applicable national legislation implementing Directive 2010/31/EU. This activity does not significantly undermine any of the environmental or social objectives set out in the Regulation.
- NACE L68.2.0, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.7 Acquisition and ownership of buildings**. The Group is engaged in the development, project management and leasing of industrial real estate. Harju Elekter's buildings built after 2020 meet the screening criteria for climate change mitigation where the energy label proves the high energy efficiency of the respective buildings.

The majority of the Group's suppliers are in Europe, where we can see that the level of social risks is lower than in other countries. For a more detailed overview on this topic, see chapter "Sustainable supply chain". In order to avoid accounting twice for the same key performance indicators related to revenue, capital expenditure and operating expenditure, each economic activity was considered on a project and order basis. In addition, Group-wide transactions were mapped.

3. Background information of key performance indicators

Revenue – The Group manufactures electric vehicle chargers and heaters, develops and leases industrial real estate, and generates income from renewable energy production. As an enabling activity, it manufactures substations and other electricity distribution equipment for the production of solar, wind, hydroelectric and low-carbon ships.

The quantitative breakdown of the numerator is shown in the table (see activities 3.1, 3.6, 4.1, 7.7).

Capital expenditure – Capital expenditure includes direct investments in real estate and solar power plant development. The installation of energy efficient light sources and the construction of a new energy-efficient production space in Sweden have been taken into account as individual measures.

The quantitative breakdown of the numerator is shown in the table (see activities 4.1, 7.1, 7.3, 7.7).

Operating expenditure – Operating expenditure includes direct operating costs incurred in the development of electric vehicle chargers and heaters. There were no corresponding expenditures in the reporting year.

Financial Summary

- Financial summary
- Review of the economic environment
- Operating results
- Business segments

GROUP	2022	2021	2020	2019	2018
STATEMENT OF PROFIT OR LOSS (million euros)					
Revenue	**175.3**	152.8	146.6	143.4	120.8
Gross profit	**12.3**	17.9	21.2	18.2	16.0
Operating profit	**-4.5**	3.2	6.5	3.3	2.4
Net profit (belonging to owners of parent company)	**-5.5**	2.6	5.6	2.5	1.5
STATEMENT OF FINANCIAL POSITION AS AT THE YEAR END (million euros)					
Total current assets	**79.0**	63.5	49.7	48.0	44.0
Total non-current assets	**92.5**	84.0	65.7	59.9	54.2
Total assets	**171.4**	147.6	115.5	107.9	98.2
Equity (belonging to owners of parent company)	**79.6**	87.0	73.5	67.1	66.9
Equity multiplier (%)	**52.2**	61.0	63.0	65.1	72.7
GROWTH RATES (% of previous year)					
Revenue	**14.8**	4.2	2.2	18.7	18.0
Gross profit	**-31.4**	-15.7	16.3	14.2	4.0
Operating profit	**-242.0**	-51.1	100.0	35.6	-55.7
Net profit (belonging to owners of parent company)	**-313.4**	-53.3	126.1	59.1	-94.7
Assets	**16.2**	27.8	7.0	9.9	9.1
Equity (belonging to owners of parent company)	**-8.5**	18.3	9.6	0.2	-4.2

GROUP	2022	2021	2020	2019	2018
PROFITABILITY RATIOS (%)					
Gross margin	**7.0**	11.7	14.5	12.7	13.2
Operating margin	**-2.6**	2.1	4.5	2.3	2.0
Net profit margin	**-3.2**	1.7	3.8	1.7	1.3
Return on assets (ROA)	**-3.5**	2.0	5.0	2.4	1.7
Return on Capital Employed (ROCE)	**-4.5**	3.3	8.1	4.4	3.3
Return on equity (ROE)	**-6.7**	3.2	7.9	3.7	2.3
SHARE (EUR)					
Average number of shares (1,000 pcs)	**18,134**	17,855	17,740	17,740	17,740
Equity per share	**4.61**	4.50	3.96	3.78	3.86
Closing price of share	**5.01**	7.44	5.18	4.21	4.12
Net profit per share	**-0.31**	0.15	0.31	0.14	0.09
P/E ratio	**-18.08**	51.13	16.52	30.07	45.78
Dividend per share	(1) **0.05**	0.14	0.16	0.14	0.18
LIQUIDITY RATIOS					
Current ratio	**1.1**	1.3	1.4	1.6	2.2
Liquidity ratio	**0.6**	0.8	0.9	0.9	1.5
PERSONNEL AND SALARIES (pcs)					
Average number of employees	**878**	825	780	778	713
Number of employees at the end of period	**889**	865	784	791	736
Salaries (million euros)	**27.1**	23.9	21.3	21.4	18.6

(1) – Management board proposal.

The calculation of ratios is presented in the supplementary annexes to the annual report on page 146.

Review of the economic environment

Global economy

The global economy was affected most last year by high inflation, and rising energy and commodity prices. As well, additional effect was caused by the energy crisis in Europe originating from the sanctions imposed on Russia due to the hostilities in Ukraine, and the interest rate hikes of central banks. The rapid recovery of the economy from the corona crises and positive views of the future were resoundingly crushed by the hostilities that began in Europe in February. Further uncertainty was sparked by rising prices that accelerated through the year, and the frequent and steep base rate hikes applied by central banks in their fight against inflation. Despite the clouds of concern, the initial estimate by the International Monetary Fund revealed that the world economy grew by 3% in 2022, which is nearly one percentage point less than forecast a year earlier. The end of the era of 'cheap money' created by the asset purchase programmes of the European Central Bank and the United States Federal Reserve and other economic stimulus support measures, which have lasted for over a decade, together with the fastest interest rate rise in recent decades, forced the majority to reassess their consumption patterns, costs, investments and business models, which in turn is having an impact on growth prospects for the coming years.

Nordic and Baltic countries

The economic environment of the Nordic and Baltic countries was able to withstand the volatile conditions of 2022. According to preliminary data, the economies of Sweden, Finland, Latvia, and Lithuania grew by 1–2% in 2022. Countries in the region were influenced by similar factors affecting the entire global economy – high and accelerating inflation, geopolitical tensions, high energy prices, and rising interest rates. Employment and domestic consumption remained very strong in the first half of the year. The second half of the year saw a slight recession by quarters, mainly caused by reduced domestic demand and a slight decrease in exports and investments.

Continuing geopolitical tensions, the slow decline in inflation and the slight downturn in the economy in the second half of the year have significantly eroded optimism about the economic growth of countries in the region next year.

Estonia

Estonia's economy was unable to maintain its growth trend in 2022 – gross domestic product fell by 1.3% year-on-year according to preliminary data from Statistics Estonia. The reasons for the economic downturn lie in a benchmark base with strong growth, ultra-high inflation and a deteriorated economic environment caused by global economic and geopolitical factors. The fields of tourism, accommodation, and service showed the greatest recovery from the coronary crisis with a positive impact. Negative contributions came from real estate, energy, trading, and financial activities. Some growth in private consumption was supported by a high rate of employment and a population growth that has mainly through immigration, although private consumption also began to decline in the second half of the year. Decreased investments, high energy prices, significantly higher interest rates and continuing rapid overall price increases combined with a geopolitically tense situation do not create a favourable environment or a prospect for economic growth in 2023.

Sources: Eesti Pank, Statistics Estonia, IMF, Eurostat and European Commission.

Operating results

2022 proved to be the hardest year in the history of Harju Elekter. Despite record order volumes, the results of the first half of the year were affected by persistent supply chain problems, which were primarily reflected in the price growth of materials and shortages in several components. A price rise of several hundred percent in materials and components due to several crises, an increase in the remuneration of skilled labour and production inefficiencies due to the delayed arrival of the necessary components created the need to critically overestimate contracts for long-term projects and their potential performance. The Group formed several reserves to cover potential costs and incurred losses from transactions already concluded. The restructuring of the Group and successful price negotiations helped to significantly improved the profitability of business operations in the second half of the year; however, due to one-time costs, the Group ended the reporting year with a loss.

Revenue

Despite the challenging conditions, the trend of growth in revenue continued, and Harju Elekter achieved the largest consolidated revenue in its history, 175.3 (2021: 152.8) million euros. Behind the rise is a record number of orders and their increased execution. Successful price negotiations with a number of international customers, who have been responsive to price adjustments and realised that the sustainability of the supplier is important for the customer, also had a significant impact.

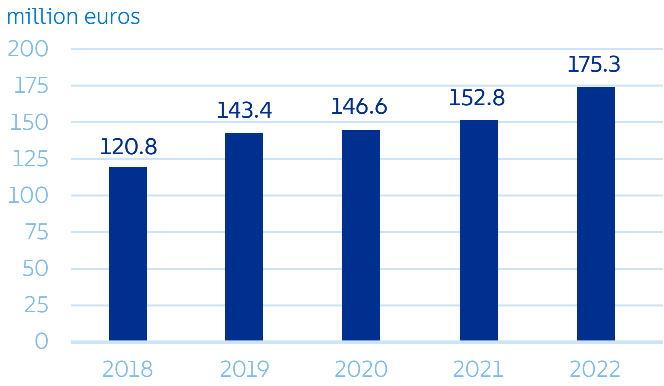
The Group's activities are divided into two segments: production and real estate. Non-segmented areas of activity are grouped under Other activities, where each area of activity does not have a large enough share to form a separately reported segment.

In a comparison of periods, revenue grew mainly in the areas of activity of production companies and the real estate unit. Manufacturing activity, or the Group's main area of activity, provided the largest share of revenue, 90% (2021: 87%). Real estate and other non-segmented activities accounted for a total of 10% (2021: 13%). During the year, the production segment's revenue increased by 18.0%, amounting to 157.6 (2021: 133.5) million euros. For a more detailed overview of the segments for the reporting year, please see the chapter "Business segments".

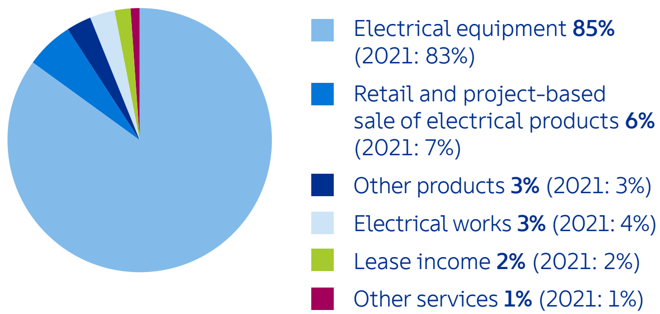
The Group monitors revenues according to six different activities: the manufacturing and sale of electrical equipment, the retail and project-based sale of electrical products, the manufacture and sale of other metal products, the rental of industrial real estate, electrical installation work in the shipbuilding sector and other services. Revenue from the sale of electrical equipment accounted for 85% of the Group's revenue. The remaining 15% was earned from the sale of metal products, project and retail sale of electrical goods, leasing out industrial real estate, and electrical works in the shipbuilding sector.

Consolidated revenue increased in the Group's core business areas, from the sale of electrical equipment and rental of real estate and fell in the retail and project sales of electrical goods and electrical works. An increase in sales of low-voltage equipment, substations, electric car chargers, and solar panel systems accounted for the vast majority of the growth in consolidated revenue for the reporting year.

Group`s revenue



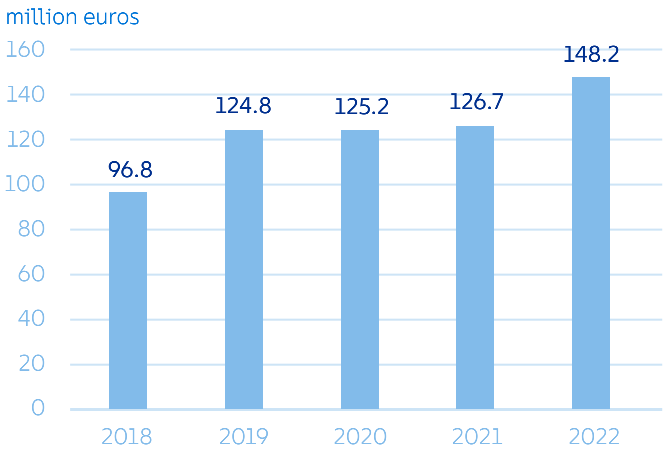
Revenue by business segments



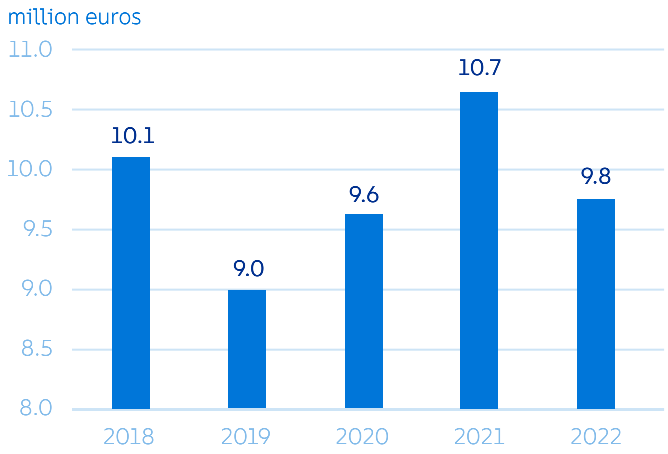
The most significant project was a custom-made global data center power supply equipment, which was manufactured at Harju Elekter's Lithuanian plant. It took just over half a year to create the prefabricated container solutions. The development and design process and innovative production took part in collaboration with our international partners and the engineers from our various production units and resulted in a complex full-load test.

Revenue by business activities in 2018-2022

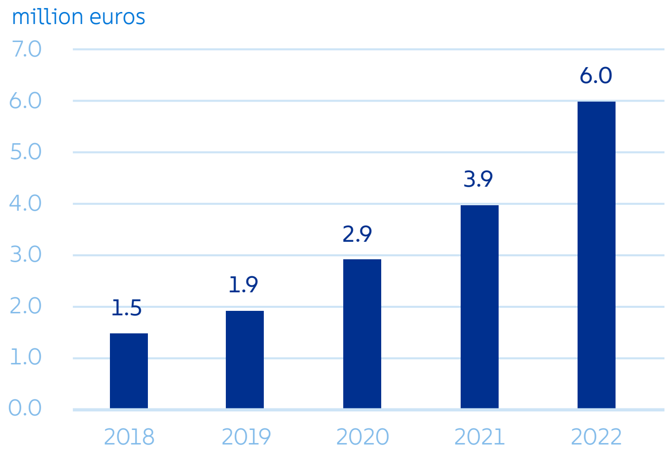
Electrical equipment



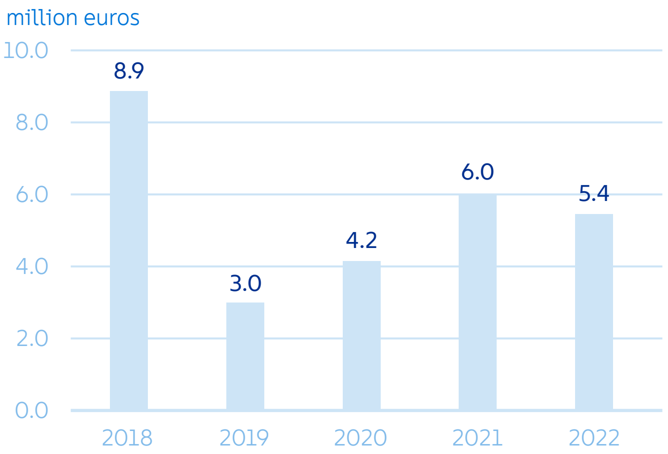
Retail and project-based sale of electrical products



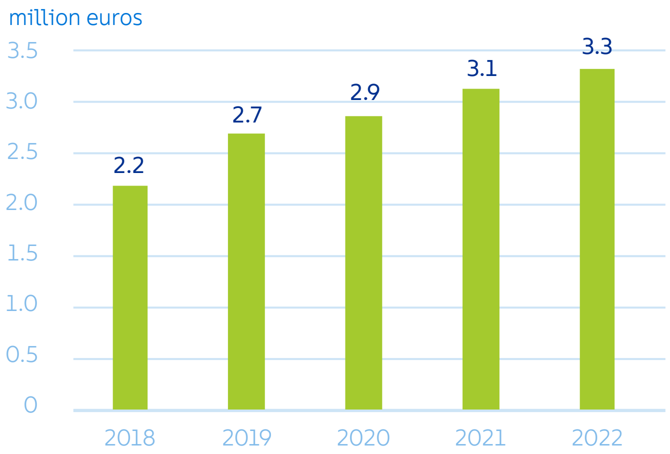
Other products



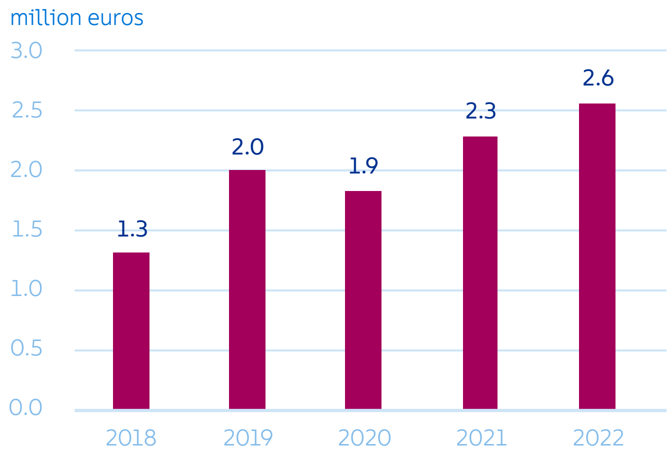
Electrical works



Lease income



Other services



The largest target markets of the Group are Estonia, Finland, Sweden, and Norway, where a total of 89% (2021: 90%) of the Group's products and services were sold in the reporting year.

The Group's Estonian companies contribute to the home market activities by participating in potential electrical equipment procurements, offering different industrial rental spaces for corporate customers, and selling electrical equipment for retail and project sales. In 2022, the Group sold 17% (2021: 17%) of its products and services on the Estonian market, generating revenue of 30.3 (2021:26.0) million euros. Most of the revenue came from the production and supply of factory-built packaged substations.

The Finnish market generated 10.9 million euros more in revenue than a year earlier, a total of 81.8 million euros. Growth mainly came in the form of the sale of low-voltage equipment to the industrial sector, and in comparison, with the previous year the product family of ElektrA EV charging stations has also been added to the product range of the Finnish subsidiary. The lower than usual revenue in the comparison period was affected most by the decline in orders due to the snowy and cold winter of 2021, the start of new long-term orders, but also some supply difficulties and material shortages.

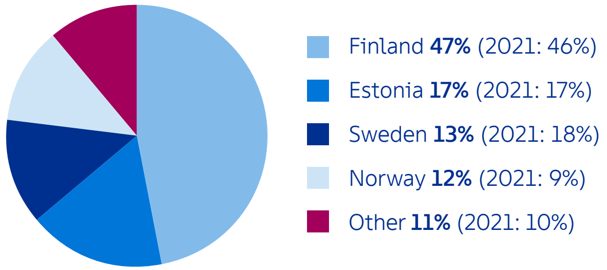
Harju Elekter's largest market, Finland, accounted for 47% (2021: 46%) of consolidated revenue for the reporting year.

Revenue from the Swedish market was 22.8 million euros in the reporting year, or 4.8 million euros less than in 2021. The reference base was high, as a year earlier the Swedish subsidiary had more projects in-progress than usual involving substations covered by framework contracts on the local market. The share of the Swedish market in the Group's revenue fell by five percentage points to 13%.

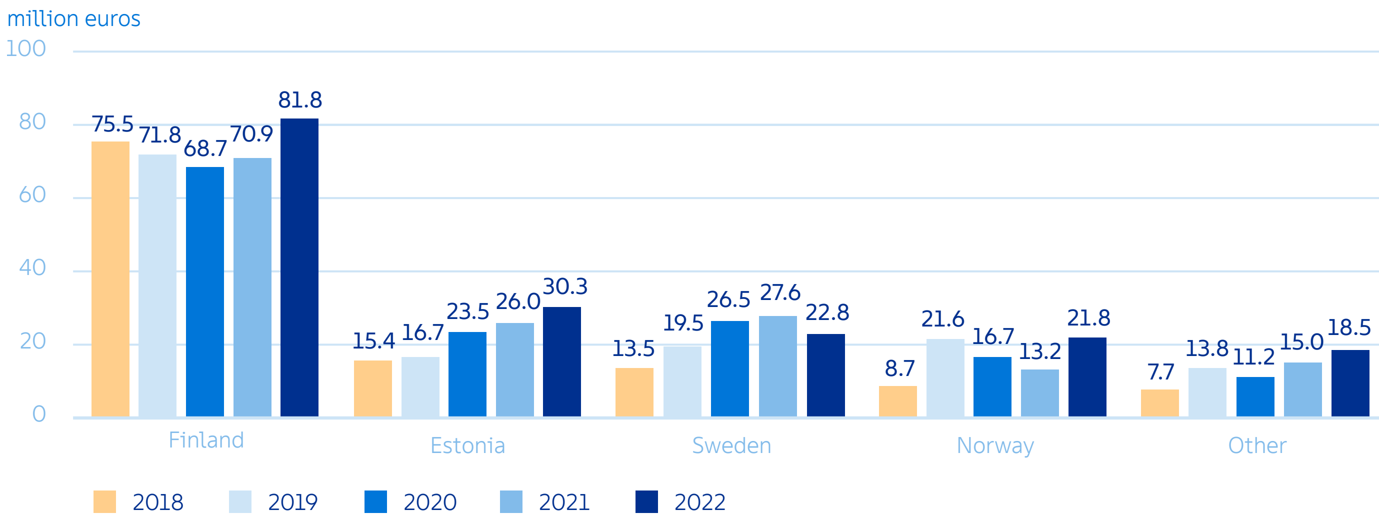
The revenue earned from the Norwegian market in 2022 was 21.8 million euros, which is 65% more than the previous year. The increase in revenue is due to the lower order volume of the shipping sector in the comparison period. The Norwegian market accounted for 12% (2021: 9%) of the consolidated revenue of the reporting year.

Among the group's other markets, the largest were the Netherlands, Germany and the USA, where revenue was 6.7 (2021: 5.0) million, 5.8 (2021: 7.5) million and 3.9 (2021: 0.5) million, respectively. euros. Other markets contributed a total of 11% (2021: 10%) of the revenue of the reporting year.

Share of revenue by markets



Revenue by markets in 2018-2022



Expenses

Harju Elekter's year began with high hopes, with the possibility of stabilising material prices. Having come to terms with the problems of material availability by mid-February, coordinated the prices of framework contracts with customers and recovered from the waves of illness, the Ukraine-Russia war began. The rise in prices of materials and components as a result of multiple global crises, the increase in remuneration for skilled labour, and delays in receiving necessary components, left a strong mark on our production efficiency. Operating expences increased by 20% to 179.8 (2021: 149.8) million euros compared to the previous year.

The biggest increase in operating expenses was for goods and services sold, which amounted to 163.0 (2021: 134.9) million euros. A write-down of 1.0 million euros on the inventories of Energo Veritas OÜ was included in the expenses, as the Group has no control over the stocks seized by Enefit Connect due to ongoing disputes. In addition, the provision for unprofitable contracts was increased by 1.9 million euros. The Group's distribution costs increased by 6.1% compared to the previous year, amounting to 5.6 (2021: 5.3) million euros, representing 3.1% (2021: 3.5%) of the Group's operating expenses and 3.2% (2021: 3.4%) of its revenue.

Administrative expenses increased to 11.2 (2021: 9.7) million euros compared to the comparable period, making up 6.2% (2021: 6.5%) of the Group's operating expenses and 6.4% (2021: 6.4%) of the revenue. The write-down of the goodwill of Energo Veritas OÜ in the value of 0.4 million euros was included in the administrative expenses of the financial year, which also affected the annual depreciation of non-current assets. Depreciation of property, plant and equipment and intangible assets totalled 4.8 million euros during the reporting year, increasing by 0.7 million euros compared to the last year. The increase in depreciation comparing years was due to the addition of several investments and, in particular, by completion of the expansion of the Lithuanian factory in the third quarter of 2021.

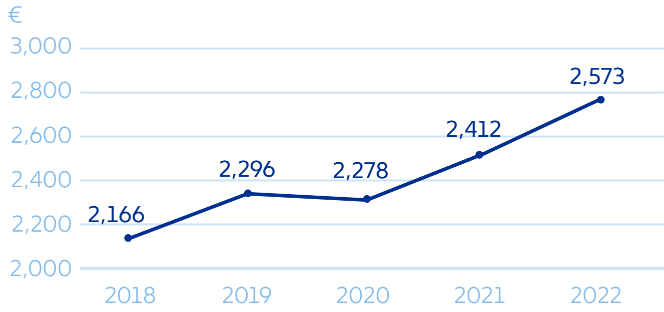
The total labour costs for 2022 amounted to 34.4 (2021: 30.7) million euros, including 0.2 (2021: 0.2) million euros for stock option plans recognised as labour costs. The average monthly remuneration per employee in the reporting year was 2,573 euros, which was 6.7% higher than in the previous period. A majority of the growth in labour costs and average wages was attributed to the significant increase in staff and to wage pressure due to labour shortages in all markets. Labour costs as a percentage of the Group's revenue were 19.6 % (2021: 20.1%) in 2022.

Profit/loss

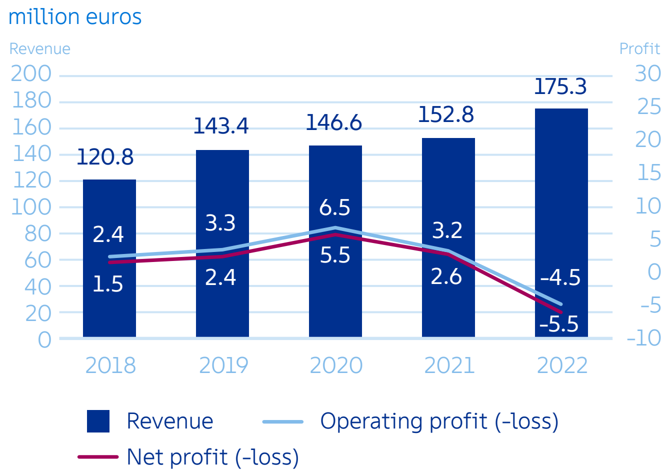
The challenges that emerged one after the other – the rise in price of materials and key components, supply chain disruptions, increased energy prices, and the increased rate of inflation in the world as a result of the impact of continual crises, became fatal to Harju Elekter's 2022 results. To keep production units running steadily, raise security of supply and be ready to meet a record order book, manufacturing companies kept higher material inventories and entered into large-scale agreements with suppliers. Profitability improved in the second half of the year, but the impact of one-time discounts and reserves did not allow for the year's results to be saved, and Harju Elekter ended the year with a loss for the first time.

The gross profit of Harju Elekter for the year was 12.3 (2021: 17.9) million euros. Gross profit margin decreased by 4.7 percentage points to 7.0 compared to the comparable period. In 2022, the operating loss (EBIT) was -4.5 (2021: operating profit 3.2) and the net loss -5.5 (2021: net profit 2.6) million euros. Net loss per share was -0.31 (2021: net profit per share 0.15) euros.

Average monthly earnings per employee in the Group



Revenue, operating and net profit (loss)



Other comprehensive income

Gains on revaluations of financial assets and gains on disposals are recognised through other comprehensive income. In the reporting year, the net loss arising from the revaluation of financial assets was a total of 0.7 (2021: net profit 12.3) million euros. The main contributor of the 2021 annual increase in the revaluation of financial assets was the estimated change in the fair value of the investment in OÜ Skeleton Technologies Group.

A total of 1.3 (2021: 1.0) million euros was received from the SIA Energokomplekss and partial sale of listed securities, of which the realized profit was 0.3 (2021: 0.3) million euros.

Financial situation

The Group's assets increased by 23.8 million euros during the year to 171.4 (31.12.21: 147.6) million euros. As at the end of the reporting period, current assets and non-currect assets accounted for 46% (31.12.21: 43%) and 54% (31.12.21: 57%) of total assets respectively. Debt and equity as a proportion of the Group's assets stood at 54% (2021: 41%) and 46% (2021: 59%), respectively.

The Group's current assets increased by 15.4 million euros 79.0 (31.12.21: 63.5) million euros during the reporting periood. Most of the increase in current assets resulted from an increase in inventories by 10.0 million, to 37.1 million euros. A year ago, the Group was facing difficulties with the availability of raw materials and components, which led to the decision to increase inventories of critical products during the first quarters. In the last quarter, the inventory of Energo Veritas OÜ was wrote-off by 1.0 million euros. By the end of the reporting period, materials accounted for 77% (31.12.21: 69%) of the total inventory. The remaining part includes work in progress and finished goods. The increase in the value of inventories has also been significantly influenced by the increase in the cost price of materials, components, and work in progress products. Trade and other receivables and prepayments decreased by 3.2 million to 32.7 (31.12.21: 35.9) million euros during the reporting year. Cash equivalents increased to 9.2 (31.12.2021: 0.6) million euros.

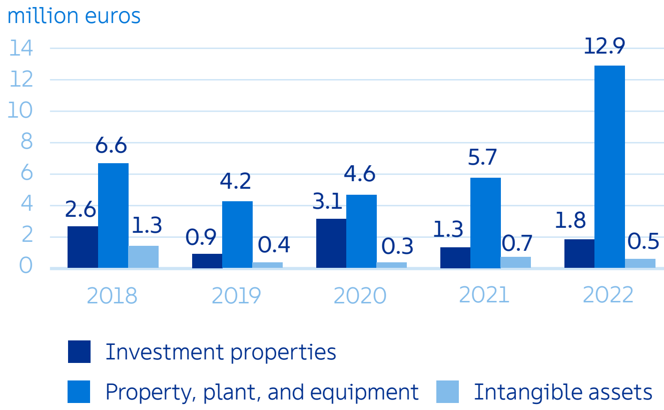
As at the reporting date, the Group had total liabilities of 92.0 (31.12.21: 60.7) million euros, of which 78% (31.12.21: 81%) were current liabilities. During the reporting year current liabilities increased by 22.0 million euros to 71.3 million euros, incl. an increase in prepayments from customers by 12.1 million euros. Most of the prepayments are intended to finance inventories acquired early for projects at the request of customers. Borrowings have increased by 16.8 million euros due to the growth of business volumes and increased financing of inventories. At the end of the period, current and non-current borrowings were respectively – 24.4 (31.12.21: 16.9) and 20.7 (31.12.21: 11.4) million euros. In order to finance the construction costs of the Västerås plant and the development of a new real estate project, AS Harju Elekter and Coop Pank AS signed a loan agreement in the amount of 10 million euros at the end of the year. Non-current loans and leases were used for real estate investments, expansion of the production building and investments in automatic production equipment. Current and non-current borrowings recognised under IFRS 16 "Lease agreements" decreased by 1.2 million euros to 0.3 (31.12.21: 1.5) million euros. The Group's equity decreased to 79.4 (31.12.21: 86.8) million euros, including 79.6 (31.12.2021: 87.0) million euros attributable to owners of the parent company.

Investments

Harju Elekter invests consistently in business developments, to ensure sustainable performance of production processes, technological assets, commercial real estate and IT solutions that support business operations. In terms of sustainability, Harju Elekter considers it important to contribute to areas that support the Group's activities through renewable energy and green electricity distribution, storage and production applications.

In 2022, the Group invested 15.2 (2021: 7.7) million euros in non-current assets, including 1.8 (2021: 1.3) million euros in real estate investments, 12.9 (2021: 5.7) million euros in property, plant, and equipment, and 0.5 (2021: 0.7) million euros in intangible assets. Investments in different asset groups were split by country: 2.4 (2021: 3.5) million euros in Estonia; 0.3 (2021: 0.4) million euros in Finland; 12.1 (2021: 0.3) million euros in Sweden; and 0.4 (2021: 3.5) million euros in Lithuania.

Invesments



The most important investment projects in 2022:

1. **In production technology and IT solutions**

- The Estonian production company began preparations for the installation of three new AMADA bending benches, which will be put into operation in the first quarter of 2023.
- Production technology equipment was acquired at the new Västerås plant, in Sweden.
- Investments were made in IT equipment and production and process management systems in all of the Group's companies.
- All of the Group's companies made renewable investments in tools and technology.

2. **In real estate (including in real estate investments and fixed assets)**

- A new plant in Västerås (6,282 m^2) was completed for the Swedish company's production operations.
- Construction of Laohotell III (2,447 m^2) was completed in Allika Industrial Park, Saue Rural Municipality.
- A registered immovable of approximately 3,700 m^2 was acquired for the expansion of a potential production building in Ulvila, Finland.
- Estonian and Finnish production facilities were renovated.

3. **In renewable energy and green transition projects**

- Two commercial solar power plants with a total capacity of 139.8 kW were purchased for the completed Laohotell III building at the Allika Industrial Park and the Haapsalu solar park.
- A solar power plant with a total capacity of 308 kW was acquired for the Västerås plant, which will be launched in 2023.

4. **In financial assets**

- Harju Elekter Oy, a Finland-based subsidiary, increased its holding in the technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros.

Cash flows

Cash and cash equivalents increased by 8.6 million euros to 9.2 million euros during the reporting year and decreased by 2.2 million euros to 0.6 million euros in the comparable period.

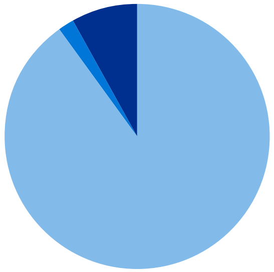
Total operating cash flows were 7.2 (2021: -0.5) million euros in the reporting year. Production companies acquired a significant amount of materials for known customer projects, resulting in a total of 10.0 million euros being placed in inventories during a reporting year. Trade receivables and prepayments increased by 3.0 million euros. Of the 14.6 million euros increase in business-related liabilities and prepaid income, the vast majority, 12.1 million euros, consisted of an increase in the prepayment made by customers.

During the reporting period 14.1 (2021: 7.0) million euros were allocated to investment activities. A total of 15.5 (2021: 8.4) million euros were paid for investments, of which the majority is related to the completed factory in Västerås, Sweden. A total of 1.3 (2021: 1.0) million euros were received from the sale of the listed securities and SIA Energokomplekss.

On May 24, dividends were paid for 2021 in the amount of 2.5 million euros, which was 0.3 million euros less than the year before. In addition, share capital contributions of 1.0 million euros were received within the share option program. A total of 15.6 (2021: 8.1) million euros of current and non-current loans were received, of which 10 million euros were received at the end of the reporting year. The five-year loan from Coop Pank AS was used to cover the construction costs of the Västerås plant and the development of a new real estate project. Current and non-current loans were repaid by 1.8 (2021: 5.8) million euros, and the overdraft increased by 4.6 (2021: 6.4) million euros. All in all, 15.6 (2021: 5.3) million euros were received from financing activities.

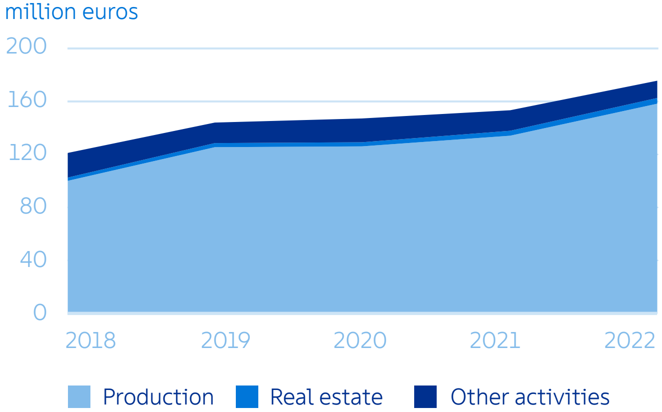
Business segments

Revenue by segments



- Production **90%** (2021: 87%)
- Real estate **2%** (2021: 3%)
- Other activities **8%** (2021: 10%)

Revenue of business segments



The Group's Management Board has defined the operating segments according to the main business areas of the company. The two main areas of activity of Harju Elekter, which are presented as separate segments, are production and real estate. Other activities that are not sufficiently significant to constitute a separately reportable segment, and the accompanying risks and rewards of which were not materially different and clearly identifiable, are presented together as other activities.

The activities of the production segment are characterised by the design, sale, manufacture, and after-sales service of electricity distribution, switching and conversion equipment, and automation, process control and industrial control equipment.

The real estate segment includes the development, project management, leasing, and other related services of industrial real estate for leasing partners and the Group's companies.

Other activities group together the managing of financial investments, retail and project sales of electrical goods and electrical installation work in shipbuilding.

Production

The main activity of Harju Elekter is production, with increasing profitability and efficiency being of primary importance to the Group. To this end, the restructuring of the Group continued during the reporting year, during the course of which management and structure were organised and a cross-Group production management function was included in management.

The production segment includes factories producing power distribution and control equipment in Estonia (AS Harju Elekter Elektrotehnika), Finland (Harju Elekter Oy), Sweden (Harju Elekter AB), and Lithuania (Harju Elekter UAB). The core production of factories consists of equipment for the distribution of medium and low voltage electricity (different types of substations, cable distribution and power connection cabinets), various electrical power switching and conversion devices, and automation and control centres for use by the energy, industrial, and maritime sectors, and infrastructure objects. In addition, companies in the production segment also offer a variety of design and engineering services.

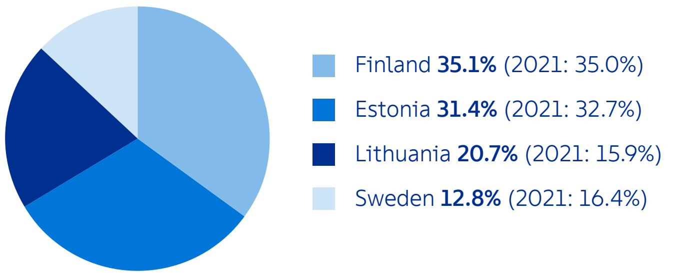
Harju Elekter Teletehnika, located in Estonia, is also a part of the production segment, producing sheet metal products for the electrical engineering and telecom sectors. Also, part of the segment are Harju Elekter Kiinteistöt Oy, located in Finland, and Harju Elekter Services AB, located in Sweden, which are mainly engaged in the management of industrial real estate owned by the Group and used by production companies in Finland and Sweden. Real estate companies in the production segment have no affect the Group's consolidated revenue.

Production segment revenue from non-group customers for the financial year was 157.6 (2021: 133.5) million euros.

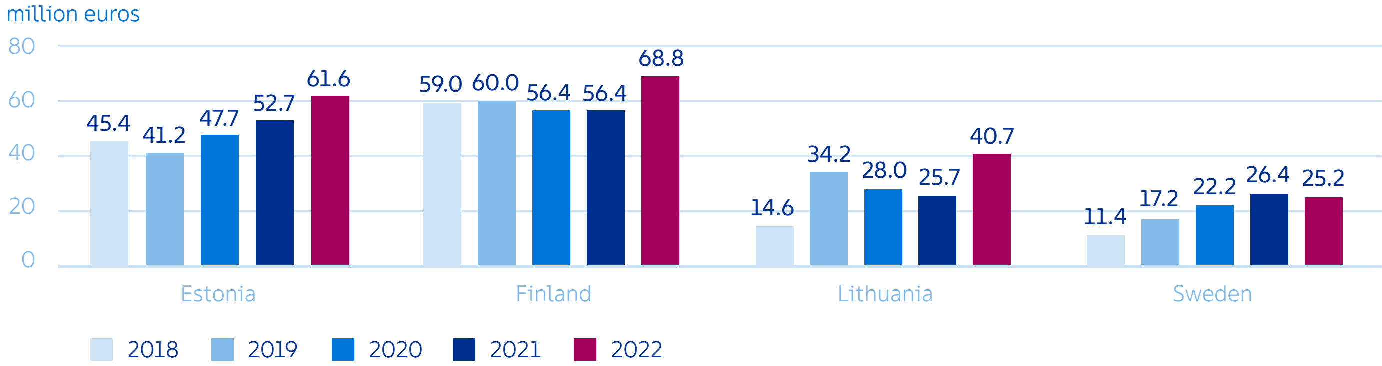
Despite problems in the supply chains involving materials and components, revenue for the production segment grew by 18% during the reporting year.

Growth was mainly supported by record customer orders and constant and targeted work to raise sales prices. Non-group revenue in the segment amounted to 89.8% of consolidated revenue (2021: 87.4%). At the end of the reporting period, a total of 820 (2021: 791) people worked in production companies and an average of 810 (2021: 756) people worked there during the reporting year, of whom approximately 70% are manufacturing workers and 30% are administrative and engineering personnel.

Production segment revenue by countries



Unconsolidated revenue of production segment companies by country



The value chain of the Production segment:

RAW MATERIALS:

- sheet metal
- copper
- electrical components
- electricity and heat

9 production plants
900 employees
in 4 countries

KEY PROCESSES:

- engineering, production
- project management
- installation

PRODUCTS AND SYSTEMS:

primary and secondary substations, medium and low voltage switchgear, solar panels and inverters, electric car chargers, technical buildings relay protection and control systems, frequency converters

CUSTOMERS:

- electricity distribution network
- infrastructure
- industry
- marine sector

Production in Estonia

There are two production units operating in Estonia: Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika.

Located in the Keila Industrial Park, AS Harju Elekter Elektrotehnika is a leading developer, manufacturer and distributor of medium and low voltage electrical equipment. The company uses nearly 23,100 m² of production, warehouse, yard, and office space. At the end of the reporting year, the company employed 227 (2021: 243) people, a fifth of them in sales and product development. During the reporting period, the company employed an average of 242 people (2021: 243).

The main activity of AS Harju Elekter Teletehnika is the production of various sheet metal products for the energy and electrical engineering sector and the provision of subcontracting services to other companies in the industrial sector. In addition to its core business, the company has its own family of products in the form of data network communication cabinets and accessories, which are developed, distributed, and manufactured for customers in the telecommunications sector in Estonia and elsewhere in Europe.

With its production capacity, the 9,000 m² AS Harju Elekter Teletehnika factory, located in Keila, is one of the largest producers of thin sheet metal products in the region.

At the end of 2022, the company employed 88 (2021: 99) people, and in 2022 an average of 98 people (2021: 96). Around 80% of employees are directly involved in production processes and 20% are office workers.

The total revenues of Estonian manufacturing companies amounted to 61.6 million euros in 2022, increasing by 16.9% year-on-year. Both companies contributed significantly to the growth in revenue. Growth was supported by price increases in contracts awarded in previous years and by continuous targeted sales efforts. The increase in revenue came mainly from an increase in the sales volume of substations and cable distribution cabinets. The year was made challenging by the difficult situation with regard to the availability of materials and components and the significant increase in input prices, which led to the need for repeated revision of planned production schedules.

A significant part of the Group's products made in Estonia are sold abroad. In the reporting year, exports accounted for 56.7% of revenue (2021: 62.5%) and the most important target countries for Estonian companies were the Group's home markets of Finland and Sweden. The successful execution of the existing framework agreements concluded with Caruna Oy and E.ON Energidistribution AB helped grow revenue for the reporting year. Supplies of substations and cable distribution cabinets in Estonia have also increased significantly compared to the previous year.

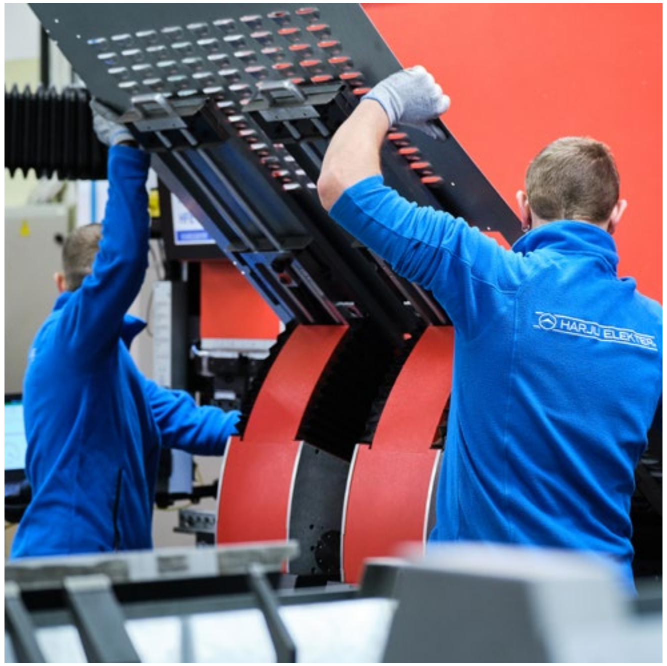
The electrical equipment plant in Estonia continues to participate in various sales procurements, where one of the most significant victories of the reporting year was the contract concluded in July with the European Organization for Nuclear Research (CERN) for the supply of low-voltage distribution equipment. The approximate volume of the three-year contract is over 1 million euros and it can be extended for a total of two years.

The current and large-scale changes in the input prices of raw materials as well as components of various electrical equipment were challenging. Supply chain problems brought great challenges in maintaining a profitable and efficient production process and managing inventory. Based on difficult circumstances, contracts were reassessed throughout the entire customer portfolio.

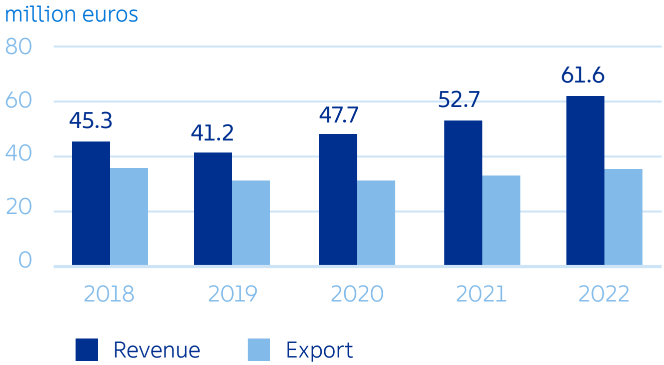
Preparations for the merging of AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika companies began during the reporting year, which is planned to be completed in the first quarter of 2023. In preparation for the merger, Alvar Sass, member of the management board of AS Harju Elekter Teletehnika, was appointed as a new member of the management board of AS Harju Elekter Elektrotehnika.

A common management structure was established in companies and internal processes were supplemented with respect to products, suppliers, cooperation partners, quality, and employees. The updating of processes and management principles began through the introduction of lean principles. Everything related to the healthcare of workers continued to be under heightened focus.

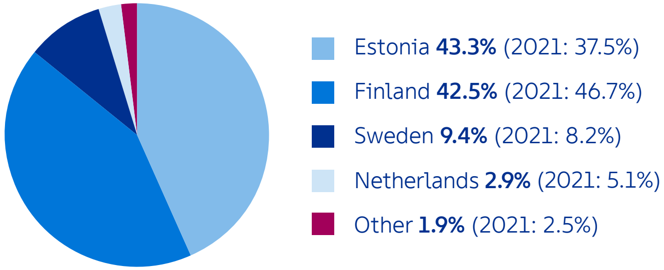
In 2023, servicing of key customers and fulfilment of important framework agreements will continue, where the focus is on increasing profitability and eliminating disruptions due to component and material supply crises. Continuous work on updating and planning work processes and production equipment and increasing profitability with the aim of maintaining the maximum level of production in Estonian factories.



Revenue of Estonian production companies combined



Estonian production companies revenue by markets



Production in Finland

Harju Elekter Oy has become one of the leading manufacturers of industrial automation and power distribution and transmission equipment in Finland. The company is headquartered in Ulvila, with factories in Ulvila, Kerava, and Kurikka. In total, the company uses about 8,600 m^2 of production, warehouse and office space.

In 2022, Harju Elekter Oy had total revenue of 68.8 (2021: 56.4) million euros, increasing by 22% year-on-year.

A significant part of production in Finland is sold outside of Finland and reaches customers mainly through producers and exporters. At the same time, the Finnish company is also the importer and reseller on the local market of the products produced by the Group's Estonian companies. Intermediated sales of products imported from Estonia to the Finnish market amounted to 19.8 (2021: 17.2) million euros.

At the end of the reporting period, the Group's Finnish production units employed a total of 141 (2021: 117) people with the average number of employees for the reporting period being 130 (2021: 111) people. About 60% of employees are employed in manufacturing and 40% in management, administrative, development, and sales activities. One of the key themes for the reporting year involved employees and their well-being.

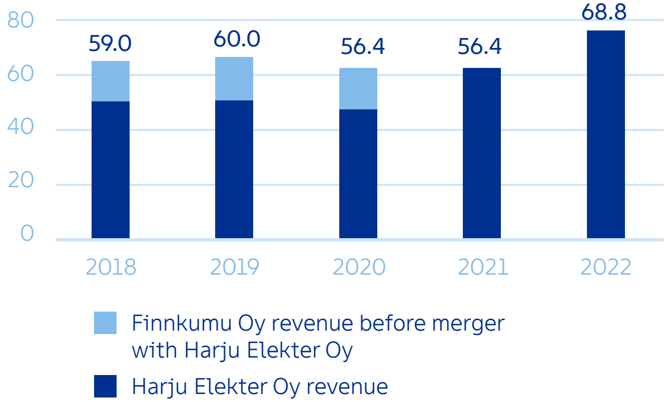
The products manufactured in Finland are targeted at the industrial, power generation, and distribution sectors, as well as infrastructure projects, covering the needs of customers from the development of products, programmes, and projects, to the provision of maintenance services. The product range is wide and the product portfolio includes a range of products and solutions up to X kV. In recent years, ElektrA EV chargers have undergone rapid development on the Finnish market, with rapid growth in demand also being noticed.

During the reporting year, Harju Elekter Oy increased its participation in IGL Technologies Oy with an 0.2 million euro investment, from 5.5% to 10%. We will continue to work together to improve the availability of complete electric vehicle charging system packages and expand the network in both the Nordic and Baltic markets, where the role of Harju Elekter Oy is in the development, production, and sale of hardware for charging equipment.

The production units in Ulvila and Kerava are mainly focused on contractual production, project services and supplies to the energy and industrial sectors, and infrastructure projects. In these areas, the focus in 2022 was mainly on fulfilling existing customer contracts. Effective fulfilment of orders remained difficult, in part because of long delivery times for components and materials, and large fluctuations in input prices for components and materials.

The Kurikka production facility, with its 2,500 m² of production and office space, is mainly focused on the production of prefabricated substations and cable distribution cabinets, including the design, production, and distribution of equipment for the electricity distribution sector in Finland.

Revenue of Finnish production units



There were no significant changes in the customer base or products during the reporting year. The high-quality substations produced at the Kurikka unit continue to enjoy a good reputation in Finland and have developed a solid and loyal customer base over a long period of operation.

The biggest challenges in the reporting period in all production units in Finland were related to supply chain problems and the organisation of efficient planning and production activities. During the period, the operating principles of all production units, along with customer and supply contracts were analysed, and pricing and management principles were updated.

The primary future objectives of Finnish production units are related to increasing production efficiency. The product portfolio will also be updated, and pricing and management principles will be implemented. The focus will continue to be on reducing supply chain barriers and contributing to employee welfare and development.

Production in Sweden

The production segment in Sweden includes the subsidiary Harju Elekter AB, which specialises in the development and supply of medium and low-voltage solutions for power generation and distribution to the infrastructure, construction, and energy sectors. The company's headquarters, together with the production, sales, and service unit, and warehouse, moved from Malmö to Västerås during the reporting year, where a new modern production building of 6,282 m², with the necessary warehouse and office space, was completed in December 2022. At the end of the reporting year, the company's production complex in Finspång was closed, with production activity transferred to the newly completed Västerås plant.

As at 31 December, 72 (2021: 76) people worked in the company, and the average during the reporting period was 69 (2021: 75) people.

As of the reporting year, Harju Elekter Services AB, established in 2010, belongs to the production segment, which was transformed into a holding company that acquired a new factory building in Västerås in December 2022. The company had no other activities.

Revenue in Sweden for 2022 was 25.2 (2021: 26.4) million euros, which is somewhat lower compared to last year. After several years of rapid growth, the focus of the reporting period was on arranging the company's structure and places of business.

The Swedish unit focuses on the Swedish market, where 88% (2021: 99%) of products and services were sold.

In the reporting year, intermediate sales of products manufactured in Estonia to the Swedish market was 5.3 (2021: 3.2) million.

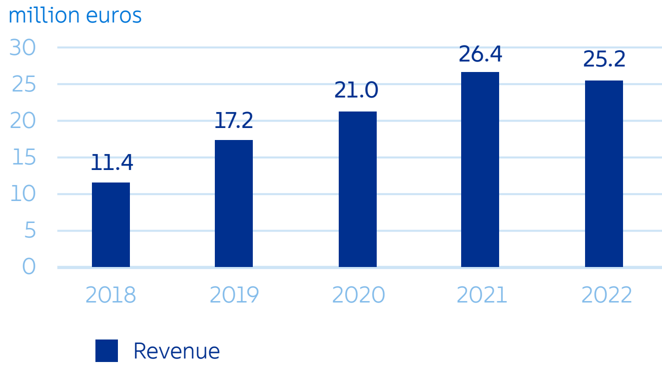
In addition to the newly completed production complex the biggest success was the conclusion of another electricity project contract with Region Stockholm, the administrative office responsible for public transport, for whom the substation in the Odenplan metro station will be refurbished by February 2024. The approximate volume of the contract is 1.7 million euros. The new Harju Elekter project with Region Stockholm, which manages and develops the Stockholm metro, represents the continuation of cooperation that first began with the modernisation of the Slussen metro station in the autumn of 2020, and the Albano and Rådhuset metro stations in the spring of 2021.

The biggest challenges in the reporting period were additional activities caused by uncertain supply chains and the resulting inefficiencies.

This was also affected by significant price increases for input materials and components. In 2022, the development of a number of internal processes and the renewal of structures and principles, resulting from the relocation of production sites, continued.

The main goals for next year are to complete structural changes and to quickly and efficiently achieve a full load at the new Västerås plant. In addition, the focus is on active sales work and growing business volumes.

Revenue of Sweden production units



Production in Lithuania

Harju Elekter UAB, a Lithuanian subsidiary, has been part of the group since 2003. The company's focus is on the development and contractual manufacturing of products and solutions for system integrators in the marine and industrial sectors, supplying customised power distribution and frequency inverter solutions developed for customers. The company's headquarters and production complex are located in Panevežys, Lithuania. As at 31 December, 291 (2021: 256) people worked in production companies, and an average of 271 (2021: 232) people worked in the company during the reporting year.

During the reporting year, revenue generated by the production segment located in Lithuania was 40.7 (2021: 25.7) million euros, increasing by 58% year-on-year.

Normal economic activity improved markedly during the reporting period, which was heavily disrupted in 2020 and 2021 due to various health and supply chain crises.

In addition, the rapid growth in revenues was supported by investments made in previous years and by expanding the production capacity of the factory.

In the reporting year, 99% of the production from the more than 17,300 m^2 plant in Panevežys was exported worldwide to various destinations, the most important of which were Norway, Germany, the United States, Sweden, the Netherlands, and Finland.

During the reporting year, most of the revenue was generated from the development, production and sale of project-based products and services to the maritime and shipping sectors. The product range was dominated by various frequency converter systems, as well as electrical and control switchboards. The supply of high-quality products to the maritime sector is strongly linked to the company's high level of engineering capability, as orders are mainly for project and customer-specific solutions not found in standard catalogues. Customer interest and inquiries regarding the company's production are very high, and the year ended with a record order book.

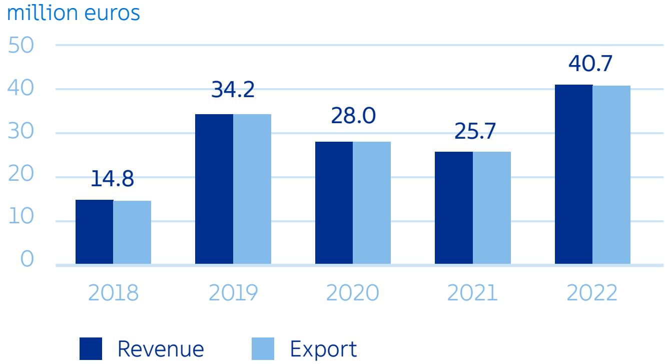
The contract signed in March with the U.S. Steel Corporation, trade name Exploratory Ventures LLC, for the production of low-voltage drives and MCC systems, can be considered a victory for strong sales. They will be used to control 1,500 motors at their new Big River Steel factory, in Arkansas. Production and deliveries will take place until April 2023. The approximate volume of the contract is 10 million euros.

Components and materials continued to present challenges with their occasionally unpredictable availability, delivery times, and price changes. The inefficiency of supply chains continued to create complexities in the planning of manufacturing operations. In early 2022, the switch was made to new ERP software.

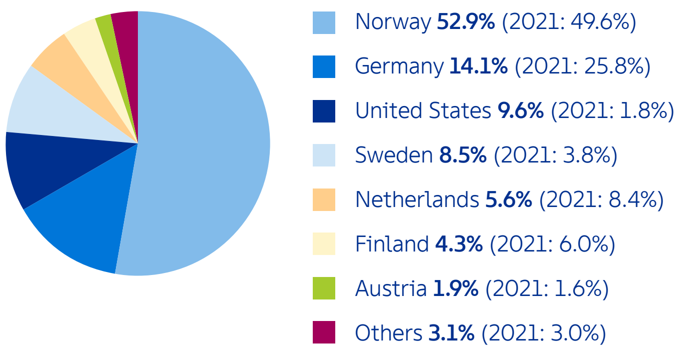
In addition to active sales work and significant investments, during the reporting year, contributions continued to be made to the development of internal processes, improving the qualifications of employees and various social activities.

All in all, 2022 brought very high growth in turnover to the Lithuanian plant and a strong order book for the future. The main objective for the coming years is the increasingly effective implementation of added production capacity and resources.

Revenue in Lithuanian production unit



Lithuanian revenue by markets



Real estate

The activity of the real estate sector includes the development, maintenance and leasing of industrial real estate; services related to the maintenance of real estate and production capacity; and the intermediation of services. The activities of the segment are organised by the AS Harju Elekter real estate department, where 5 people (2021: 6) worked at the end of the reporting year.

The Group owns properties in industrial parks in Estonia (Keila, Allika, Haapsalu), Finland (Ulvila, Kerava, Kurikka), Sweden (Västerås), and Lithuania (Panevežys) totalling 80 ha, with 124.8 thousand m^2 of production, office, and warehouse space. Premises are rented to external customers in the industrial parks of Keila, Allika, and Haapsalu.

In the reporting year, the total operating income of the real estate segment was 6.1 (2021: 5.6) million euros, of which the non-group revenue amounted to 4.4 (2021: 3.8) million euros, accounting for 2.5% of consolidated revenue (2021: 2.5%). Rental income accounted for 75% (2021: 82%) of the real estate segment's revenue and utilities and other services 25% (2021: 18%). Business activity was stable, vacancy rates for leased premises were low and there were no significant changes in tenants. Non-group revenue for the reporting year has increased primarily due to the fully leased Laohotell III building completed in the second quarter of 2022 in the Allika Industrial Park.

Real estate segment revenue was generated in Estonia during reporting year.

During the reporting period, 1.8 (2021: 1.3) million euros was invested in the real estate segment. A large part of the investments in the reporting period relates to the construction of the Laohotell III completed in the second quarter.

As there is market demand for leased space in industrial real estate, the development of the portfolio of buildings will continue.

There are several projects in the works, the most notable of which is the letter of intent signed with Reimax Electronics OÜ, in June, for the design, construction, and long-term rental of a production facility at Allika Industrial Park.

Design work on the nearly 6,000 m^2 building is underway and possible completion is planned for the end of 2023. The total cost of the investment is approximately 6.5 million euros.

Other activities

The other activities segment includes the following Group companies: AS Harju Elekter and Energo Veritas OÜ, in Estonia, and Telesilta Oy, in Finland.

During the reporting year, total external revenue from other non-segment activities amounted to 13.6 (2021: 15.4) million euros, decreasing year-on-year by 12%. Sales to other segments of activity amounted to 0.3 (2021: 0.2) million euros. Other activities accounted for 7.8% (2021: 10.1%) of the Group's consolidated revenue.

ESTONIA

AS Harju Elekter is the parent company of the Group. The company's activities are divided into two parts: real estate and other activities. In addition to activities related to the development and leasing of industrial real estate, the parent company is engaged in the following:

- coordinating cooperation between the companies in the Group;
- strategic management of subsidiaries through the Supervisory Board and Management Boards;
- management of cash flows of the Group;
- cross-group sales, marketing, and product management;
- management of cross-group production and buy-in;
- investment planning and management;
- business development;
- supporting the Group's companies in the areas of human resources, information technology, communication, finance, and justice.

The parent company's other activities accounted for 0.3% (2021: 0.3%) of consolidated revenue. At the end of the reporting period, the parent company employed 21 (2021: 16) people outside of the real estate department. The increase in staffing is related to the centralisation of key areas.

Among other activities, investment management is one of the most important in AS Harju Elekter. The investment portfolio as at 31 December 2022 consists of various listed securities in the amount of 1.4 (2021: 2.9) million, an investment in OÜ Skeleton Technologies Group in the amount of 21.8 (2021: 21.8) million euros and IGL-Technologies OY in the amount of 0.5 (2021: 0.25) million. In the reporting year, the 14% holding of SIA Energokomplekss was disposed of in order to focus on the main area of activity.

As a company, Energo Veritas OÜ is focused on project management-based sales and trading activities, which had a sales office and shops in Tallinn and Tartu during the reporting period. As at 31 December 2022, the company employed 9 (2021: 18) people and the average number of employees during the reporting period was 15 (2021: 17). The revenue of Energo Veritas OÜ for 2022 was 8.1 (2021: 9.6) million. In May 2022, the subsidiary Energo Veritas OÜ cancelled the framework agreements with Enefit Connect OÜ, which has filed claims against Energo Veritas OÜ for breaching framework agreements and whose stocks have been seized to secure the claims and substantive business operations suspended by court decision. An agreement has not been reached between the parties in the dispute and, if an agreement is not reached, there is a high probability that the subsidiary will find itself with solvency problems, leading to a liquidity crisis and insolvency. The continuation of business activities by Energo Veritas is rather unlikely.

FINLAND

Telesilta Oy is an electrical engineering company established in 1978 in Uusikaupunki, Finland, specialising in the design of electrical systems for ships and the manufacture, installation, commissioning, and maintenance of equipment for the Finnish market. The company offers specific solutions to its customers, with a marginal share of proprietary products. Telesilta Oy has been a part of the Group since 2017. In addition to Uusikaupunki, the company has units for performing electrical work in the ports of Turku and Rauma.

As at 31 December 2022, the company employed 34 (2021: 33) people and the average number of employees during the reporting period was 34 (2021: 33). Revenue for the reporting year amounted to 5.5 (2021: 6.0) million euros, a decrease of 8.3% compared to the previous year. This slight decrease is due to the large number of projects that were underway during the comparison period. The portfolio of works in 2022 was diverse, with the most important being the execution of the agreement for electrical work on ships under construction for the Finnish Border Guard, which began in 2020. A reporting period victory was the April signing of an 2.5 million euro contract for the supply of a turnkey solution for the electricity, automation, and navigation systems of a dredging vessel. Delivery will take place at the end of 2023, and the ship will be operated by a maritime agency based in Gdynia, Poland.

The goals of Telesilta Oy for 2023 are to efficiently fulfil existing customer agreements and to increase efficiency and grow production capacity.

Share and Shareholders

ISIN code	Security ticker	Number of securities	The book value of the share	Date of listing
EE3100004250	HAE1T	18,289,508	0.63 euros	30.09.1997

During the reporting year, Harju Elekter celebrated its 25th listing anniversary. In 1997 AS Harju Elekter was one of the few Estonian companies that went public during the first and busiest wave of listings on the Tallinn Stock Exchange, with only six of the few dozen companies listed in the early years still trading on the stock exchange.

Since 2003, Harju Elekter has been on the main list of the Tallinn Stock Exchange. All of the Company's shares are freely traded on the stock exchange and each share gives equal voting and dividend rights.

Shareholders of Harju Elekter are equal and there are no separate restrictions or agreements concerning voting rights. The company is unaware of any restrictions in the agreements between shareholders in relation to the transfer of securities or any other specific control rights.

In the reporting year, realisation of the 2019–2022 employee stock option program took place. The Supervisory Board of AS Harju Elekter increased the company's share capital by 170,700 euros, by issuing new ordinary shares without a nominal value. The subscription term for the shares was 15 July 2022, and the issue price was 3.98 euros per share. A total of 270,953 ordinary shares were subscribed for at a book value of 0.63 euros per share. Following the increase in share capital, the share capital of AS Harju Elekter amounts to 11.52 million euros, divided into 18.3 million ordinary shares without a nominal value.

Share price and trading

The year 2022 was challenging for the global economy and stock exchanges. Many things happened during the year that caused investors uncertainty and anxiety – the Russia-Ukraine war, the energy crisis, high inflation, robust employment, and wage growth, as well as rising central bank interest rates. The Nasdaq Tallinn Stock Exchange index fell 11.71% in the reporting year.

The share of AS Harju Elekter closed the last trading day of the year at 5.01 euros, decreasing by 32.7% over the year. A total of 0.9 (2021: 2.0) million shares were traded, including a tripling of the volume to 5.6 million euros.

As at 31 December, the market value of the company on the basis of the share price was 91.63 million euros.

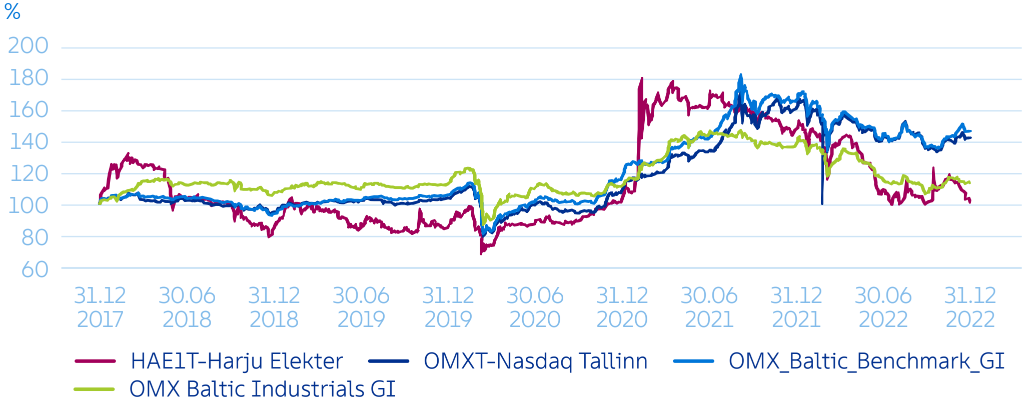
Share price and trading

	2022	2021	2020	2019	2018
Average number of shares (pcs)	**18,134,463**	17,855,220	17,739,880	17,739,880	17,739,880
Opening price (euros)	**7.44**	5.24	4.26	4.12	5.00
Highest price (euros)	**7.74**	10.50	5.26	5.20	6.68
Medium price (euros)	**6.04**	7.83	4.43	4.46	5.34
Lowest price(euros)	**4.85**	5.20	3.20	4.01	3.89
Closing price (euros)	**5.01**	7.44	5.18	4.21	4.12
Change in the closing price (%)	**-32.70**	76.7	23.0	2.2	-17.6
Company's market capitalization (millions)	**91.63**	134.06	91.89	74.68	73.09
Traded shares (pcs)	**929,491**	2,048,865	1,160,598	531,415	1,100,773
Turnover (million euros)	**5.60**	15.85	4.99	2.35	5.98
Net profit per share (euros)	**-0.31**	0.15	0.31	0.14	0.09
P/E ratio (ratio)	-	51.13	16.52	30.07	45.78
Dividend per share (euros)	(1) **0.05**	0.14	0.16	0.14	0.18
Dividend rate (%)	**1.0**	1.9	3.1	3.3	4.4
Dividend/net profit (%)	-	96.2	51.0	100.9	206.6

(1) - Management board proposal.

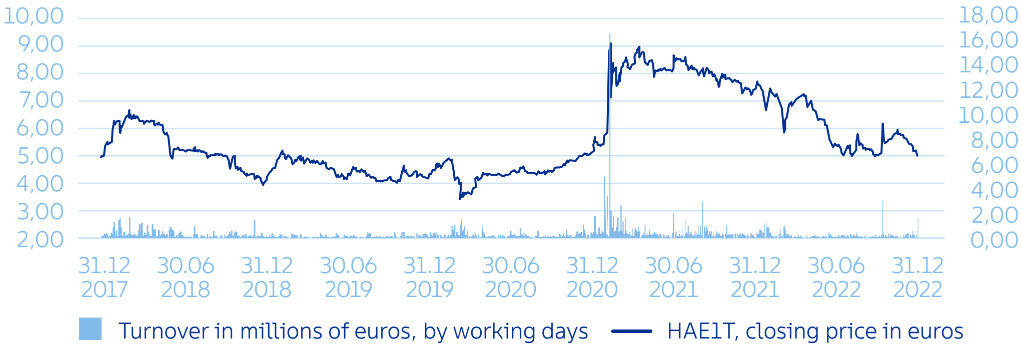
Change in the share price of AS Harju Elekter compared to the change in share indexes between 31 December 2017 and 31 December 2022.

Harju Elekter share price change 2018-2022



AS Harju Elekter share price (in euros) and turnover (in millions of euros) on the Nasdaq Tallinn Stock Exchange from 31 December 2017 to 31 December 2022

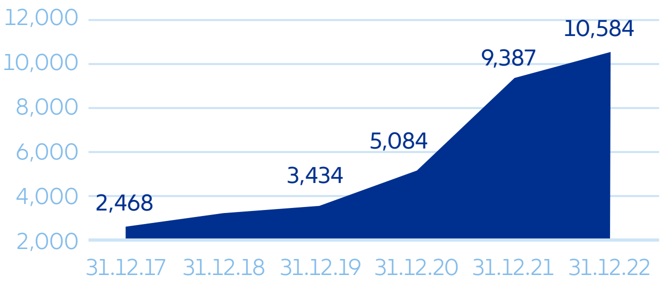
Nasdaq Tallinn, http://www.nasdaqbaltic.com/



Structure of shareholders

As at 31 December 2022, AS Harju Elekter had 10,584 shareholders. During the last five years, the number of shareholders of Harju Elekter has increased by 8,116 shareholders, of which 1,197 were added in the last year. The steadily increasing number of shareholders indicates that Harju Elekter is reliable in investment portfolios. The largest shareholder of AS Harju Elekter is the locally owned AS Harju KEK, which holds 30.44% of the company's share capital. Estonian shareholders own 86.6% of Harju Elekter's shares (31.12.2021: 86.3%), foreign capital holds 13.4% (31.12.2021: 13.7%). As at 31 December 2021, the members of the company's Supervisory Board and Management Board held, directly and indirectly, a total of 4.12% of the company's shares (Note 16 and Corporate Governance Report). The full list of shareholders of AS Harju Elekter is available on the Nasdaq CSD website.

Number of shareholders



Division of shareholders by shareholding size

Shareholding %	Number of shareholders	% of total number	Voting right %
More than 10%	2	0.0	40.8
1.0-10.0%	7	0.1	20.3
0.1-1.0%	56	0.5	15.3
Less than 0.1%	10,519	99.4	23.6
TOTAL	**10,584**	**100.0**	**100.0**

List of shareholders over 5%

31.12.2022	Shareholding (%)
AS Harju KEK	30.44
ING Luxembourg S.A.	10.39
Endel Palla	7.46
Shareholders with holdings less than 5%	51.71
TOTAL	**100.00**

Break-down of shareholders by country, as at 31 December 2022:

Country	Total number of share-holders	Number of shareholders (pcs)			Total number of shares	Number of shares (pcs)			Total % of shares	% of shares		
		Legal	Private	Banks and nominee accounts		Legal	Private	Banks and nominee accounts		Legal	Private	Banks and nominee accounts
Estonia	**10,475**	841	9,633	1	**15,840,222**	6,703,424	9,115,390	21,408	**86.6**	36.6	49.9	0.1
Luxembourg	**1**	-	-	1	**1,899,768**	-	-	1,899,768	**10.4**	-	-	10.4
Sweden	**7**	-	2	5	**181,594**	-	701	180,893	**1.0**	-	0.0	1.0
Finland	**49**	-	47	2	**132,647**	-	17,507	115,140	**0.7**	-	0.1	0.6
Lithuania	**5**	-	-	5	**118,056**	-	-	118,056	**0.6**	-	-	0.6
Great Britain	**6**	-	5	1	**41,456**	-	2,115	39,341	**0.2**	-	0.0	0.2
Other countries	**41**	-	30	11	**75,765**	-	10,547	65,218	**0.5**	-	0.1	0.4
TOTAL	**10,584**	**841**	**9,717**	**26**	**18,289,508**	**6,703,424**	**9,146,260**	**2,439,824**	**100.0**	**36.6**	**50.1**	**13.3**

Dividends

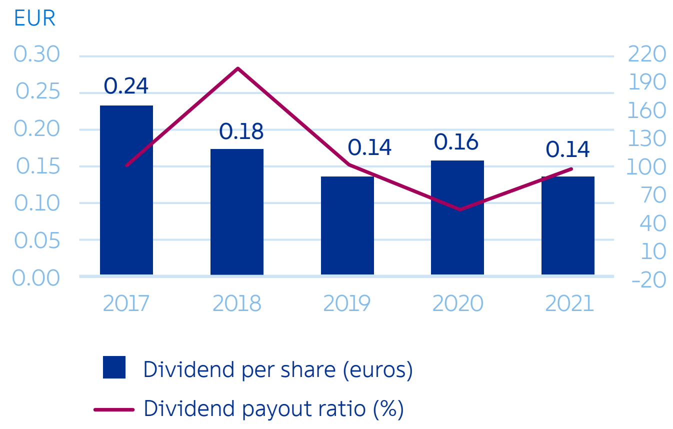
According to the Group's dividend policy, at least one third of the ordinary net operating profit is paid as dividends. However, the actual dividend rate will depend on the Group's cash flows and development prospects and the need to finance them.

The General Meeting of Shareholders of AS Harju Elekter was held on 29 April 2022, where, among other things, the profit distribution proposal was approved and it was decided to pay dividends of 0.14 euros per share to shareholders for 2021, totalling 2,523 thousand euros. The dividends were transferred to shareholders' bank accounts on 24 May 2022.

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.05 euros per share, totalling 0.9 million euros.

For information on dividend history and ratios, see the "Share price and trading" table.

Dividends payout



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HARJU ELEKTER

Electrifying **Tomorrow**

The Corporate Governance Code is a set of guidelines and advisory rules, which primarily listed companies are expected to follow. Harju Elekter follows the Corporate Governance Code, except of otherwise noted in this report.

AS Harju Elekter is a public limited company whose managing bodies are the general meeting of shareholders, the Supervisory Board, and the Management Board.

General Meeting

Exercise of rights by shareholders

The general meeting of shareholders is the highest managing body of AS Harju Elekter, which is authorised, among others, to amend the articles of association and the share capital, elect and remove members of the Supervisory Board, appoint the auditor, approve the annual report and distribute profit, and decide on the issues provided for by law.

Each shareholder has the right to participate in the general meeting, speak up on the items presented in the agenda during the general meeting, and submit reasoned questions and make proposals. A shareholder may attend the general meeting and vote at the meeting in person or through an authorized representative.

Each share of Harju Elekter grants equal voting and dividend rights. All shareholders are equal and there are no separate restrictions and agreements concerning the right to vote. As far as is known to Harju Elekter, the mutual contracts between shareholders include no restrictions on the transfer of securities or other specific rights of control.

Calling a general meeting and information to be published

The annual general meeting takes place once a year not later than within six months after the end of the financial year of the company. A special general meeting is called by the Management Board in accordance with law. The Management Board gives notice of an annual general meeting at least three weeks in advance.

Harju Elekter published the notice calling an annual general meeting on 30 March 2022 via the information system of the Nasdaq Tallinn Stock Exchange and on its website, and on 31 March 2022 in Äripäev. Shareholders could send questions and make different proposals about the topics on the agenda to the e-mail address given in the notice. The annual report and other relevant documents were available on the website of Harju Elekter and in company's office in Keila. The shareholders submitted no questions about the topics on the agenda before the general meeting of shareholders in 2022.

Holding a general meeting

The general meeting is authorised to adopt resolutions if over one-half of the votes represented by shares are present thereat. A resolution of the general meeting is adopted if over one-half of the votes represented at the general meeting are in favour of the resolution unless the law prescribes a greater majority requirement.

The general meeting of shareholders of AS Harju Elekter of 2022 was held on 28 April in Keila Kultuurikeskus. Shareholders were able to forward their vote before the general meeting, at least in a format which could be reproduced in writing or with a digitally signed ballot delivered by e-mail on by post. The shareholders who voted before the general meeting were considered to be participating in the general meeting and the votes represented by the shares owned by the shareholder were included in the quorum of the general meeting. 16 shareholders cast their votes before the meeting and for video transmission was registered 9 participants. The video broadcast was made public both on the company's website www.harjuelekter.com and Nasdaq Baltic on the youtube.com account.

The meeting was held in Estonian and chaired by lawyer Ursula Joon, who introduced the general meeting execution procedure. All the members of the Management Board and the Supervisory Board attended the meeting. As the agenda of the general meeting included the election of supervisory members, Kristjan Rohtmets, Tallinn notary's substitute, also participated in the meeting. The auditor did not participate in the general meeting. 65 shareholders or their authorised representatives attended the meeting and they represented 64.28% of the total number of votes.

The general meeting approved the annual report for 2021 and profit distribution proposal and decided to pay the shareholders dividends for 2021 in the amount of 0.14 euros per share, 2.5 million euros in total. The remuneration principles of the board were approved, the articles of association were changed, a new Supervisory Board was elected for the next five years and the remuneration of the members of the Supervisory Board was determined. The decisions made at the general meeting were published in the information system of the Nasdaq Tallinn Stock Exchange and on the company's website.

Management Board

Functions of the Management Board

The Management Board is the managing body of AS Harju Elekter that represents the company and directs the everyday activities of the company in accordance with the requirements of law and the articles of association. Each member of the Management Board may represent the company in all legal acts. The Management Board is required to act in the most economically purposeful manner and make everyday management decisions independently, proceeding from the best interests of Harju Elekter and the shareholders, and leaving aside their personal interests.

Composition and remuneration of the Management Board

The Management Board consists of one to five members. The members of the Management Board are elected by the Supervisory Board for a term of three years. To elect a member of the Management Board, his or her written consent is required. The chair of the Management Board is appointed by the company's Supervisory Board.

The Management Board of AS Harju Elekter has three members as of 14 November 2022. Chairman of the Board Tiit Atso is responsible for the general and strategic management, daily business activities, Priit Treial is responsible for the financial issues of the Group. Member of the Management Board Aron Kuhi-Thalfeldt is responsible for the company's Real Estate and Energy department.

The members of the board are not members of the board or Supervisory Board of other issuers. The members of the Management Board are involved in the activities of the supervisory and management bodies of the Group's subsidiaries.

Remuneration is paid to the members of the Management Board according to the contract of a member of the Management Board. The Supervisory Board reviews the basic remuneration of the members of the Management Board once a year. The performance pay for Members of the Management Board is set at total of 0.75% of the consolidated operating profit of the Harju Elekter Group. The performance pay is paid in two instalments: (I) 80% of the performance pay of the first half of the year, after the results of the first half become known; (II) performance pay of the second half of the year, together with the previously formed 20% reserve after the audited annual results have become known. The annual performance pay paid to Members of the Management Board is 1.0% of the consolidated net profit. Disbursement of the performance pay of the second half of the year and the annual performance pay is coordinated with the Supervisory Board and disbursed after the audit of the Group's annual accounts. The amount of performance pay is proportional to the share of basic salary in the basic salary total.

Chairman of the Management Board is entitled to severance pay up to six month's remuneration of a Management Board member, other members of the Management Board are entitled to severance pay up to four month's remuneration of a Management Board member. The board member is paid up to 40% of his/her current professional fee for establishing a non-competition restriction. The restriction of competition can be applied for a maximum of 12 months.

Gross remuneration paid to Members of the Management Board in 2022:

EUR´000	Basic remuneration	Performance pay	Fee for attending the subsidiary's meeting
Tiit Atso	142	23	9
Aron Kuhi-Thalfeldt	103	15	2
Priit Treial*	15	0	0

*As of 14 November 2022

Stock options granted to Members of the Management Board as of 31 December 2022:

	Quantity	Exercise price (EUR)	Subscription time
Tiit Atso	10,000	4.44	14.07.2023
	10,000	4.50	25.06.2025
	10,000	4.50	21.12.2025
Aron Kuhi-Thalfeldt	10,000	4.50	25.06.2025
	10,000	4.50	21.12.2025
Priit Treial	14,000	4.50	21.12.2025

As at the end of 2022, the members of the company's Management Board held a total of 0.22% (2021: 0.14%) of the company's shares directly and via indirect holdings (Note 16).

Members of the Management Board as at 31 December 2022:

TIIT ATSO,

Chairman of the Management Board

Tiit Atso has a master's degree in urban and environmental economics from Tallinn University of Technology.
He has been working at Harju Elekter since 2015, mainly as the Group's CFO. Since 2020, he has been the Chairman of the Board of AS Harju Elekter. He is on the board of Skeleton Technologies Group and is Chairman of the Board of AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika. In Harju Elekter Oy, Harju Elekter UAB, Telesilta Oy and Harju Elekter AB, he is the Chairman of the Management Board. In addition, he is Chairman of the Board in Harju Elekter Oy, Harju Elekter UAB, Telesilta Oy and Harju Elekter AB; Member of the Board in Harju Elekter Kiinteistöt Oy, LC DEVELOPMENT FASTIGHETER 17 AB and Harju Elekter Services AB.

As of 31.12.2022 Tiit Atso owns 15,500 Harju Elekter shares. He has direct participation 0.08%. He doesn't have indirect holdings.

ARON KUHI-THALFELDT,

Member of the Management Board

Aron Kuhi-Thalfedt has a master's degree in electrical engineering from Tallinn University of Technology.
He has worked at Harju Elekter since 2003, starting as a construction and energy engineer. From 2007 to today, he has been the Head of Real Estate and Energy services, and since 2016 he has been a Member of the Management Board of AS Harju Elekter. He belongs to the Supervisory Board of Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika. In addition, he is the Chairman of the Board in Harju Elekter Kiinteistöt Oy, Harju Elekter Services AB and LC DEVELOPMENT FASTIGHETER 17 AB and a Member of the Board in Harju Elekter Oy, Harju Elekter UAB, Telesilta Oy, Harju Elekter AB.

As of 31.12.2022 Aron Kuhi-Thalfeldt owns 25,529 of Harju Elekter shares. He has direct participation 0.14%. He doesn't have indirect holdings.

PRIIT TREIAL,

Member of the Management Board

Priit Treial has a bachelor's degree in economics from the University of Tartu. He acts as the Group's CFO and as a Member of the Management Board of AS Harju Elekter from the fall of 2022. Previously, Priit Treial worked as a financial controller at Eesti Energia and as a CFO and management board member at Elektrilevi. In addition, he has long-term work experience as an investment analyst and group business controller from the commercial real estate company BPT Real Estate AS. He is a partner and Member of the Board in the company PHT Chemicals OÜ. He is a Member of the Board of AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Oy, Harju Elekter UAB, Telesilta Oy, Harju Elekter AB, Harju Elekter Kiinteistöt Oy, Harju Elekter Services AB and LC Development in Fastigheter 17 AB.

As of 31.12.2022, Priit Treial does not own shares in Harju Elekter.

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Conflict of interest

The members of the Management Board abstain from conflicts of interest and follow the requirements of prohibition of competition. The members of the Management Board must inform the other members of the Management Board and the chairman of the Supervisory Board of Harju Elekter of any business propositions made to them, the persons close to or related to them, which are associated with the company's economic activities. The Supervisory Board decides on the conclusion of transactions with a member of the Management Board of Harju Elekter or persons close to or related to them that are important for the company and determine the terms and conditions of such transactions. In 2022, no such transactions took place.

A member of the Management Board of Harju Elekter does not demand or accept from third parties' money or any other benefits for personal purposes in connection with their work or grant to third parties any unlawful or unreasonable advantages on behalf of the issuer. There were no conflicts of interest in 2022.

Supervisory Board

Functions of the Supervisory Board

The Supervisory Board plans the activities of the Company, organises the management thereof and supervises the activities of the Management Board. The Supervisory Board issues orders to the Management Board for the organisation of the management of the company. The Supervisory Board decides on the company's development strategy and investment policy, the conclusion of transactions with immovables and the approval of the investment and annual budget prepared by the Management Board. Meetings of the Supervisory Board are held when necessary but not less frequently than once every quarter. The Supervisory Board has a quorum if over a half of the members of the Supervisory Board are present.

In 2022, nine meetings of the Supervisory Board were held. All members of the Supervisory Board took part in the meetings and the adoption of the resolution.

Composition and remuneration of the Supervisory Board

According to the articles of association, the Supervisory Board of Harju Elekter has three to seven members. The members of the Supervisory Board are elected by the general meeting for a term of five years. On 28 April 2022, the annual general meeting of shareholders elected the following six-member Supervisory Board for the public limited company for a period of five years: Risto Vahimets, Märt Luuk, Arvi Hamburg, Aare Kirsme, Triinu Tombak and Andres Toome. Chairman of the Supervisory Board is Triinu Tombak. Two of the six members of the Supervisory Board – Arvi Hamburg and Triinu Tombak – are independent members. The authorities of the members of the Supervisory Board remain valid until 3 May 2027.

As of 4 May 2022, the remuneration of a member of the Supervisory Board and the Chairman of the Supervisory Board determined by the general meeting is 2,000 euros per month and 2,500 euros per month, respectively.

The Group will not be obliged to pay compensation when the authorisation of the members of the Supervisory Board expire or are terminated.

Gross remuneration paid to Members of the Supervisory Board in 2022:

EUR´000	Basic remuneration	Performance pay	Fee for attending the meeting
Endel Palla*	10	6	1
Triinu Tombak	24	-	1
Aare Kirsme	20	-	1
Andres Toome	20	-	1
Arvi Hamburg	20	-	1
Risto Vahimets**	16	-	-
Märt Luuk**	16	-	-

* until 3 May 2022
** as of 4 May 2022

Stock options granted to Members of the Supervisory Board as at 31 December 2022:

	Quantity	Exercise price (EUR)	Subscription time
Triinu Tombak	10,000	4.44	14.07.2023
Aare Kirsme	10,000	4.44	14.07.2023
Andres Toome	10,000	4.44	14.07.2023
Arvi Hamburg	10,000	4.44	14.07.2023

As at the end of 2022, the members of the company's Supervisory Board held a total of 3.9% (2021: 13.16%) of the company's shares directly and via indirect holdings (Note 16).

Members of the Supervisory Board as at 31 December 2022:

TRIINU TOMBAK,
Chairman of the Supervisory Board

Triinu Tombak has been a Member of AS Harju Elekter's Supervisory Board from 1997 to 2007 and from 2012 to today, and the Chairman of the Board from the spring of 2022. She graduated from the Faculty of Economics of Tallinn University of Technology and works as the manager of TH Consulting OÜ. In 2013-2019 she was a Member of the Board of the think tank Praxis (including Chairman of the Board in 2015-2017). From 2001 to 2009, she worked at the World Bank and from 1993 to 1998 at the Estonian Investment Bank. Triinu Tombak is a Board Member of the Estonian Badminton Association.

As of 31.12.2022, Triinu Tombak owns 23,000 Harju Elekter shares. His direct holding is 0.13% and she has no indirect holding.

ANDRES TOOME,
Member of the Supervisory Board

Andres Toome worked at Eesti Pank in 1992, in years 1992-1998 at Eesti Investeerimispank, in 1998-2000 at Optiva Bank and in 2000-2002 at Sampo Pank. Since 2003, he has been the manager of OÜ Trادematic. He is a Member of the Supervisory Board of OÜ Proformex, AS Harju KEK, AS Entek, Laagri Vara AS, Valdmäe Tööstuspark OÜ, OÜ KEK Kinnisvara, H11 OÜ and AS Tallinna Olümpiapurjespordikeskus. In addition, he is a Member of the Management Board of OÜ Tradematic, 30pluss OÜ and Hermes Worldwide OÜ.

As of 31.12.2022 Andres Toome owns 45,500 of Harju Elekter shares. He has direct participation 0.25% and indirect participation 0.33%.

ARVI HAMBURG,
Member of the Supervisory Board

Arvi Hamburg is a doctor of energy and geotechnology at Tallinn University of Technology and an authorized electrical engineer who has worked as a professor and lecturer at various Estonian universities. 1987–1990 until 1990, he worked as the deputy director general of Eesti Energia, and from 1990 to 1992 in the Ministry of Industry and Energy as a deputy minister. In the years 1992–2001, he was the Deputy Chancellor of the Ministry of Economy and Minister's Advisor. Arvi Hamburg is socially active, being the Chairman of the Board of advisors of Tallinn University of Technology, Chairman of the Board of the Kehtna Vocational Education Center, Chairman of the Energy Commission of the Estonian Academy of Sciences, Member of the Board of the Estonian National Committee of the World Energy Council, Member of the Board of AS Exomatic, Member of the Vocational Board of SA Kutsekoda Tehnika, tootmine ja töötlemine, HTM Education and Youth Member of the Kristjan-Jaag Scholarship Board, Vice-Chairman of the Board of the Estonian Electroenergetic Society and Chairman of the Board of Trustees of the NGO Estonian Club.

As of 31.12.2022 Arvi Hamburg owns 15,500 Harju Elekter shares. He has direct participation 0.08%. He doesn't have indirect holdings.

AARE KIRSME,
Member of the Supervisory Board

Aare Kirsme has a degree in law from the University of Tartu. He has practiced as a lawyer at AS Devest from 2002 to 2011 and as a legal consultant at Harju KEK from 2000 to 2013.Aare Kirsme belongs to the Supervisory Board of OÜ KEK Kinnisvara, AS Laagri Vara, AS Harju KEK, OÜ Valdmäe Tööstuspark, AS EKE and H11 OÜ. In addition, he is a Member of the Management Board of OÜ Kirschmann and OÜ Devest Kaubandus and a shareholder and a Member of the Management Board of OÜ Silvertec and Helicraft OÜ.

As of 31.12.2022 Aare Kirsme owns 235,750 Harju Elekter shares. He has direct participation in share capital 1.29% and indirect participation 0.21%

RISTO VAHIMETS,
Member of the Supervisory Board

Risto Vahimets is a partner of the law firm Ellex Raidla Advokaadibüroo OÜ, a sworn attorney, whose main areas of activity are M&A and strategic consulting, restructuring and problem areas consulting. He has bachelor's degree in law from the University of Tartu (cum laude) and M.A. from the University of Connecticut. Risto Vahimets is a Member of the Supervisory Board of AS Fifaa, Sportland International Group AS, Sportland Eesti AS and AS Pontos Baltic. He is a Member of the Management Board of R8Tech Strategy Committee, Leden Group Oy and a shareholder and board member of Vahimetsa Investeeringute OÜ.

As of 31.12.2022, Risto Vahimets does not own any Harju Elekter shares. He has no direct participation, indirect participation is 0.005%.

MÄRT LUUK,
Member of the Supervisory Board

Märt Luuk has obtained his higher education from Tallinn University of Technology. He belongs to the Supervisory Board of AS Harju Ehitus, AS Harju KEK, AS Laagri Vara, OÜ KEK Kinnisvara, Valdmäe Tööstuspark OÜ, AS Taakes, AS Entek and H11 OÜ. In addition, he is a Member of the Management Board of HE Ehitus ja Kinnisvara OÜ and a shareholder and a Member of the Management Board of OÜ Landler Holding.

As of 31.12.2022, Märt Luuk owns 70,509 Harju Elekter shares. His direct participation is 0.39% and indirect 1.22%.

Conflict of interest

The members of the Supervisory Board abstain from conflicts of interest and follow the requirements of prohibition of competition. As a member of the Supervisory Board, one should prioritize the interests of the issuer over their personal interests or the interests of any third parties. Members of the Supervisory Board do not use commercial offers aimed at the issuer in their personal interests. A member of the Supervisory Board will not vote at the meetings of the Supervisory Board if granting consent to the conclusion of a transaction between the member of the Supervisory Board and Harju Elekter is being decided or if a similar conflict of interest is caused by a transaction of a related party of the member of the Supervisory Board. There were no such conflicts of interest in 2022. Also, no significant transactions were concluded in 2022 between Harju Elekter and the members of the Supervisory Board or persons close to or related to them.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board cooperate closely for the purpose of the best protection of interests of Harju Elekter. The Management Board regularly informs the Supervisory Board of any important matters that concern planning the activities of the Group as well as its business activities and draws particular attention to important changes in the business activities of Harju Elekter. The Management Board forwards data, incl. financial reports, to the Supervisory Board in sufficient time prior to Supervisory Board meetings. The management of the company is governed by relevant laws, the articles of association and the decisions of and the goals set by the meetings of shareholders and the Supervisory Board.

Diversity policy

Pursuant to subsection 24^2 (4) of the Estonian Accounting Act, a large company who has issued securities that grant the right to vote, and these have been accepted for trading on the regulated securities market of Estonia or another contracting state must describe the diversity policy implemented in the company's Management Board and the highest managing body, and the results of its implementation in the reporting year in its corporate governance report. If the diversity policy has not been implemented in the reporting year, the reasons of this must be explained in the corporate governance report.

AS Harju Elekter has not considered it necessary to prepare a document covering diversity policy and people are elected and appointed to the highest managing bodies primarily in consideration of the possible added value that they bring to the management of the Group with their knowledge and skills, and their suitability. Nobody is discriminated against on the grounds of age, gender, religion, origin or other characteristics.

Publication of information

As a listed company, AS Harju Elekter proceeds from the principles of openness and equal treatment of shareholders. The information required in the stock exchange regulations is published regularly in accordance with the deadlines, and the company thereby follows the principle that it will not publish any forecasts – only factual events that have taken place are reported and commented. This information is published in Estonian and English on the websites of the Nasdaq Tallinn Stock Exchange, the company and the Financial Supervision Authority

In order to quickly inform the shareholders and the public, the company has a website that includes stock exchange notices, economic reports, compositions of the Management Board and the Supervisory Board, information on the auditor, an overview of the Group, its history, products and other important information.

AS Harju Elekter approved a new strategy last year, which foresees focused production and more centralized management. Corporate strategy is one part of sustainability strategy.

The company does not find it important to keep a schedule regarding the time and agenda of the meetings of different shareholder according to point 5.6 of the CGC, because the information discussed at the meetings has already been published. The company always proceeds from the principle of equal treatment of shareholders in its activities. Mandatory, important, and price-sensitive information is first disclosed in the system of the Nasdaq Tallinn Stock Exchange and then on the websites of the Financial Supervision Authority and the company. Each shareholder also has the right to request additional information from the company and set up meetings. This rule applies in the case of all meetings, also immediately before the disclosure of financial reports.

Financial reporting and auditing

The consolidated accounts of AS Harju Elekter are prepared in accordance with the International Financial Reporting

Standards (IFRS), as adopted by the European Union. The purpose of financial reporting processes is to ensure uniform and reliable reporting of the Group in accordance with legislation and other existing requirements. The reporting processes are performed by the Group's Financial Reporting manager. The principles of reporting are determined by the Group's internal rules, employee job descriptions, and sector-specific guidelines. If necessary, external experts will be involved, and other external audits and inspections will be taken into account in the activities.

The identification of risk areas associated with the processes, as well as the upgrading and development of internal control systems are carried out continuously. The functioning of internal control systems is supervised by the internal auditor of the Group. We constantly monitor changes in legislation and requirements and analyse the impact of such changes on the internal rules and principles in force within the Group, which will be amended if necessary. Summaries of the audits and consultative work carried out are submitted to the Audit Committee, and the most important observations and recommendations are presented at meetings of the Supervisory Board. At least twice a year, a summary review of internal control activities is presented to the Supervisory Board.

To better assess and manage the company's risks, the Group's companies prepare a budget for the next financial year. Current implementation of approved budgets is monitored and regularly reviewed at meetings of the Supervisory Board.

AS Harju Elekter publishes yearly the annual report and quarterly its interim reports. Annual reports are audited and approved by the Supervisory Board and the general meeting.

According to the resolution of the general meeting of shareholders of 29 April 2021, AS Harju Elekter and its subsidiaries are audited by PricewaterhouseCoopers from 2021-2023, except for Energo Veritas OÜ, which is audited by Baker Tilly Baltics OÜ and Harju Elekter Services AB, which is audited by Allians Revision & Redovising AB and Telesilta Oy, which is audited by Nexia Oy.

The information on the auditor is accessible on the company's website. The auditors are remunerated for their work according to contract. The amounts of the fees are disclosed in Note 18 from the financial statements.

During the reporting period, the auditor did not inform the Supervisory Board of any significant circumstances that have become known to them, which may affect the work of the Supervisory Board and the management of the issuer. Neither did the auditor inform the Supervisory Board of any threats to the auditor's independence or professionalism. The auditor gave the audit committee formed by the Supervisory Board a written overview of the course of the audit of the company in 2022, the observations made and any other important topics that were discussed with the Management Board of the company.

Additional managing bodies and committees

The necessary procedures in the company are regulated with rules and guidelines, and there has been no practical need for the establishment of additional managing bodies and committees (including remuneration committee, appointment committee).

Audit committee

In 2010 the Supervisory Board of the public limited company formed an audit committee in relation to obligation arising from the Auditors Activities Act, whose task is to monitor and analyse the processing of financial information, the efficiency of risk management and internal control, the process of auditing the consolidated financial statements, the independence of the audit firm and the auditor who represents the audit firm on the basis of law, and make proposals and recommendations to the Supervisory Board in the issues stipulated by law. The audit committee is an advisory body subject to supervision by the Supervisory Board.

The audit committee of AS Harju Elekter has three members. Since 2012, the members of the council are Andres Toome (chairman), Triinu Tombak and since 2022 Risto Vahimets.

Remuneration Report

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In this remuneration report of AS Harju Elekter (reporting period 1 January 2022 to 31 December 2022), information is disclosed on the remuneration and benefits paid to the Members of the Management Board of AS Harju Elekter in 2022. Remuneration report has been prepared in accordance with Estonian Securities Market Act. Remuneration principles approved by AS Harju Elekter's Supervisory Board are described in Corporate Governance Report 2022.

The remuneration of members of the management bodies of AS Harju Elekter (basic and supplementary remuneration) will be determined taking into account the company's practices, strategy, short and long-term objectives, financial performance, and the tasks and responsibilities of each member of the management. Remuneration needs to be competitive to retain professional and competent top managers. The principles for granting additional remuneration are reviewed annually, and changes are made, if necessary. The remuneration policy aims to ensure that the long-term objectives and interests of the company are protected and sustainable.

The remuneration report corresponds to the remuneration principles of the board members approved by the Supervisory Board in 2021 and approved by the general meeting in 2022.

Remuneration of Members of the Management Board

The Members of the Management Board are remunerated pursuant to their contracts. The remuneration of a Member of the Management Board is determined with a decision of the Supervisory Board.

The performance pay for the period for the Members of the Management Board is set at 0.75% of the consolidated operating profit of the Harju Elekter Group. In addition, an annual performance pay is paid to the board members, which is a total 1.0% of the consolidated net profit.

The performance pay is paid in two instalments:

1. 80% of the performance pay of the first half of the year, after the results of the first half become known;
2. performance pay of the second half of the year, together with 20% of the performance pay for the first half and annual performance pay after the audited annual results have become known. Disbursement of the performance pay of the second half of the year and the annual performance pay is coordinated with the Supervisory Board and paid out after the audit of the Group's annual accounts.

The amount of performance pay is proportional to the share of basic salary in the basic salary total.

The total amount of remuneration is competitive in Estonia and performance-related. Performance-related pay motivates managers to contribute towards long-term improvements in performance and the achievement of set targets.

Additional benefits cover company car and telephone costs for board members. No conditions for repayment of the variable performance pay have been established, and as at 31 December 2022, no claims for repayment have been enforced for the members of the board. In 2022, no exceptions have been made to the remuneration principles for determining the remuneration of the members of the Management Board.

Gross remuneration paid to Members of the Management Board in 2022:

EUR´000	Basic remuneration	Performance pay	Meeting participation remuneration	Total gross remuneration
Tiit Atso – Chairman of the Management Board	**142** (82%)	**23** (13%)	**9** (5%)	**174** (100%)
Aron Kuhi-Thalfeldt – Member of the Management Board	**103** (86%)	**15** (13%)	**2** (2%)	**120** (100%)
Priit Treial – Member of the Management Board	**15** (100%)	**0** (0%)	**0** (0%)	**15** (100%)

In 2022, the Members of the Management Board have received remuneration from foreign subsidiaries of the Harju Elekter Group. The remuneration is for attending a meeting of the management and supervisory bodies and is not paid if the Member attends the meeting by telephone or via MS Teams. The Members of the Management Board have not received any remuneration from the Group's Estonian subsidiaries.

Stock options granted to Members of the Management Board as at 31 December 2022:

	Tiit Atso Chairman of the board		Aron Kuhi-Thalfeldt Member of the board		Priit Treial Member of the board	
Stock options granted in 2019	quantity	8,000	quantity	8,000	quantity	-
	exercise price in EUR	3.98	exercise price in EUR	3.98	exercise price in EUR	-
	time of subscription	15.07.2022	time of subscription	15.07.2022	time of subscription	-
Stock options granted in 2020	quantity	10,000	quantity	-	quantity	-
	exercise price in EUR	4.44	exercise price in EUR	-	exercise price in EUR	-
	time of subscription	14.07.2023	time of subscription	-	time of subscription	-
Stock options granted in 2021	quantity	10,000	quantity	10,000	quantity	-
	exercise price in EUR	4.50	exercise price in EUR	4.50	exercise price in EUR	-
	time of subscription	25.06.2025	time of subscription	25.06.2025	time of subscription	-
Stock options granted in 2022	quantity	10,000	quantity	10,000	quantity	14,000
	exercise price in EUR	4.50	exercise price in EUR	4.50	exercise price in EUR	4.50
	time of subscription	21.12.2025	time of subscription	21.12.2025	time of subscription	21.12.2025

There were no changes in members of the management body regarding option transactions.

The terms of the share options have been approved by the general meeting of AS Harju Elekter in 2018 and 2021. For the subscription rights to be valid, a Member of the Management Board must have a valid employment and professional relationship with AS Harju Elekter or a company belonging to the Group up to and including the date of subscription, except for in the case of retirement.

The lay out and conditions of the option program are decided by the shareholders' meeting. The exact terms of the options and their issuance are decided by the Supervisory Board.

Changes in the performance and remuneration of AS Harju Elekter in 2018–2022:

	2022	2021	2020	2019	2018
Change in remuneration of Members of the Management Board (%)	2	-24	28	3	5
incl. Tiit Atso	-3	30	41	3	5
incl. Aron Kuhi-Thalfeldt	-1	27	21	11	9
incl. Priit Treial from 14 November 2022	-	-	-	-	-
incl. Andres Allikmäe until 3 May 2020	-	-99	22	-1	2
Change in average remuneration of employees (%)	6.7	6	-1	6	5
Change in revenue (%)	14.8	4.2	2.2	18.7	18
Change in EBIT (%)	-242.0	-51.1	100	35.6	-55.7

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Consolidated statement of financial position

EUR´000	Note	31.12.2022	31.12.2021
Current assets			
Cash and cash equivalents	2	9,152	574
Trade and other receivables	3	31,612	33,689
Prepayments	4	1,126	2,197
Inventories	5	37,068	27,084
Total current assets		**78,958**	**63,544**
Non-current assets			
Deferred tax assets	19	1,008	690
Non-current financial investments	6	23,731	25,222
Investment properties	7	24,756	23,903
Property, plant and equipment	8	35,740	26,654
Intangible assets	10	7,244	7,544
Total non-current assets		**92,479**	**84,013**
TOTAL ASSETS	17	**171,437**	**147,557**

EUR´000	Note	31.12.2022	31.12.2021
Liabilities			
Borrowings	11	24,385	16,912
Prepayments from customers	13	16,827	4,659
Trade and other payables	13	24,502	24,490
Tax liabilities	14	3,478	3,156
Current provisions	15	2,103	35
Total current liabilities		**71,295**	**49,252**
Borrowings	11	20,732	11,426
Other non-current liabilities	13	0	33
Total non-current liabilities		**20,732**	**11,459**
Total liabilities	17	**92,027**	**60,711**
Equity			
Share capital	16	11,523	11,352
Share premium	16	2,509	1,601
Reserves	16	17,768	18,716
Retained earnings		47,771	55,315
Total equity attributable to owners of the parent company		**79,571**	**86,984**
Non-controlling interests		-161	-138
Total equity		**79,410**	**86,846**
TOTAL LIABILITIES AND EQUITY		**171,437**	**147,557**

The notes on pages 91 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of profit or loss

EUR´000	Note	2022	2021
Revenue	17,18	175,293	152,757
Cost of sales	18	-163,024	-134,877
Gross profit		**12,269**	**17,880**
Distribution costs	18	-5,578	-5,259
Administrative expenses	18	-11,194	-9,703
Other income		351	513
Other expenses		-394	-229
Operating profit (- loss)	17	**-4,546**	**3,202**
Finance income		122	129
Finance expenses		-853	-353
Profit (- loss) before tax		**-5,277**	**2,978**
Income tax	19	-290	-368
Profit (- loss) for the period		**-5,567**	**2,610**
Profit (- loss) is attributable to:			
Owners of the parent company		-5,544	2,598
Non-controlling interests		-23	12
Earnings per share			
Basic earnings per share (EUR)	20	-0.31	0.15
Diluted earnings per share (EUR)	20	-0.30	0.14

Consolidated statement of comprehensive income

EUR´000	Note	2022	2021
Profit (- loss) for the period		**-5,567**	**2,610**
Other comprehensive income (-loss)			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	-208	-57
Items that subsequently may not be reclassified to profit or loss:			
Gain on available-for-sale financial assets reclassified to profit or loss	6	320	265
Net proceeds from revaluation of financial assets	16	-726	12,269
Total other comprehensive income (-loss) for the period		**-614**	**12,477**
Total comprehensive income (- loss) for the period		**-6,181**	**15,087**
Total comprehensive income (- loss) for the period is attributable to:			
Owners of the parent company		-6,158	15,075
Non-controlling interests		-23	12

The notes on pages 91 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

EUR´000	Note	2022	2021
Cash flows from operating activities			
Profit (-loss) for the period		-5,567	2,610
Adjustments			
Depreciation, amortization and impairment losses	7, 8, 9, 17, 18	4,764	4,018
Gain on sale of non-current assets		-37	-25
Share-based payments	22	189	227
Finance income		-120	-129
Finance expenses		851	353
Income tax	19	290	368
Changes			
Changes in trade receivables		3,054	-7,443
Change in inventories		-9,983	-8,814
Changes in trade payables		14,631	9,308
Corporate income tax paid	21	-286	-616
Interest paid		-602	-345
Total cash flow (-outflow) from operating activities		**7,184**	**-488**
Cash flows from investing activities			
Payments for investment properties	21	-2,119	-1,057
Payments for property, plant and equipment	21	-12,715	-4,857
Payments for intangible assets	21	-468	-698
Payments for financial assets	6	-227	-1,749
Proceeds from sale of property, plant and equipment		50	42
Proceeds from sale of financial assets	6	1,315	981
Received interests		1	8
Dividends received		74	119
Other proceeds from investing activities	21	0	190
Total cash flow (-outflow) from investing activities		**-14,089**	**-7,021**

EUR´000	Note	2022	2021
Cash flows from financing activities			
Change in overdraft balance	11	4,583	6,414
Proceeds from borrowings	11	15,616	8,063
Repayments of borrowings	11	-1,788	-5,804
Payments of principal or leases	11	-1,328	-1,476
Proceeds from the share issue		1,049	946
Dividends paid	16	-2,523	-2,838
Income tax paid on dividends		-55	-18
Total cash flow (-outflow) from financing activities		**15,554**	**5,287**
Total net cash flow (-outflow)		**8,649**	**-2,222**
Cash balance at the beginning of the period		**574**	**2,843**
Change in cash balances		8,649	-2,222
Effects of exchange rate differences		-71	-47
Cash balance at the end of the period	2	**9,152**	**574**

The notes on pages 91 to 132 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR´000	Share capital	Share premium	Reserves	Retained earnings	Total attributable to owners of the parent company	Noncontrolling interests	Total equity
Balance at 31 December 2020	**11,176**	**804**	**6,709**	**54,858**	**73,547**	**-150**	**73,397**
Comprehensive income 2021							
Profit for the period	0	0	0	2,598	2,598	12	2,610
Other comprehensive income	0	0	12,212	265	12,477	0	12,477
Comprehensive income for the period	**0**	**0**	**12,212**	**2,863**	**15,075**	**12**	**15,087**
Transactions with owners recognised directly in equity							
Share capital contribution (Note 16)	176	797	0	0	973	0	973
Share-based payments (Note 22)	0	0	-205	432	227	0	227
Dividends	0	0	0	-2,838	-2,838	0	-2,838
Total transactions with owners	**176**	**797**	**-205**	**-2,406**	**-1,638**	**0**	**-1,638**
Balance at 31 December 2021	**11,352**	**1,601**	**18,716**	**55,315**	**86,984**	**-138**	**86,846**
Comprehensive income (-loss) 2022							
Profit for the period	0	0	0	-5,544	-5,544	-23	-5,567
Other comprehensive income (-loss)	0	0	-934	320	-614	0	-614
Comprehensive income for the period	**0**	**0**	**-934**	**-5,224**	**-6,158**	**-23**	**-6,181**
Transactions with owners recognised directly in equity							
Share capital contribution (Note 16)	171	908	0	0	1,079	0	1,079
Share-based payments (Note 22)	0	0	-14	203	189	0	189
Dividends	0	0	0	-2,523	-2,523	0	-2,523
Total transactions with owners	**171**	**908**	**-14**	**-2,320**	**-1,255**	**0**	**-1,255**
Balance at 31 December 2022	**11,523**	**2,509**	**17,768**	**47,771**	**79,571**	**-161**	**79,410**

Information about share capital and reserves is presented in Note 16.
The notes on pages 91-132 are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

1. General information

AS Harju Elekter is listed on the Tallinn Stock Exchange since 30 September 1997. The annual financial statements prepared as at 31 December 2022 cover AS Harju Elekter (hereinafter the "Parent company") and its subsidiaries (together referred to as the "Group" or Harju Elekter, Note 23).

Mandatory elements of the basic taxonomy of the ESEF

Name of reporting entity or other means of identification	AS Harju Elekter
Domicile of entity	Eesti Vabariik
Legal form of entity	Public limited company
Country of incorporation	Estonia
Address of entity's registered office	Paldiski mnt 31, Keila, Estonia
Principal place of business	Estonia, Finland, Sweden, Lithuania
Description of nature of entity's operations and principal activities	**Production** – designing, selling, manufacturing, and after-sales servicing of power distribution, switching and converting devices and automation, process control and industrial control equipment.
	Industrial real estate – developing of industrial real estate, project management, renting and the accompanying services to rental partners and to the Harju Elekter Group companies.
	Other operations – financial investment management, retail and project-based sale of electrical products, and electrical installation works in shipbuilding.
Name of ultimate parent of group	AS Harju Elekter

On 23 March 2023, the Management Board signed the consolidated financial statements for the financial year ended at 31 December 2022. According to the Estonian Commercial Code, the annual report including the consolidated financial statements, prepared by Management Board and approved by Supervisory Board, shall be approved by the annual general meeting of shareholders.

A description of the bases for preparing the accounts, significant accounting principles, accounting estimates and decisions, and the management of financial risks have been provided in the notes in accordance with – Note 25, Note 26 and Note 27.

2. Cash and cash equivalents

EUR '000	Note	31.12.2022	31.12.2021
Current accounts in banks		9,152	574
Total cash and cash equivalents	27	**9,152**	**574**

3. Trade and other receivables

EUR '000	Note	31.12.2022	31.12.2021
Trade receivables			
Accounts receivable		20,830	22,496
Loss allowance for trade receivables		-358	-414
Total trade receivables		**20,472**	**22,082**
Contract assets			
Contract assets		10,551	11,032
Loss allowance		-19	-19
Total contract assets		**10,532**	**11,013**
Other receivables			
Other current receivables		272	33
Other accrued income		336	561
Total other receivables		**608**	**594**
Total trade and other receivables		**31,612**	**33,689**

As at 31 December 2022, the Group assessed the need for recognition of impairment losses under IFRS 9 (Note 27 "Credit risk").

Changes in allowances for receivables

EUR '000	Trade receivables		Contractual assets	
	2022	2021	2022	2021
Opening balance at 1 January	**-414**	**-435**	**-19**	**-5**
Doubtful receivables written off	-255	-10	0	-14
Collection of doubtful invoices and receivables	10	31	0	0
Doubtful invoices deemed irrecoverable	301	0	0	0
Closing balance at 31 December	**-358**	**-414**	**-19**	**-19**

4. Prepayments

EUR '000	Note	31.12.2022	31.12.2021
Prepaid taxes	14	352	1,275
Prepaid expenses		457	569
Prepaid inventories		317	353
Total prepayments		**1,126**	**2,197**

5. Inventories

EUR '000	31.12.2022	31.12.2021
Raw and other materials	28,421	18,599
Work in progress	4,824	5,143
Finished goods	3,410	3,200
Goods purchased for sale	413	142
Total	**37,068**	**27,084**
Impairment losses of inventories during the reporting period	1,762	77

Compared to the previous year, the recording of prepayments for inventories have changed. In 2021, prepayments for inventories were recorded under inventories and amounted to 353 thousand euros (Note 4). Due to the ongoing disputes between Energo Veritas OÜ and Enefit Connect OÜ, the Group has no control over the inventories seized by the court for securing the claim of Enefit Connect OÜ, which is why the 1.0 million euro write-down of the inventory of Energo Veritas OÜ was accounted for in expenses.

6. Financial investments

EUR '000	31.12.2022	31.12.2021
Listed securities (at fair value through other comprehensive income)	1,433	2,898
Other equity investments (at fair value through other comprehensive income)	22,287	22,315
Other financial assets through profit or loss	11	9
Total	**23,731**	**25,222**

Movements from 1 January to 31 December	Note	2022	2021
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period		25,213	11,911
Acquisitions		227	1,749
Sale of financial assets		-995	-716
Change in fair value through other comprehensive income	16	-726	12,269
Carrying amount at the end of the period		**23,719**	**25,213**
2. Financial assets at fair value through profit or loss			
Carrying amount at the beginning of the period		9	7
Change in fair value through profit or loss		3	2
Carrying amount at the end of the period		**12**	**9**
Total carrying amount at the end of the period		**23,731**	**25,222**

A total of 1.3 million euros was received from the financial investments during year. Realized gain on sale of financial assets in the amount of 0.3 million euros was recognized through other comprehensive income. During the 2021, 1.0 million euros were received from the sale of securities listed on the stock exchange, of which the realized profit was 0.3 million euros. The fair value of securities decreased by 0.7 million euros during twelve months, increased by 0.5 million euros in 2021.

As of 31 December 2022, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (31.12.2021: 21.8) million euros and in the shares of IGL-Technologies Oy in the amount of 0.5 (31.12.2021: 0.25) million euros. Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros and sold a 14% holding in SIA Energokomplekss to the company's managing director, to focus on its core business.

AS Harju Elekter acquired an 10% stake in OÜ Skeleton Technologies Group on 3 June 2015. The company is engaged in the development and production of supercapacitors and is gradually increasing production. The assessment of future cash flows of the OÜ Skeleton Technologies Group includes significant uncertainty. The measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. In assessing the fair value of the company, the Group's management based the assessment on the issue price of the new shares used in the financing rounds, the economic indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and weighted the marketability of instrument. As of the reporting date, the registered holding of Harju Elekter in OÜ Skeleton Technologies Group is 6.1%.

See Note 27 "Financial risk management".

7. Investment properties

EUR '000	Land	Buildings	Construction in progress	Total
As at 31 December 2020				
Cost	4,854	26,302	39	31,195
Accumulated depreciation	0	-7,590	0	-7,590
Carrying amount	**4,854**	**18,712**	**39**	**23,605**
Additions (Note 21)	0	0	1,321	1,321
Depreciation charge	0	-970	0	-970
Reclassification as Property, plant and equipment (Note 8)	0	-53	0	-53
Reclassification	0	279	-279	0
Total movements in 2021	**0**	**-744**	**1,042**	**298**
As at 31 December 2021				
Cost	4,854	26,525	1,081	32,460
Accumulated depreciation	0	-8,557	0	-8,557
Carrying amount	**4,854**	**17,968**	**1,081**	**23,903**
Additions (Note 21)	0	0	1,858	1,858
Depreciation charge	0	-983	0	-983
Reclassification as Property, plant and equipment (Note 8)	0	-22	0	-22
Reclassification	0	2,582	-2,582	0
Total movements in 2022	**0**	**1,577**	**-724**	**853**
As at 31 December 2022				
Cost	4,854	29,079	357	34,290
Accumulated depreciation	0	-9,534	0	-9,534
Carrying amount	**4,854**	**19,545**	**357**	**24,756**

The Group's investment properties comprise of production and office buildings in Estonia: in Keila, in Saue municipality and in Haapsalu. During the reporting year, the construction of the new Laohotell III in Allika Industrial Park was completed. A solar power plant with a capacity of up to 66 kW will be installed on the roof of the energy-efficient building to produce electricity locally. The building will have a total surface area of 2,573.3 m^2 and a total construction cost of 2.3 million euros.

According to the management's estimate, the fair value of investment property at 31 December 2022 was 38.5 (31 December 2021: 35.7) million euros. The largest impact on the estimation of change in fair value came from the completed Laohotell III building. The management's estimate is based on the discounted cash flow method, taking into account current lease agreements, contractual growth rates, the average vacancy rate on the market, and the projected change in the consumer price index. Future cash flows were discounted at 9.75% (31.12.2021: 11%) discount rate. For investment properties, the condition of the leased property, the term of contracts and the possibility of renting out the property were evaluated. Investment property at fair value is classified at level 3 (Note 27), according to the fair value measurement method.

In 2022, the direct maintenance and repair costs of the investment properties amounted to 882 (2021: 599) thousand euros. Information on lease income is provided in Note 9. As at 31 December 2022, the Group had no commitments to acquire investment properties in subsequent periods.

8. Property, plant and equipment

EUR '000	Non-current assets					Right-of-use assets		Total
	Land	Buildings and structures	Machinery and equipment	Other fixtures, fittings and tools	Construction in progress and prepayments	Office and production premises	Machinery and equipment	
As at 31 December 2020								
Acquisition cost	1,156	17,033	7,587	1,907	3,477	2,598	2,910	36,668
Accumulated depreciation	0	-6,112	-5,130	-1,161	0	-1,336	-435	-14,174
Residual value	**1,156**	**10,921**	**2,457**	**746**	**3,477**	**1,262**	**2,475**	**22,494**
Additions	105	28	830	480	4,085	0	213	5,741
Addition of right-of-use assets (Note 17)	0	0	0	0	0	880	0	880
Disposals at book value	0	0	-17	0	0	0	0	-17
Depreciation charge	0	-800	-714	-278	0	-705	-217	-2,714
Reclassification	138	5,774	279	78	-6,269	0	0	0
Reclassification from inventories	0	0	0	233	0	0	0	233
Reclassification from investment property (Note 7)	0	53	0	0	0	0	0	53
Change in exchange rates	0	0	-3	-12	0	-1	0	-16
Total movements in 2021	**243**	**5,055**	**375**	**501**	**-2,184**	**174**	**-4**	**4,160**
As at 31 December 2021								
Acquisition cost	1,399	22,761	8,070	2,606	1,293	3,478	3,123	42,730
Accumulated depreciation	0	-6,785	-5,238	-1,359	0	-2,042	-652	-16,076
Carrying amount	**1,399**	**15,976**	**2,832**	**1,247**	**1,293**	**1,436**	**2,471**	**26,654**
Additions (Note 21)	861	10,014	36	513	553	0	940	12,917
Addition of right-of-use assets and change of the contract	0	0	0	0	0	-443	0	-443
Disposals at book value	0	0	-19	17	0	0	-12	-14
Depreciation charge	0	-1,010	-837	-338	0	-666	-263	-3,114
Reclassification	5	384	1,239	23	-1,651	0	0	0
Reclassification from investment property (Note 7)	0	22	0	0	0	0	0	22
Change in exchange rates	-16	-198	-35	-31	-2	0	0	-282
Total movements in 2022	**850**	**9,212**	**384**	**184**	**-1,100**	**-1,109**	**665**	**9,086**
As at 31 December 2022								
Acquisition cost	2,249	32,984	9,175	3,031	193	1,444	4,023	53,099
Accumulated depreciation	0	-7,796	-5,959	-1,600	0	-1,117	-887	-17,359
Carrying amount	**2,249**	**25,188**	**3,216**	**1,431**	**193**	**327**	**3,136**	**35,740**

The leased assets are shown in a separate column titled "Right-of-use assets". The depreciation expense associated with lease agreements is reflected under business expenses (Note 9).

The Swedish subsidiary of the Group acquired a real estate company, LC Development Fastigheter 17 AB, which was specifically established for the construction of the Västerås plant and which took into account the needs of Harju Elekter. The constructed building will not be leased, but will instead be used for the production activities of the Group. The total price of the land and the building to be purchased was 10.5 million euros. The acquisition of the company was reflected as an acquisition of non-current assets under IAS 16 and not as a business combination recognised in accordance with IFRS 3 because the acquired company did not include a separately identifiable business. (Lisa 23)

In addition, during the reporting year, investments were made in production technology equipment, renewable energy technologies, production and process management systems, buildings were renovated and plot of land was acquired in Finland.

The acquisition cost of property, plant and equipment written off and sold during the reporting period totalled 239 (2021: 796) thousand euros, including machinery and equipment 177 (2021: 592) thousand euro, other non-current assets 62 (2021: 77) thousand euros.

As at 31 December 2022, the acquisition cost of fully depreciated property, plant and equipment still in use was 4,150 (31.12.2021: 4,061) thousand euros.

9. Leases

The Group as the lessor

EUR '000	Note	2022	2021
Lease income			
- on investment properties		3,324	3,129
- other		2	2
Total lease income	18	**3,326**	**3,131**

In the statement of profit or loss, lease income is classified as revenue; the expenses and depreciation related to assets leased out are classified as cost of sales. Information on direct maintenance and repair costs of investments in real estate is given in Note 7.

Real estate investment leases agreements are concluded for fixed-terms and indefinite periods. Investment property lease agreements have been concluded as a rule for the term of 1 to 7 years. Changes in lease terms are renegotiated before the end of the lease term, otherwise lease agreements will extend automatically by one year or become a lease for an unspecified term. Lease agreements are cancellable from 1 to 18 month advance notice.

In the management's estimate, future lease payments under existing lease agreements are classified as follows:

EUR '000	2022	2021
Lease income		
< 1 year	3,200	3,246
1-5 years	5,027	7,828
> 5 years	0	434
Total lease income	**8,227**	**11,508**

The amount of future lease payments under non-cancellable operating leases according to contractual maturities:

EUR '000	2022	2021
Lease income from non-cancelleable contracts		
< 1 year	2,487	2,189
1-5 years	805	939
Total lease income	**3,292**	**3,128**

The Group as the lessee

Lease liability

EUR ‘000	Note	Total
Carrying amount at 31 December 2020		**2,939**
2021		
New lease liabilities	11	2,031
Lease payments	11	-1,476
Impact of exchange rate changes		22
Carrying amount at 31 December 2021		**3,516**
2022		
New lease liabilities	11	251
Lease payments	11	-1,328
Impact of exchange rate changes		-664
Carrying amount at 31 December 2022		**1,775**

Expenses related to lease contracts

EUR ‘000	Note	2022	2021
Interest expense (included within finance expenses)		61	41
Depreciation charge (included within operating expenses)	8	929	922
The cost of current and low value lease agreements included within ope¬rating expenses		269	284
Total		**1,259**	**1,247**

In 2022, the cash outflow related to leases totalled 1,586 (2021: 1,760) thousand euros.

10. Intangible assets

Movements in intangible assets

EUR ‘000	Goodwill	Development costs	Licences	Customer contracts	Total
As at 31 December 2020					
Cost	6,200	699	1,910	1,230	10,039
Accumulated amortization	0	-252	-1,467	-1,121	-2,840
Carrying amount	**6,200**	**447**	**443**	**109**	**7,199**
Additions (Note 21)	0	185	495	0	680
Amortization charge	0	-94	-131	-109	-334
Currency translation differences	-1	0	0	0	-1
Reclassification	0	87	-87	0	0
Total movements in 2021	**-1**	**178**	**277**	**-109**	**345**
As at 31 December 2021					
Cost	6,199	871	2,289	1,230	10,589
Accumulated amortization	0	-246	-1,569	-1,230	-3,045
Carrying amount	**6,199**	**625**	**720**	**0**	**7,544**
Additions (Note 21)	0	124	344	0	468
Amortization charge	0	-120	-137	0	-257
Impairment of goodwill	-410	0	0	0	-410
Currency translation differences	-100	-1	0	0	-101
Reclassification	0	2	-2	0	0
Total movements in 2022	**-510**	**5**	**205**	**0**	**-300**
As at 31 December 2022					
Cost	5,689	996	2,570	0	9,255
Accumulated amortization	0	-366	-1,645	0	-2,011
Carrying amount	**5,689**	**630**	**925**	**0**	**7,244**

The Group’s only intangible asset with an indefinite useful life is goodwill. Development costs are the capitalized costs of manufacturing and costs of testing of new specific products. Licenses mainly consist of product manufacturing licenses and computer software. In the reporting year, 0.3 (2021: 0.5) million euros were invested in software.

As at 31 December 2022, the acquisition cost of fully amortized intangible assets still in use was 775 (31.12.2021: 1,022) thousand euros. Customer contracts taken into account with the acquisition of Telesilta Oy, with the acquisition cost of 1.2 million euros, were taken off the balance sheet.

Testing the recoverable amount of goodwill

Positive goodwill arose through the acquisition of holdings in subsidiaries. Goodwill in the amount of 5,689 thousand euros arose as follows:

- In 2014 when a 100% holding in production company Finnkumu Oy was acquired; the company was merged with Harju Elekter Oy on 31 December 2020.
- In 2017 when a 100% holding in Telesita Oy, a Finnish company specializing in electrical works for the shipbuilding industry.
- At the beginning of 2018 when a 100% holdings in Swedish companies SEBAB AB, technical solutions provider, and Grytek AB that manufactures prefabricated technical houses, were acquired. On 29 October 2020, Grytek AB was merged with SEBAB AB, whose new business name is Harju Elekter AB.

Goodwill is related to the subsidiary's ability to generate distinct cash flows, therefore the subsidiary is the smallest cash-generating unit for accounting of goodwill and monitoring cash flows. The value in use of the subsidiary has been determined by the discounted cash flow method and its amount was compared to the carrying amount of the value of the cash-generating unit.

General assumptions for determining value in use

The key assumptions and estimates used by the management for the purposes of impairment testing are described below. The cash-generating unit also includes goodwill attributable to it. Management estimates are based on historical data, but take into account the market situation and other relevant assumptions about the future periods that were available at the time of preparation of the financial statements. The following inputs were used in estimating goodwill arising on the acquisition of subsidiaries:

- The forecast period is 2023-2026 (2021: 2022-2025) plus a terminal year;
- The range of discount rates of 7-8% (2021: 7-14%) was used to calculate discounted cash flows;
- Terminal growth rate of 2% (2021: 2%) was used;
- Annual revenue growth of 5-20%(2021: 10-25%) on average was used.

Potential impact of changes in estimates

The value of use of the cash-generating unit is compared to the amount of the investment and goodwill. Given that the value in use is an estimate, the change of selected inputs can have a positive or negative impact on the result of the assessment. The Group's management has conducted a sensitivity analysis of significant inputs and assumptions used and it did not identify any inputs or assumptions that would cause goodwill impairment if changes in a reasonable amount had been made to them.

Impairment of goodwill

In May 2022, the subsidiary Energo Veritas OÜ cancelled the framework agreements with Enefit Connect OÜ, which has filed claims against Energo Veritas OÜ for breaching framework agreements and whose stocks have been seized to secure the claims and substantive business operations suspended by court decision. An agreement has not been reached between the parties in the dispute and, if an agreement is not reached, there is a high probability that the subsidiary will find itself with solvency problems, leading to a liquidity crisis and insolvency. The continuation of business activities by Energo Veritas is rather unlikely. Consequently, during the reporting period the Group's management wrote down the goodwill of Energo Veritas OÜ, acquired in 2017, in the amount of 410 thousand euros. The expense is reflected as a depreciation expense in administrative expenses.

11. Borrowings

Balances and changes in borrowings

EUR '000	Note	31.12.2022	31.12.2021
Current borrowings			
Current bank loans		18,735	14,152
Repayment of non-current bank loans in the next period		2,630	1,485
Factoring		2,228	0
Other current loans		0	14
Current lease liabilities	9	792	1,261
Total current borrowings		**24,385**	**16,912**
Non-current borrowings			
Non-current bank loans		19,640	9,171
Other non-current loans		109	0
Non-current lease liabilities	9	983	2,255
Total non-current borrowings		**20,732**	**11,426**
Total borrowings		**45,117**	**28,338**

Changes in borrowings	Note	2022	2021
Opening balance		**28,338**	**19,088**
Change in current borrowings		4,583	6,414
Liabilities from an acquisition of a company		109	0
Non-current loans		13,402	8,063
Repayments of non-current loans		-1,788	-5,804
Other loans		2,214	-746
New lease liabilities	9	251	2,031
Repayment of non-current lease liabilities	9	-1,328	-1,476
Impact of exchange rate changes	9	-664	22
Closing balance		**45,117**	**28,338**

Reflected under factoring is the obligation of a Swedish subsidiary to a factoring contract with a limit of 2,249 thousand euros and an interest rate of 3 months euribor +3.03%. Additional information on interest rate risk is disclosed in Note 27.

Terms of current bank loans

As at 31 December (EUR'000)

Base currency	Loan balance		Loan limit		Interest rate	
	2022	2021	2022	2021	2022	2021
SEK	487	2,420	899	2,439	3.10%	3.10%
EUR	611	2,483	1,000	3,500	3-month euribor+0.75%	3-month euribor+0.75%
EUR	2,378	1,386	2,500	2,500	3-month euribor+0.65%	3-month euribor+0.65%
EUR	1,649	3,119	3,500	3,500	6-month euribor+1.40%	6-month euribor+1.4%
EUR	2,996	-	3,000	-	3-month euribor+1.00%	-
EUR	2,736	-	4,000	-	3-month euribor+1.60%	-
EUR	2,467	-	2,500	-	3-month euribor+2.25%	-
EUR	4,911	-	5,000	-	€STR+1.85%	-
EUR	500	-	500	-	12-month euribor+2.25%	-
EUR	-	3,830	-	5,000	-	3-month euribor+1.00%
EUR	-	914	-	2,000	-	3-month euribor+1.05%
TOTAL	**18,735**	**14,152**	**22,899**	**18,939**		

Information on assets pledged as collateral for bank loans is provided in Note 12.

Terms of non-current bank loans

As at 31 December (EUR'000)

Base currency	Loan balance		Loan limit		Interest rate	Repayment deadline
	2022	2021	2022	2021	2022	
EUR	5,124	4,404	6,051	6,051	6-month euribor+1.35%	11.08.2026
EUR	235	295	300	300	2-month euribor+1.50%	05.11.2026
EUR	3,085	3,500	4,200	4,200	12-month euribor+1.75%	28.04.2025
EUR	1,771	2,039	2,800	2,800	6-month euribor+1.35%	
EUR	288	-	1,000	-	6-month euribor+0.75%	
EUR	1,767	-	2,000		12-month euribor+0.75%	03.05.2025
EUR	10,000	-	10,000	-	6-month euribor+2.75%	20.12.2025
EUR	-	28	-	300	-	-
EUR	-	390	-	1,000	3-month euribor+1.05%	
TOTAL	**22,270**	**10,656**	**24,351**	**14,651**		

Information on assets pledged as collateral for bank loans is provided in Note 12.

12. Loan collateral and pledged assets

The carrying amounts of pledged assets:

EUR '000	31.12.2022	31.12.2021
Commercial pledge for movable property	7,638	814
Investment properties	19,945	13,060
Land and buildings	12,973	9,180

The Group has entered into current loan and investment loan agreements with Swedbank AS. The loans are secured by a commercial pledge in favour of Swedbank AS on movable property of the parent company and mortgages on real estate investments, amounting to 12.24 million euros. Using the pledged assets as collateral, the Group can use current loans of up to 6.1 million euros. As at the reporting date, a non-current loan of 5.1 million euros was in use.

On 28 December 2022, a loan agreement amounting to 10 million euros was signed with Coop Pank AS. The term of a variable rate Euribor-based investment loan shall be five years. The loan taken was used to finance the construction costs of the Västerås plant completed in Sweden, and the development of a new real estate project and to reduce existing current financial obligations. Securing the loan from Coop Pank AS is collateral in the form of land and buildings belonging to the parent company, totalling 18.5 million euros. As at the reporting date, a non-current loan of 10.0 million euros was in use.

The Group has entered into a non-current investment loan agreement with AB SEB bankas. Loans are secured by a mortgage on the real estate in Lithuania in the amount of 15.2 million euros. The pledged assets partially secure a non-current loan of up to 7.0 million euros. As at the reporting date, the amount of the outstanding non-current loan was of 4.9 million euros.

In order to cover the current loan, the Group has set up a mortgage on the Finnish building in favour of Nordea Bank in the amount of 435 thousand euros. Secured by the pledged assets, the Group has the option to use a current loan of up to 1.0 million euros. As at the reporting date, the amount of the outstanding current loan was of 0.6 million euros.

The Group entered into a loan agreement for 0.3 million euros for the acquisition of Finnish real estate. The loans are secured by a mortgage in favour of OP Yrityspankki Oy on a building for 0.5 million euros. The balance of the non-current loan as at the reporting date was 0.2 million euros.

Nordea Bank Oy has signed short-term and non-current loan agreements. The loans are secured by a commercial pledge set in favour of Nordea Bank Oy, totalling 2.5 million euros. As collateral for the pledged assets, the Group can use a loan of up to 2.5 million euros. As at the reporting date, a short-term loan of 0.5 million euros and a non-current loan of 1.8 million euros were in use.

13. Prepayments from customers and trade and other payables

EUR '000	Note	31.12.2022	31.12.2021
Advances received for goods and services		15,020	4,301
Due to customers for contract work		1,807	358
Prepayments from customers		**16,827**	**4,659**
Payable for goods and services		20,022	19,920
Payable for property, plant and equipment		10	0
Payable for investment property	21	15	276
Total trade payables	27	**20,047**	**20,196**
Payables to employees		3,807	3,645
Payable interest	27	47	9
Other accrued expenses	27	541	204
Deferred income	27	23	0
Other liabilities	27	37	436
Total other current liabilities		**4,455**	**4,294**
Other non-current liabilities	27	0	33
Total other non-current liabilities		**0**	**33**
Total trade and other payables		**41,329**	**29,182**

14. Taxes

EUR '000	Note	31.12.2022	31.12.2021
Value added tax		267	1,095
Corporate income tax	21	85	176
Social security tax		0	3
Other taxes		0	1
Total prepayment	4	**352**	**1,275**
Value added tax		1,713	1,676
Corporate income tax	21	216	63
Personal income tax		558	531
Social security tax		703	694
Other taxes		288	192
Total taxes payable		**3,478**	**3,156**

15. Provisions

EUR '000	Warranties provision	Unprofitable contracts	Other provisions	Total
Saldo 31.12.2021	35	0	0	35
Provisions made during the year	137	1,950	122	2,209
Provisions used during the year	-141	0	0	-141
Saldo 31.12.2022	**31**	**1,950**	**122**	**2,103**

Warranties provisions are recognised to cover expected warranty expenses. Under the sales agreements, the Group grants products sold a one-year warranty during which it has to repair or replace substandard and defective products free of charge.

In May 2022 Energo Veritas OÜ cancelled the framework contracts with Enefit Connect OÜ for the supply of hermetic distribution transformers. Enefit Connect OÜ submitted a claim to Energo Veritas for contractual penalty, for compensation for damages and for penalties, totalling 5.1 million euros. The claim amount is derived from breach of contracts and from the difference between the prices agreed in the framework contracts and the prices in the contracts awarded by Enefit Connect OÜ as a result of procurements in the dynamic procurement system. This is a loss that will realize in the future, as Enefit Connect OÜ has not yet made any payments in excess of the price stated in the framework contract. Energo Veritas OÜ does not acknowledge the claims made by Enefit Connect OÜ, and no compromise that would satisfy the counterparties was reached during the negotiations. The Group made a provision of 1.95 million euros to cover the unprofitable contract.

Harju Elekter assessed, considering the fact that inventories being arrested by the court has caused the company to suspend its business actitvities, if a compromise is not reached then with high probability the situation will result in economic difficulties, liquidity crises and insolvency of Energo Veritas OÜ. Irrespective of the final claim amount by Enefit Connect OÜ it is unlikely that Energo Veritas will have abilty to continue its business operations.

16. Share capital and reserves

Share capital and share premium

	Unit	31.12.2022	31.12.2021
Share capital	EUR '000	11,523	11,352
Number of shares (fully paid)	Pcs '000	18,290	18,019
Share premium	EUR '000	2,509	1,601

Harju Elekter increased the share capital of the company by 170,700 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The subscription term was 15 July 2022, and the issue price was 3.98 euros per share. A total of 270,953 ordinary shares were subscribed for at a book value of 0.63 euros per share. The total proceeds from the share issue amounted to 1,079 thousand euros of which the share premium was 908 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,523 thousand euros divided into 18.3 million ordinary shares without a nominal value. The shares issued will give entitlement to dividends from 2022. The maximum allowed share capital under the Articles of Association is 20.0 million euros and the minimum 5.0 million euros.

Dividends per share

On April 28, 2022, the Annual General Meeting of shareholders of AS Harju Elekter was held; it approved the 2021 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.14 euro per share for 2021, totalling 2,523 thousand euros. The list of shareholders entitled to receive dividends was specified as at the end of the working day of the settlement system, i.e. 16 May 2022 and dividends were transferred to shareholder bank accounts on 24 May 2022. In the comparable period, dividends of 0.16 euros per share in the total amount of 2.8 million euros were paid for 2020.

Interests of members of the Supervisory Board and Management Board in AS Harju Elekter

		Number of shares	Direct shareholding	Indirect shareholding
Tombak, Triinu	Chairman of the Supervisory Board	23,000	0.13%	0.00%
Kirsme, Aare	Member of the Supervisory Board	235,750	1.29%	0.21%
Toome, Andres	Member of the Supervisory Board	45,500	0.25%	0.33%
Luuk, Märt	Member of the Supervisory Board	70,509	0.39%	1.22%
Hamburg, Arvi	Member of the Supervisory Board	15,500	0.08%	0.00%
Vahimets, Risto	Member of the Supervisory Board	0	0.00%	0.00%
Atso, Tiit	Chairman of the Management Board	15,500	0.08%	0.00%
Kuhi-Thalfeldt, Aron	Member of the Management Board	25,529	0.14%	0.00%
Treial, Priit	Member of the Management Board	0	0.00%	0.00%
Total		**431,288**	**2.36%**	**1.76%**

The number of shares owned by the shareholders and the percentage of holdings was fixed at the end of the working day on 31 December 2022. In accordance with the requirements of the Nasdaq Tallinn Stock Exchange rules, the issuer is obliged to present in its annual report information on its members of the management board and supervisory board (direct shareholding) and the number of shares of the issuer belonging to their immediate family members (indirect shareholding) as at the end of the financial year. The votes represented by the shares of a company controlled by a member of the Group's Supervisory Board or Management Board shall also be considered as indirect shareholding.

Shareholders holding over 5% of votes attached to shares

%	31.12.2022	31.12.2021
AS Harju KEK	30.44	30.90
ING Luxembourg S.A.	10.39	10.54
Endel Palla	7.46	6.97
Shareholders holding under 5%	51.71	51.59
Total	**100.00**	**100.00**

Reserves

EUR '000	Note	Mandatory reserve	Share option	Revaluation reserve	Currency translation differences	Total reserves
Balance at 31 December 2020		**1,242**	**549**	**5,024**	**-106**	**6,709**
Gain on revaluation of financial assets (+)	6	0	0	12,269	0	12,269
Share-based payments	18	0	227	0	0	227
Exercise of stock options		0	-432	0	0	-432
Currency translation differences		0	0	0	-57	-57
Balance at 31 December 2021		**1,242**	**344**	**17,293**	**-163**	**18,716**
Loss on revaluation of financial assets (-)	6	0	0	-726	0	-726
Share-based payments	18	0	189	0	0	189
Exercise of stock options		0	-203	0	0	-203
Currency translation differences		0	0	0	-208	-208
Balance at 31 December 2022		**1,242**	**330**	**16,567**	**-371**	**17,768**

Revaluation reserve

The revaluation reserve consists of unrealized gains and losses arising from the revaluation of financial assets to fair value. The Group's revaluation reserve includes the revaluation amounts of the investment in OÜ Skeleton Technologies Group and securities of listed companies.

Currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the financial statements of a foreign subsidiary into the presentation currency of the Group (Note 25.6). The loss arising on currency translation differences due to the recognition of the financial results of the Swedish subsidiaries was 208 (2021: 57) thousand euros.

17. Segment information

The Management board of AS Harju Elekter monitors the Group's internal reports across the main areas of activity to assess performance and make decisions regarding resources. The management board has designated business segments on the basis of the given reports. Two main segments – Production and Real Estate – are distinguished in the consolidated statement of financial position. Other activities include non-segment areas of activity where each activity is not sufficiently significant to constitute a reportable segment.

The consolidated financial statements distinguishes three segments:
Production – manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter UAB, Harju Elekter Oy, Harju Elekter Kiinteistöt Oy and Harju Elekter AB.
Real estate – real estate development, maintenance and leasing, services related to the maintenance of real estate and production capacity and intermediation of services. This segment includes the Parent company.

Other activities – sales of the products of the Group and its related companies as well as products needed for electrical installation works mainly to retail customers and smaller and medium-sized electrical installation companies; management services, project management for installation works and electrical engineering for shipbuilding. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes. This segment includes the Parent company and the Group's subsidiaries Energo Veritas OÜ and Telesilta Oy.

The Group assesses the results of operating segments on the basis of segment revenue and operating profit. According to the management of the Parent company, inter-segment transactions take place under normal market conditions and do not differ significantly from the terms of the transactions with third parties. Unallocated assets are the Parent company's cash, other receivables, prepayments, and other financial investments while unallocated liabilities are its borrowings, taxes payable and accrued expenses. The Group does not have any customers outside the Group whose revenue would make up more than 10% of the revenue of the respective segment group.

EUR '000	Note	Produc-tion	Real estate	Other activities	Elimi-nation	Consoli-dated
2021						
Revenue from external customers	18	133,507	3,801	15,449	0	152,757
Revenue from other segments		583	1,759	185	-2,527	
Total segment revenue		**134,090**	**5,560**	**15,634**	**-2,527**	**152,757**
Operating profit		**1,296**	**2,022**	**-461**	**345**	**3,202**
Assets of the segment		88,534	26,384	28,317	-20,703	122,532
Unallocated assets						25,025
incl. financial investments						*24,953*
incl. other receivables and prepayments						*72*
Total assets						**147,557**
Liabilities of the segment		60,581	452	8,403	-20,703	48,733
Unallocated liabilities						11,978
incl. borrowings						*11,664*
incl. accrued expenses						*188*
incl. other						*126*
Total liabilities						**60,711**
Investments to non-current assets	7, 8, 10	5,787	1,321	634	0	7,742
Right-of-use assets	8	105	0	775	0	880
Depreciation and amortization	7, 8, 10	2,222	970	849	-23	4,018

EUR '000	Note	Produc-tion	Property	Other activities	Elimi-nation	Consoli-dated
2022						
Revenue from external customers	18	157,558	4,363	13,372	0	175,293
Revenue from other segments		1,042	1,704	259	-3,005	0
Total segment revenue		**158,600**	**6,067**	**13,631**	**-3,005**	**175,293**
Operating profit (- loss)		**-2,002**	**2,344**	**-4,697**	**-191**	**-4,546**
Assets of the segment		111,601	34,422	34,800	-32,710	148,113
Unallocated assets						23,324
incl. financial investments						*23,233*
incl. other receivables and prepayments						*91*
Total assets						**171,437**
Liabilities of the segment		89,873	163	8,993	-32,710	66,319
Unallocated liabilities						25,707
incl. borrowings						*25,239*
incl. accrued expenses						*250*
incl. other						*219*
Total liabilities						**92,027**
Investments to non-current assets	7, 8, 10	13,137	1,858	248	0	15,243
Right-of-use assets		0	0	251	0	251
Depreciation and amortization	7, 8, 10	2,651	983	1,156	-26	4,764

18. Further information on statement of profit or loss line items

Revenue by business activities

EUR´000	Note	2022	*At a point in time 2022*	*Over time 2022*	2021	*At a point in time 2021*	*Over time 2021*
Electrical equipment		148,223	*109,578*	*38,645*	126,656	*89,222*	*37,435*
Retail and project-based sale of electrical products		9,754	*9,754*	*0*	10,658	*10,658*	*0*
Other products		5,953	*5,953*	*0*	3,946	*3,946*	*0*
Electrical works		5,445	*0*	*5,445*	6,047	*495*	*5,552*
Other services		2,592	*0*	*2,592*	2,319	*0*	*2,319*
Lease income	9	3,326	*0*	*0*	3,131	*0*	*0*
Total	17	**175,293**	***125,285***	***46,682***	**152,757**	***104,321***	***45,306***

Revenue by geographical regions (location of customer)

EUR´000	Note	2022	2021
Estonia		30,296	25,993
Finland		81,829	70,918
Sweden		22,844	27,611
Norway		21,821	13,195
Germany		5,787	7,482
Netherlands		6,732	4,975
Other countries		5,984	2,583
Total revenue	17, 18	**175,293**	**152,757**

Operating expenses

EUR´000	Note	2022	2021
Cost of sales			
Goods and materials		-116,340	-100,875
Services purchased		-11,762	-10,589
Personnel expenses	18	-23,793	-20,756
Depreciation and amortization		-3,491	-3,263
Other expenses		-5,120	-2,677
Increase in inventories of work in progress and finished goods		-2,518	3,283
Total		**-163,024**	**-134,877**
Distribution costs			
Services purchased		-1,475	-1,154
Personnel expenses	18	-3,790	-3,512
Depreciation and amortization		-341	-233
Other expenses		28	-360
Total		**-5,578**	**-5,259**
Administrative expenses			
Services purchased		-2,874	-2,514
Personnel expenses	18	-6,850	-6,382
Depreciation and amortization		-932	-522
Other expenses		-538	-285
Total		**-11,194**	**-9,703**
- including development costs		*-2,312*	*-1,982*

Personnel expenses

EUR´000	Note	2022	2021
Personnel expenses allocated to cost of sales, distribution costs and administrative expenses:			
Salaries		-27,124	-23,863
Social security and other payroll taxes		-6,532	-5,918
Share-based payments	16, 22	-189	-227
Capitalized personnel expenses		22	4
Change in accrued personnel expenses		-610	-646
Total		**-34,433**	**-30,650**
Incl average number of employees:			
A person employed under the employment contract;		866	810
A person providing service under the law of obligations, except for a self-employed person		3	6
A member of a management or controlling body of a legal person;		9	9
Total		**878**	**825**

Fees paid to audit companies

According to the resolution of the general meeting of shareholders of 29 April 2021, AS Harju Elekter and its subsidiaries are audited by AS PricewaterhouseCoopers from 2021-2023, except for Energo Veritas OÜ, which is audited by Baker Tilly Baltics OÜ, Harju Elekter Services AB, which is audited by Allians Revision & Redovisning AB and Telesilta Oy, which is audited by Nexia Oy.

EUR´000	2022	2021
Audit fees	128	119
Fees for review service	0	6
Fees for other assurance services	9	2
Fees for related services	0	1
Fees for other business activities, including fees for tax advisory services	10	1
Total	**147**	**129**

19. Income tax and deferred tax

Income tax expenses

EUR´000	2022	2021
Current income tax expense	531	545
Deferred income tax income (-)/ expense	-241	-177
Income tax expense in the statement of profit and loss	**290**	**368**

Income tax expense calculated on the Group's profit differs from actual income tax expense for the reasons explained in the following table. In 2022, the average effective tax rate was -5.5% (2021: 12.4%).

EUR´000	2022	2021
Total calculated income tax (Finland 20%, Lithuania 15%, Sweden 20.6%)	481	426
Adjustments for calculated income tax	-246	-17
Income tax on dividends (Note 21)	55	18
Total	**290**	**427**
Change in deferred tax assets recognized off balance sheet	0	-59
Total income tax expense (Note 21)	**290**	**368**

Deferred income tax assets

EUR´000	31.12.2022	31.12.2021
Deferred income tax assets	1,008	690

The recovery of deferred tax assets calculated from tax losses depends on future taxable profits of the subsidiaries, which exceed the carry-forward tax losses at the balance sheet date. In the preparation of the annual report, the analysis of future profits of subsidiaries was carried out. A prerequisite for generation of profits is the achievement of the strategic goals of each subsidiary. Deferred tax assets were recognized to the extent that it is probable that future profits will materialize in future periods.

20. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Potentially issued shares are taken into account for the calculation of diluted earnings per share. As at 31 December 2022, the Group had 500,568 (31 December 2021: 763,968) potential shares (Note 22). In accordance with the decision of the general meeting of shareholders held at 3 May 2018, the issue price of shares to be acquired under a share option plan was set as the average closing price of the previous three calendar years on the Nasdaq Tallinn Stock Exchange as at 31 December. The share price was 3.49 euros in 2018, 3.98 euros in 2019 and 4.44 euros in 2020. From the 2019 round, 270,953 (2021: 278,675) shares were converted in the reporting period.

The resolution of the general meeting of shareholders held on 29 April 2021 approved the new 2021–2022 share option programme, under which the members of the Management Boards and key personnel of AS Harju Elekter and its subsidiaries are entitled to receive share options. The issue price of the shares to be acquired on the basis of the option is the average of the closing prices of the shares for the calendar years of 2018, 2019, and 2020 on the Nasdaq Tallinn Stock Exchange as of 31 December, i.e., 4.50 euros per share.

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 0.55 euros in the 2020 round, 3.55 euros in the 2021 and 1.52 euros in the 2022. Thus, the share subscription prices within the meaning of IFRS 2 are 4.99 euros, 8.05 euros and 6.02 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 January to 31 December 2022, the average market price of the shares was 6.02 euros.

	Unit	2022	2021
Profit attributable to owners of the parent company	EUR ‘000	-5,544	2,598
Average number of shares in the period	Pcs ‘000	18,134	17,855
Basic earnings per share	EUR	-0.31	0.15
Adjusted average number of shares in the period	Pcs ‘000	18,216	17,963
Diluted earnings per share	EUR	-0.30	0.14

21. Information on line items in the statement of cash flows

EUR´000	Note	2022	2021
Corporate income tax			
Income tax expense in the statement of profit or loss	19	-290	-368
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability	14	243	-89
Income tax expense on dividends	19	55	18
Deferred income tax expense/income	19	-318	-176
Currency translation differences		24	-1
Corporate income tax paid		**-286**	**-616**
Paid for investment properties			
Acquisitions of investment properties	7	-1,858	-1,321
Decrease (-)/ increase (+) of liability related to acquisition	13	-261	264
Paid for investment properties		**-2,119**	**-1,057**
Paid for property, plant and equipment			
Additions of property, plant and equipment	8	-12,917	-4,970
Decrease (-)/ increase (+) of liability related to additions of property, plant and equipment		202	-77
Other proceeds from investing activities		0	190
Paid for property, plant and equipment		**-12,715**	**-4,857**
Paid for intangible assets			
Additions of intangible assets	10	-468	-680
Decrease (-)/ increase (+) of liability related to additions of intangible assets		0	-18
Paid for intangible assets		**-468**	**-698**

22. Related parties

The related parties of AS Harju Elekter are Members of the Management Board and the Supervisory Board of the Group, their close associates, and companies significantly influenced or controlled by the aforementioned persons. Also AS Harju KEK which owns 30.44% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's Supervisory and Management Boards.

Transaction with related parties

EUR´000	31.12.2022	31.12.2021
Balances with related parties:		
- Payables for goods and services	106	93
- Payables to Management and Supervisory Boards	66	37

	2022	2021
Purchase of goods and services from related parties:		
- Lease of property plant and equipment from AS Harju KEK	68	118
- Purchase of other services from AS Entek	731	599
Sale of goods and services to related parties:		
- Sale of other services to AS Harju KEK and AS Entek	2	3
- Sale of goods to AS Entek	2	3
Remuneration of the members of the Supervisory and Management Boards:		
- salary, bonuses, benefits (incl. severance pay) and other remuneration	446	413
- social security tax	147	133

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: up to 8 months of the remuneration of the Member of the Management Board. Members of the Management Board have no rights related to pension. During the reporting period, no other transactions were made with members of the Group's directing bodies and the persons connected with them. More detailed information on the remuneration and benefits paid to the Members of the Management Board of AS Harju Elekter can be found in the Remuneration Report.

Share-based compensation

At 3 May 2018, the General Meeting of Shareholders adopted a share option plan for the key individuals of the Group, including management team members, leading specialists and engineers, to involve them as shareholders of the company to motivate them to act so as to improve the Group's financial performance. As part of the option program, AS Harju Elekter issues stock options each year up to two percent (2%) of the total number of the shares of AS Harju Elekter. The maturity of the option program is three years plus the maturity date of the share options. Participation in the Share Issue is subject to a prior agreement, a contract fee of ten (0.10) euro cents per share option paid by the date of the option agreement and the valid employment relationship until the subscription period. The issue price of shares to be acquired for share options was determined on the basis of average closing prices for the period 2015-2017 on the Nasdaq Tallinn Stock Exchange as at 31 December.

During the financial year, options granted in June 2019 were exercised. The subscription period for the shares was 15 July 2022. A total of 75 current and former employees of Harju Elekter participated in the share issue related to the exercise of the stock option programme, subscribing for a total of 270,953 shares for 1,078,392.94 euros. A total of 26,247 shares were not subscribed.

The resolution of the general meeting of shareholders held on 29 April 2021 approved the new 2021–2022 share option programme, under which the members of the Management Boards and key personnel of AS Harju Elekter and its subsidiaries are entitled to receive share options. The issue price of the shares to be acquired on the basis of the option is the average of the closing prices of the shares for the calendar years of 2018, 2019, and 2020 on the Nasdaq Tallinn Stock Exchange as of 31 December, i.e., 4.50 euros per share. The term of the option programme is two years, plus the term for exercising the options. The exercise period is 36 and 48 months after the written option contract is signed. Thereby, the Supervisory Board of AS Harju Elekter has the right to issue options with different terms, if necessary. In 2020 and 2021, a total of 76 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 447,468 shares. In December 2022, five more option agreements were concluded with the members of the group company's Management Board, for a total of 54,000 shares.

The principles of IFRS 2 have been applied to the recognition of share subscription rights. The Group used the fair value of the option for the services (labor input) to be received from the employees at the time of entering into the contracts. The value of the service was estimated by an independent expert at 0.55 euros per share in the 2020 round, 3.55 euros in the 2021 round and 1.52 euros in the 2022. The Black-Scholes valuation model was used to estimate fair value. The price is based on the weighted average market price of the share (4.44, 4.50 and 4.50 euros), the expected volatility of the share (30%, 32% and 35%), risk-free interest rate (1.50%, 1.50% and 3.00%), the expected dividends and the length of the period between the conclusion of the preliminary contracts and the planned share subscription (3 years). In 2022, the amount of share-based payments recognized as personnel expenses was 190 (2021: 227) thousand euros (Note 16 and 18).

	Market price	Fair value of the service	Subscription price in accordance with IFRS 2	Year of expiry	Number of contracts	Number of shares potentially issued
As at 31 December 2018					**116**	**318,175**
Quantity issued during the period (2019)	3.98	0.73	4.71	2022	94	339,100
Quantity canceled during the period (2018)					-6	-13,000
Quantity canceled during the period (2019)					-2	-8,000
As at 31 December 2019					**202**	**636,275**
Quantity issued during the period (2020)	4.44	0.55	4.99	2023	66	347,468
Quantity canceled during the period (2018)					-5	-12,000
Quantity canceled during the period (2019)					-3	-12,000
Quantity canceled during the period (2020)					-2	-7,350
As at 31 December 2020					**258**	**952,393**
Quantity issued during the period (2021)	4.50	3.55	8.05	2025	20	135,750
Quantity canceled during the period (2018)					-9	-14,500
Quantity canceled during the period (2019)					-8	-16,900
Quantity canceled during the period (2020)					-5	-14,100
Quantity realised during the period (2018)					-96	-278,675
As at 31 December 2021					**160**	**763,968**
Quantity issued during the period (2022)	4.50	1.52	6.02	2025	5	54,000
Quantity canceled during the period (2019)					-6	-25,000
Quantity canceled during the period (2020)					-4	-14,950
Quantity canceled during the period (2021)					-1	-250
Quantity realised during the period (2019)					-75	-277,200
As at 31 December 2022					**79**	**500,568**

Information on basic and diluted net profit per share can be found in Note 20.

23. Subsidiaries

Name of the Subsidiaries	Ownership and voting rights %		Location	Core business	Segment	Equity (EUR´000)	
	31.12.2022	31.12.2021				31.12.2022	31.12.2021
AS Harju Elekter Teletehnika	100%	100%	Estonia	Production	Production	475	503
AS Harju Elekter Elektrotehnika	100%	100%	Estonia	Production	Production	6,286	6,678
Energo Veritas OÜ	80.52%	80.52%	Estonia	Retail and wholesale	Other activities	-38	79
Harju Elekter Oy	100%	100%	Finland	Production	Production	8,538	8,677
Harju Elekter Kiinteistöt Oy	100%	100%	Finland	Management of industrial real estate	Production	3,050	3,042
Telesilta Oy	100%	100%	Finland	Electrical engineering works	Other activities	1,096	611
Harju Elekter UAB	100%	100%	Lithuania	Production	Production	1,409	3,889
Harju Elekter AB	100%	100%	Sweden	Production	Production	508	2,823
Harju Elekter Services AB*	100%	100%	Sweden	Management of industrial real estate	Production	35	86

*incl Harju Elekter Services AB subsidiary LC Development Fastigheter 17 AB

On December 15, 2022, the Group's Swedish subsidiary Harju Elekter Services AB acquired a 100% stake in LC Development Fastigheter 17 AB, a subsidiary of LC Development Fastigheter 101 AB belonging to the Wästbygg Group. The purchased real estate company, LC Development Fastigheter 17 AB, was created specifically for the construction of the Västerås plant, the needs of Harju Elekter were taken into account during its completion. In the future, it is planned to merge the purchased company with Harju Elekter Services AB, which results from the Group's principle of keeping production activities and real estate management in separate companies.

As at the reporting date, the Group has one subsidiary with non-controlling interests. In the first quarter of 2017, AS Harju Elekter acquired an 80.52% stake in Energo Veritas OÜ, a company that sells electrical materials and equipment.

Location of the Group's non-current non-financial assets

EUR´000	31.12.2022	31.12.2021
Estonia	35,493	36,499
Finland	7,996	7,953
Sweden	13,341	2,000
Lithuania	10,910	11,649
Total	**67,740**	**58,101**

24. Primary financial statements of the parent company

In accordance with the Estonian Accounting Act, the unconsolidated primary financial statements of the Parent company (statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) is presented in the notes to the consolidated financial statements.

Statement of financial position

EUR´000	31.12.2022	31.12.2021
Cash and cash equivalents	8,055	126
Trade receivables	363	556
Receivables from Group companies	14,532	13,484
Other current receivables and prepayments	91	74
Total current assets	**23,041**	**14,240**
Investments in subsidiaries	14,794	15,224
Non-current receivables from subsidiaries	16,149	7,083
Other non-current financial investments	23,233	24,953
Investment properties	28,616	27,826
Property, plant and equipment	1,763	1,839
Intangible assets	120	172
Total non-current assets	**84,675**	**77,097**
TOTAL ASSETS	**107,716**	**91,337**
Borrowings	11,444	7,863
Trade payables	206	443
Payables to Group companies	2,018	30
Tax liabilities	218	126
Other liabilities and prepayments from customers	454	382
Total current liabilities	**14,340**	**8,844**
Borrowings	13,795	3,768
Other non-current liabilities	0	33
Total non-current liabilities	**13,795**	**3,801**
Total liabilities	**28,135**	**12,645**
Share capital	11,523	11,352
Share premium	2,509	1,601
Reserves	17,809	18,535
Retained earnings	47,740	47,204
Total equity	**79,581**	**78,692**
TOTAL LIABILITIES AND EQUITY	**107,716**	**91,337**

Statement of comprehensive income

EUR´000	2022	2021
Revenue	6,067	5,560
Cost of sales	-3,186	-2,875
Gross profit	**2,881**	**2,685**
Other income	111	85
Administrative expenses	-2,390	-1,716
Other expenses	-31	-19
Operating profit	**571**	**1,035**
Revenue from subsidiaries	2,523	2,839
Dividend income from available-for-sale financial assets	74	119
Interest income	332	259
Write-off of subsidiary's investment	-430	0
Interest expenses	-139	-54
Loss from change of foreign exchange rates	-181	-3
Profit from operating activities	**2,750**	**4,195**
Income tax	-11	-18
Profit for the period	**2,739**	**4,177**
Other comprehensive income/loss		
Gain/-loss from revaluation of financial assets	-406	12,533
Total other comprehensive income/loss for the period	**-406**	**12,533**
Comprehensive income/expense for the period	**2,333**	**16,710**

Statement of cash flows

EUR´000	2022	2021
Cash flows from operating activities		
Profit	2,739	4,177
Adjustments		
Depreciation, amortization and impairment losses	1,445	1,428
Profit on sale of non-current assets	-1	-1
Finance income	-2,929	-3,217
Finance expenses	750	56
Income tax	11	18
Changes		
Changes in trade receivables	885	-1,372
Changes in trade payables	173	-2
Interest paid	-114	-51
Total cash flow (-outflow) from operating activities	**2,959**	**1,036**
Cash flows from investing activities		
Payments for investment properties	-2,367	-1,062
Payments for property, plant and equipment	-6	-561
Payments for intangible assets	-15	-78
Contribution to the subsidiary 's additional reserve capital	0	-900
Acquisition of financial investments	0	-1,490
Proceeds from sale of financial investments	1,315	981
Repayments of loans granted	7,777	5,024
Loans granted	-18,625	-10,024
Interest received	354	248
Dividends received	2,597	2,958
Total cash flow (-outflow) from investing activities	**-8,970**	**-4,904**

EUR´000	2022	2021
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	1,047	946
Change in overdraft balance	2,887	4,034
Proceeds from borrowings	13,490	4,561
Repayments of borrowings	-769	-4,578
Dividends paid	-2,523	-2,838
Dividend income tax paid	-11	-18
Total cash flow (-outflow) from financing activities	**14,121**	**2,107**
Total cash flows	**8,110**	**-1,761**
Cash and cash equivalents at the beginning of the period	**126**	**1,889**
Change in cash and bank accounts	8,110	-1,761
Effects of exchange rate differences	-181	-2
Cash and cash equivalents at the end of the period	**8,055**	**126**

Statement of changes in equity

EUR´000	Share capital	Share premium	Mandatory reserve	Revaluation reserve	Retained earnings	Total
Balance at 31 December 2020	**11,176**	**804**	**1,242**	**5,025**	**45,600**	**63,847**
Profit for 2021	0	0	0	0	4,177	4,177
Other comprehensive income /-loss for 2021	0	0	0	12,268	265	12,533
Total comprehensive income/-loss	**0**	**0**	**0**	**12,268**	**4,442**	**16,710**
Transactions with the owners of Parent recognized directly in equity						
Share capital contribution	176	797	0	0	0	973
Dividends paid	0	0	0	0	-2,838	-2,838
Total transactions with the owners of Parent	**176**	**797**	**0**	**0**	**-2,838**	**-1,865**
Balance at 31 December 2021	**11,352**	**1,601**	**1,242**	**17,293**	**47,204**	**78,692**
Profit for 2022	0	0	0	0	2,739	2,739
Other comprehensive income /-loss for 2022	0	0	0	-726	320	-406
Total comprehensive income/-loss	**0**	**0**	**0**	**-726**	**3,059**	**2,333**
Transactions with the owners of Parent recognized directly in equity						
Share capital contribution	171	908	0	0	0	1,079
Dividends paid	0	0	0	0	-2,523	-2,523
Total transactions with the owners of Parent	**171**	**908**	**0**	**0**	**-2,523**	**-1,444**
Balance at 31 December 2022	**11,523**	**2,509**	**1,242**	**16,567**	**47,740**	**79,581**

EUR´000	2022	2021
Adjusted unconsolidated equity as at 31 December	**79,581**	**78,692**
Interests under control and significant influence:		
- Carrying amount	-14,794	-15,224
- Carrying amount under the equity method	14,784	23,516
Adjusted unconsolidated equity as at 31 December	**79,571**	**86,984**

According to the Estonian Accounting Act, the amount from which a public limited company may make payments to shareholders is as follows: adjusted non-consolidated equity less share capital, share premium and reserves.

According to the Commercial Code, the parent company, which prepares the consolidated annual report, adopts the decision to distribute profit on the basis of the consolidated reports of the Group. It is not permitted to distribute profit based on consolidated reports to the extent that it would reduce the net assets of the parent company to the level below the total sum of share capital and reserves, the payment of which to shareholders is not permitted by law or the Articles of Association.

25. Basis of preparation and significant accounting policies

25.1 Basis of preparation

The consolidated financial statements of AS Harju Elekter and its subsidiaries (Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The key accounting policies used in the preparation of these consolidated financial statements are disclosed below. These policies have been applied using the consistency and comparability principles while the content and effect of the changes in valuations are disclosed in the respective notes. If the presentation or classification method of financial statement items have been changed, the comparative information of the prior period has also been restated.

In accordance with the requirements of International Financial Reporting Standards, management accounting estimates must be used in the preparation of the financial statements. It also requires management to make decisions related to the selection and application of accounting policies. The areas where the weight or complexity of estimates is higher, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 26.

25.2 Primary financial statements of the Parent company

Under the Estonian Accounting Act, the Parent company's separate primary financial statements (the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) are to be disclosed in the notes to the consolidated financial statements. The separate primary financial statements of AS Harju Elekter are disclosed in Note 24 "Primary financial statements of the Parent company". The separate primary financial statements are prepared using the same accounting policies and measurement bases as those applied in the preparation of the consolidated financial statements, except for investments in subsidiaries that are accounted for using the cost method in the parent's separate primary financial statements.

25.3 Changes in accounting policies for the reporting period

The Group has adopted the following new standards and amendments (including any associated amendments to other standards) effective for the first time from 1 January 2022:

"Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41"
Effective for annual periods beginning on or after 1 January 2022.

The amendment to **IAS 16** prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to **IAS 37** clarifies the meaning of "costs to fulfil a contract". The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to **IFRS 9** addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies **IFRS 16** was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The amendments have no significant impact on the Group's financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01 January 2022 that would be expected to have a material impact to the Group.

25.4 Standards, interpretations and amendments to published standards that are not yet effective

The Group is constantly monitoring the changes to new standards and interpretations of existing standards. Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 01 January 2023, and which the Group has not early adopted.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
Effective for annual periods beginning on or after 1 January 2023

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, "Making Materiality Judgements" was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. In the opinion of the Group, there is no significant impact on the financial statement.

Amendments to IAS 8: Definition of Accounting Estimates
Effective for annual periods beginning on or after 1 January 2023

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The implementation of the changes will not have a significant impact on the consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12
Effective for annual periods beginning on or after 1 January 2023

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is analysing the potential impact of the above-mentioned amendments to IAS 12 on its financial statements and will disclose the effect of the amendment when implemented.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

25.5 Basis of consolidation (IFRS 10)

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date at which control is transferred to the Group and are deconsolidated from the date at which control ceases.

The consolidated financial statements comprise the financial statements of AS Harju Elekter and its subsidiaries. The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in identical circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Information on the subsidiaries of AS Harju Elekter, their shareholdings, and voting rights is presented in Note 23.

Business combinations and goodwill (IFRS23, IAS 36)
Business combinations are accounted for using the acquisition method, whereby all identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognized at their fair values at the acquisition date, irrespective of the existence of a non-controlling interest.

The consideration transferred on the acquisition of the subsidiary includes:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquiree;
- equity instruments issued by the Group;
- fair value of the asset or liability arising from contingent consideration arrangements; and
- fair value of the previously held interest in the subsidiary.

For each business combination, the Group chooses whether to recognize a non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interests in the acquiree's identifiable net assets.

The Group recognizes the cost of acquiring a business combination, except for the costs of issuing debt or equity securities, as an expense when incurred.

If the consideration transferred, the non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (as at the acquisition date) exceeds the Group's interest in the identifiable assets acquired and liabilities assumed, the difference is recognized as goodwill. If the aforementioned amount is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized immediately in the statement of profit and loss.

Non-controlling interests is the portion of subsidiaries' profit or loss and net assets in a subsidiary not attributable to the Group. In the consolidated statement of profit and loss and the statement of other comprehensive income, profit or loss and each component of other comprehensive income are attributed to owners of the parent and to non-controlling interests. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity holders of the parent company.

Transactions eliminated on consolidation
Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in the consolidated financial statements. Unrealized losses are also eliminated but only to the extent that there is no indication of impairment.

25.6 Foreign currency transactions and balances

Functional and presentation currency
The functional currency of Group companies is the currency of their economic environment. The Group's Estonian, Lithuanian and Finnish companies use euros (EUR) in accounting, while the Swedish companies use the Swedish krona (SEK).

The consolidated financial statements are presented in euros, which is the reporting and presentation currency of the parent company. All figures are given in thousands, rounded to the nearest thousand unless otherwise indicated.

Foreign exchange transactions and balances
Transactions denominated in foreign currencies are translated into the functional currency using the official exchange rates of the European Central Bank officially valid on the day of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from the conversion at the exchange rate of financial assets and financial liabilities denominated in a foreign currency are recognized in the statement of profit and loss of the financial year.

Realized and unrealized gains and losses arising from the settlement and revaluation of foreign currency-denominated principal activities and liabilities are recognized using the net method under Other income (-expenses). Unrealized gains and losses arising from the revaluation of cash, cash equivalents and loans are recognized using the net method under Finance income (-expenses).

Recognition of transactions and balances of subsidiaries located in foreign countries
The financial results and position of all Group companies whose functional currency differs from presentation currency are translated into presentation currency. Assets and liabilities of foreign entities are translated into euros at the exchange rate of the European Central Bank at the balance sheet date, income and expenses are translated into euros on the basis of the weighted average exchange rate of the period and other changes in equity at the exchange rate on the day of their occurrence. Translation differences are recognized in other comprehensive income and are presented in equity as the currency translation differences reserve. When a foreign operation is partially disposed of or sold, the currency translation differences recognized in equity are reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into euros at the exchange rate prevailing at the balance sheet date.

25.7 Cash and cash equivalents (IAS 7)

Cash and cash equivalents include term deposits at banks, other short-term liquid investments with maturities of three months or less and whose risk of changes in value is insignificant. An overdraft is reflected in the balance sheet under current borrowings.

Statement of Cash Flows (IAS 7)
The statement of cash flows has been prepared using the indirect method – operating profit/loss has been adjusted in determining the cash flows from operating activities, eliminating the effect of non-cash transactions and changes in the balances of current assets and current liabilities related to operating activities. Cash flows from investing and financing activities are recognised using the direct method.

25.8 Financial instruments (IFRS 9, IAS 32)

A financial instrument is any contract which creates a financial asset for one party to the contract and a financial obligation or an equity instrument for the other party to the contract. Financial assets and liabilities are recognised in the statement of the Group's financial position when the Group becomes a contractual party to the instrument.

Financial assets

The Group classifies the financial assets into the following measurement categories:

- those to be measured at amortized cost; and
- those to be measured at fair value (either through OCI or through profit or loss).

Classification of financial assets is carried out on initial recognition and depends on the Group's business model for managing financial assets and the contractual terms of the cash flow.

Recognition and the termination of recognition

Financial assets other than trade receivables are recognised at their fair value upon initial recognition, to which transaction costs that are directly related to the acquisition of financial assets, except for financial assets that are recognised at fair value through profit or loss in the income statement. Transaction fees for financial assets recognised at fair value through profit or loss in the income statement are recognised as expense in the income statement.

Purchases and sales of financial assets under normal market conditions are recognised in accordance with IFRS 15 on the transaction date, i.e. the date on which the Group assumes the obligation to buy or sell the asset. Recognition of financial assets is discontinued when the rights to cash flows from financial assets cease or are transferred, and the Group essentially transfers all risks and rewards.

Debt instruments

Further recognition of debt instruments depends on the Group's business model in the management of financial assets and on the contractual cash flows of financial assets. Assets that are held for the collection of contractual cash flows and whose cash flows are only principal and the interest calculated on the outstanding principal are recognised at their adjusted acquisition cost. All of the Group's debt instruments (cash and cash equivalents, claims, loans) are classified in the adjusted acquisition cost category. Interest income on these assets is recognised in financial income using the effective interest rate method. Upon completion of recognition, the resulting profit or loss is recognised in the income statement under other operating income/operating expenses. Foreign exchange gains and losses and credit losses are recognised in separate lines in the income statement.

Receivables and prepayments shall be recognised as current assets unless their maturity is later than 12 months after the balance sheet date. Such assets are recognised as no-current assets.

Equity instruments

The Group recognizes equity instruments (investments in stocks, shares and securities) at fair value. When the Group has made an irrevocable decision to recognize changes in the fair value of equity instruments held for non-trading purposes through the statement of comprehensive income, the changes in fair value are not reclassified to the statement of profit or loss upon derecognition of the instrument. Dividends received from such investments continue to be recognized in the statement of profit and loss under other income.

For listed securities, fair value is based on the closing price of the security at the end of the reporting period. For unlisted securities, fair value is determined on the basis of publicly available information and using valuation techniques that include reference to the fair value of another instrument that is substantially the same at the end of the reporting period and / or discounted cash flow analysis.

The acquisition cost is no longer allowed for an equity instrument, but in some cases the acquisition cost may be considered to be close to its fair value. The Group recognizes an equity instrument at acquisition cost only if no information about the investee is available after the acquisition, or the range of possible fair values is very broad and the acquisition cost is the best estimate within that range.

Impairment of financial assets

The Group estimates expected credit losses on debt instruments carried at adjusted cost on the basis of the future information. The impairment methodology applied depends on whether there is a significant increase in credit risk. The measurement of expected credit losses takes into account an unbiased and probability-weighted amount; the time value of money; as well as reasonable and justified information about the past events, the current conditions, and the projections of the future economic conditions.

For cash and cash equivalents, deposits, loans and advances to clients and contractual assets that do not have a significant financing component, the Group applies the simplified approach permitted by IFRS 9 and accounts for the allowance for doubtful debts as an expected credit loss over the life of the receivable on the initial recognition of the receivable. The Group uses a write-down matrix where the write-down is calculated on the basis of the requirements for different maturity periods (“Creditworthiness of financial assets“).

Impairment losses on an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If the fair value of a classified debt instrument increases and the increase can be objectively attributed to an event occurring after the impairment loss was recognized in the statement of profit and loss, the impairment loss is reversed and the amount of the reversal is recognized in the statement of profit and loss.

Financial liabilities

The group's financial liabilities include prepayments from customers, trade payables, other current and non-current liabilities, received loans, which are initially recognized at their fair value less direct transaction costs. Subsequently, financial liabilities are recognized at amortized cost using the effective interest rate.

Financial liabilities are classified as current liabilities when their maturity date is 12 months after the balance sheet date unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period. Liabilities with due dates longer than one year from the date of the statement of financial position are disclosed in the statement of financial position as non-current liabilities.

The Group stops recognizing financial liabilities only when the Group's obligations are fulfilled, canceled, or expired.

25.9 Inventories (IAS 2, IAS 23)

Inventories are recorded at the lower of acquisition cost or net realizable value. The Group uses the weighted average cost method to recognize materials and goods. The cost of finished goods and work-in-progress includes design costs, raw materials, direct labor costs, other direct costs and manufacturing overhead (based on normal operating capacity), except for borrowing costs. When accounting for project assets, the individual cost method is used. The net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

25.10 Investment properties (IAS 40)

Investment property is an asset that the Group holds either as an owner or under finance leases as a lessee for the purpose of earning lease income, capital appreciation or both, and which is not used in its own business activities. Investment properties are stated at cost method, i.e. at an acquisition cost less any accumulated depreciation and any impairment losses. The acquisition cost includes transaction fees directly related to the acquisition (i.e. notary fees, state fees, fees paid to advisors and other expenses, without which the purchase transaction would probably not have taken place). The Group discloses the fair value of investment property in Note 7 of the financial statements.

The useful life use for depreciation of similar items of property, plant and equipment is used for depreciation of investment properties (“Depreciation“).

The recognition of an investment property in the statement of financial position shall be terminated in the event of the disposal or withdrawal of an object if the asset is not expected to generate future economic benefit. Profit or loss arising from the derecognition of investment property are recognised in the income statement for the wind-down period under other operating income or other operating expenses. If the purpose of using an immovable property changes, the asset is reclassified in the statement of financial position. From the date on which the change occurred, the accounting policies of the group of assets to which the object is transferred are applied to the object.

25.11 Property, plant and equipment (IAS 16)

Property, plant and equipment are assets used for production, provision of services or administrative purposes over a period of more than one year.

Recognition and measurement

Items of property, plant and equipment are recognized at an acquisition cost less any accumulated depreciation and any impairment losses. Acquisition cost consists of the purchase price of the asset and other costs directly attributable to the acquisition that are necessary for bringing the asset to its working condition and location. The acquisition cost of an item of property made for own use consists of material costs, direct labor costs and a proportional share of production overheads and borrowing costs which are related to the acquisition, construction or production of non-current assets. Profits and losses from the sale of property, plant and equipment are recorded as other operating income in the income statement of the reporting period.

Subsequent costs

Parts of some items of property, plant and equipment require replacement or renovation at certain intervals. Such costs are recognized in the carrying amount of the item of property, plant and equipment 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 an item that is replaced is derecognized. In accordance with the accounting principles in the previous paragraph, the cost of day-to-day maintenance of an item is not included in the carrying amount of the asset. Such costs are expensed as incurred.

Depreciation

Depreciation is recognized as an expense on a straight-line basis over the estimated useful life of an item of property, plant and equipment and its identifiable components. Land and construction in progress are not depreciated. Group companies use uniform depreciation rates. The estimated useful lives, residual values and depreciation methods are reviewed annually. The effect of the changes is reflected in the reporting period and in subsequent periods.

When an item of property, plant and equipment consists of separately identifiable components that have different useful lives, these components are accounted as separate assets and separate depreciation rates are assigned to them according to the useful lives of the components.

The following estimated useful lives are applied:

Asset category	Useful life
Buildings and structures	10–33 years
Machinery and equipment	5–10 years
Other equipment and fixtures	3–16 years

Impairment of property, plant and equipment

For property, plant and equipment with unlimited useful lives as well as assets subject to depreciation, the existence of circumstances indicating potential impairment of the asset is assessed. If such circumstances occur, the recoverable amount of the asset is assessed and compared with the carrying amount. When assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the change in the time value of money and the risks associated with the asset. When the asset does not generate independent cash flow, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

25.12 Intangible assets (IAS 38, IAS 36)

Intangible assets (other than goodwill) are amortized on a straight-line basis over their estimated useful lives. Intangible assets are tested for impairment whenever there is any indication of impairment similarly to items of property, plant and equipment.

Goodwill
Goodwill is the positive difference between the cost of a holding acquired in a business association and the fair value of the net assets acquired. This reflects part of the acquisition cost paid for the company's acquired assets that cannot be differentiated and invoiced separately. Goodwill is recognized according to the accounting policies described in "25.5 Basis of consolidation". At the date of acquisition, goodwill is recognised at its acquisition cost. The useful life of goodwill is undetermined, so goodwill is not depreciated, but any possible impairment of goodwill is assessed on each balance sheet date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The goodwill allocated to equity-accounted investees is included in the cost of the investment.

Research and development costs
Research expenditures are the costs of implementing research results to develop new products and services. Expenditures on scientific research and research carried out for the purpose of generating new technical knowledge are recognized as expenses in the period they have occurred.

Development costs are the costs of implementing research results for the development, design or testing of new specific products, services, processes or systems. Development costs are capitalized as intangible assets, if the amount of development costs can be measured reliably and there are technical and financial possibilities and a positive intention to implement the project and the Group can use or sell the asset and the future economic benefits attributable to the intangible asset can be estimated.

Capitalized development costs are included with acquisition cost less any accumulated amortization and any impairment losses. Development costs are expensed using a straight-line method over their estimated useful lives typically not exceeding 10 years. Depreciation is commenced when the development project is ready for use.

Other intangible assets
Other intangible assets include licenses and computer software. Acquired licenses are recognized at acquisition cost. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the software and prepare it for use. Other intangible assets acquired are measured at acquisition cost any less accumulated depreciation and any impairment losses.

Impairment of intangible assets
Impairment losses on intangible assets with indefinite useful lives, including goodwill, are recognized when the carrying amount of the asset or cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses on assets are recognized as a loss for the financial year.

An impairment loss on a cash-generating unit is allocated as follows. Firstly, the carrying amount of the goodwill allocated to the unit (group of units) is reduced and then all assets belonging to that unit (group of units) are valued proportionally.

Potential impairment of goodwill is reviewed at least annually at the end of the financial year. If there are events or changes in estimates that lead to a decrease in the carrying amount of goodwill, the test is performed more frequently. The impairment is determined by measuring the recoverable amount of the cash-generating unit to which the goodwill relates. For impairment testing, goodwill is allocated to those cash-generating units or groups of entities in the Group that should obtain economic benefits from a particular business combination. Impairment losses on goodwill are recognized in the statement of profit and loss. The impairment of goodwill is not reversed.

25.13 Leases (IFRS 16)

When a contract is entered into, the Group assesses whether it is a lease contract or whether it contains a lease relationship. A contract is a lease contract or contains lease relations where the contract gives the right to control the use of specified assets for a specified period in return for payment. In assessing whether a contract gives the right to control and use the assets, the Group relies on the requirements of IFRS 16 "Leases".

The Group as the lessor

Assets leased out under operating lease terms are recognized in the statement of financial position as usual, similarly to other assets recognized in the company's statement of financial positions. Operating lease payments are recognized over the lease term as income using the straight-line method.

The Group as the lessee

The Group leases office and production space, machinery and equipment, and vehicles, as well as recognises the right-of-use assets and lease obligations at the commencement of the lease term. The Group considers the lease term to be the uninterrupted period of the lease, which includes periods of potential renewal of the lease if the lessee is reasonably certain to exercise the option and periods of potential termination of the lease if the lessee is reasonably certain not to exercise the option. The Group amends the lease term in the event of a change in the uninterrupted lease term.

On initial recognition, the Group measures the leased assets (the "right-of-use assets") at cost, which comprises the initial amount of the lease obligation. The initial amount of the lease obligation is adjusted for advances paid, direct costs incurred, and restoration costs. The amount received is net of any rental incentives received. The right-of-use assets are included in the statement of financial position under "Property, plant and equipment".

Right-of-use assets are depreciated using the straight-line method from the commencement date of the lease to the end of the lease term. If, under a lease contract, ownership of assets is transferred to the Group at the end of the lease term, or if the cost of assets is determined on the assumption that the lessee will exercise the right to purchase, the Group depreciates the right-of-use assets from the commencement of the lease term to the end of the useful life of the underlying assets. In the event of impairment losses, the right-of-use assets will be reduced. The right-of-use assets is also adjusted for certain revaluations of the lease obligation.

The lease obligation is measured initially at the present value of the unpaid lease payments at the beginning of the lease term. Lease payments include the following:

- fixed payments (net of any lease incentives receivable);
- variable lease payments (depending on index or rate);
- guaranteed residual value (the expected value of the amount to be paid);
- buy-out price (if realisation of the purchase is reasonably certain); and
- penalties in the event of termination of lease (if the termination is sufficiently certain).

The lease obligation is discounted at the internal rate of return. If the appropriate rate cannot be easily determined, the Group uses an alternative borrowing interest rate, which is the interest rate that would be payable in the event of a similar economic environment, period, and loan collateral to obtain assets similar to the right-of-use assets.

The lease obligation is recalculated if there is a change in future lease payments resulting from an index or rate, if there is a change in the estimate of the amount of the residual value guaranteed or if the Group changes its estimate of whether to exercise the options to buy out the assets, extend or terminate the lease. The lease obligation is also remeasured when the fixed payments change.

The Group has chosen not to apply the requirements of IFRS 16 to current lease contracts and such lease contracts that have a low underlying value. Payments related to current lease contracts and lease contracts for which the value of the underlying assets is low are recognised as an expense in the income statement on a straight-line basis. Current lease contracts are contracts with a lease term of 12 months or less. Low-value lease contracts are lease contracts of IT equipment.

25.14 Income tax and deferred tax (IAS 12)

The consolidated statement of profit and loss recognizes the income tax expense, the effect of the change in deferred tax liabilities and assets for the subsidiaries located in Sweden, Lithuania and Finland, and the income tax on dividends of Estonian companies.

Corporate income tax in Estonia

In accordance with the laws of the Republic of Estonia, no tax is levied in Estonia on a company's annual profit. The liability for corporation tax arises on the distribution of profits and is recognised as an expense when dividends are declared. In addition, you pay income tax on fringe benefits, gifts, donations, entertainment expenses, non-business payments, and transfer pricing adjustments. The effective income tax rate is 20/80 on net dividends paid out. Starting from 2019, it is possible to apply a more favorable tax rate on dividend payments (14/86). The more favorable tax rate can be applied to a dividend distribution that amounts to up to three preceding years' average dividend distribution that has been taxed at 20/80 rate. In calculating the average dividend payment for the three preceding financial years, 2018 is first year to be considered.

Corporate income tax in other countries

The profit of the Group's Finnish, Swedish and Lithuanian subsidiaries is subject to income tax, thus their income tax assets and liabilities, and income tax expense and income include current (payable) and deferred tax. The corresponding corporate tax rates in these countries are: Finland 20% (2021: 20%), Sweden 20,6% (2021: 20,6%) and Lithuania 15% (2021: 15%). Taxable profit is calculated from profit before tax, which is adjusted in income tax declarations with temporary or permanent differences based on local tax law requirements.

Deferred tax

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or an employee accepts voluntary redundancy in exchange for those benefits. The Group recognizes termination benefits when it has made a clear commitment to: terminate the employment with existing employees in accordance with a detailed formal plan that the company cannot withdraw; pay compensation to employees on the basis of an offer to promote voluntary redundancy. If the maturity date of the termination benefit expires later than 12 months after the balance sheet date, the liability is discounted.

25.15 Employee benefits (IAS 19)

Liabilities to employees include, among other things, an obligation arising from performance reward systems, that is accounted in accordance with the financial results of the Group companies and the achievement of the targets set for the employees.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or an employee accepts voluntary redundancy in exchange for those benefits. The Group recognizes termination benefits when it has made a clear commitment to: terminate the employment with existing employees in accordance with a detailed formal plan that the company cannot withdraw; pay compensation to employees on the basis of an offer to promote voluntary redundancy. If the maturity date of the termination benefit expires later than 12 months after the balance sheet date, the liability is discounted.

Share-based transactions (IFRS 2)

The Group operates the option programmes based on share-based payments (Note 22). In the provision of services received by employees, options to acquire shares in AS Harju Elekter are issued. The fair value of services is determined by reference to the fair value of equity instruments granted to employees at the date of the grant. From the issue of the option until the start of the period in which the shares are issued, the fair value of the service is recognised as a labour cost and in equity under "Reserves". At the end of each reporting period, the Group estimates the number of options to be exercised. If the options are exercised, the Group will issue new shares. The proceeds received for the issue of shares, net of direct transaction costs, are recognised in equity under share capital and share premium. When the options are exercised, the amount recognised as a reserve for labour costs is recognised in equity under "Retained earnings".

25.16 Provisions (IAS 37)

Provisions are recognized when: The Group has a legal or constructive obligation arising from past events; when it is likely that a resource outflow is required to settle this obligation; the amount is reliably measurable. Provisions are not recognized for future operating losses.

Where there are several similar obligations, the probability of a reduction in the resources is measured and this is determined by considering all the liabilities as a whole. A provision is also recognized when the probability of an outflow of resources due to any of the same type of liabilities may be small.

Provisions are measured at the present value of the expenditure that is expected to be required to settle the obligation using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

25.17 Contingent liabilities

Significant commitments and other obligations which may transform into a liability subject to the occurrence of some uncertain future events are disclosed in the notes to the consolidated financial statements as contingent liabilities. Contingent liabilities are not recognized in the statement of financial position. Contingent liabilities are not recognised in the statement of financial position. Contingent liabilities shall not be recognised as liabilities if they are:

- possible obligations arising from a past event, the existence of which is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly controlled by the (economic) entity, or
- there exist obligations arising from past events, but which have not been reflected because:
- it is unlikely that resources containing economic benefits will have to be divested in order to fulfil the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

The assets pledged by the Group are real estate mortgages. The pledged assets are provided to the lender as collateral for the loan obligation. If the borrower is unable to make the agreed payments, the lender can use the pledged property to hedge its losses.

25.18 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognized in the equity as deductions from proceeds.

If any Group company repurchases its equity instruments (treasury shares), the consideration payable, including directly attributable costs (excl. income tax), is deducted from the equity of the owners of the Parent until the shares are cancelled or reissued. Upon re-issuance of these shares, the fee received, less any directly attributable transaction costs and related income tax effects, is transferred to the equity of the parent's equity holders.

25.19 Mandatory reserve

According to the Estonian Commercial Code, entities form a statutory reserve prescribed by law. At least 1/20 of the profit must be transferred to the reserve each financial year until the reserve amounts to 1/10 of the amount of share capital. Mandatory reserve can be used to cover losses and increase share capital. It is prohibited to make distributions to the shareholders from the reserve.

25.20 Segment information (IFRS 8, IFRS 15)

Operating segments are components of the company that engage in business activities from which it may earn revenue and incur expenses; for which separate financial information is available and for which separate budgets are prepared. The company’s management regularly reviews segment information in order to determine the allocation of resources between segments and to assess segment performance.

25.21 Revenue from contracts with customers (IFRS 15)

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured on the basis of the fee established in the contract with the customer. The Group recognises revenue when it fulfils a contractual obligation to deliver goods or services to the client. The Group has transferred the goods or services to the client at the moment the client acquires control of the goods or services. Control can be handed over either at a specific point in time or over time.

Sale of goods

The Group manufactures and sells electrical distribution equipment and control panels and various metal products. Sales are recognized when control over the products has been transferred, i.e. when the products have been delivered to the customers, the customer has full discretion over the distribution and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods have been delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If electrical equipment is manufactured according to customer's specifications and there is no alternative use for the specific asset, whereby the Group cannot use or sell the asset without considerable additional costs, and the Group has the right to receive payment according to the progress of work, revenue is recognized over time of production. Revenue is determined based on the share of actual costs incurred compared to the total expected costs. If the customer has been invoiced less than the revenue recognized during the production period, the contract asset is recognized in the statement of financial position as "Trade and other receivables" (Note 3). If invoices exceed the revenue recognized to date, contract liability is recognized in the statement of financial position as Customer prepayments.

If the Group provides any additional services to the customer after control over the goods has been transferred, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the provision of the service.

Retail and project-based sale of electrical equipment

The Group operates a chain of retail stores selling products produced by the Group as well as other goods needed for electrical installation works. Revenue from the sale of goods is recognized when the Company sells a product to the customer. Payment of the transaction price is due immediately or as a payment schedule when the customer purchases and receives the product from the store. The customer has the right to return a defective product during a period specified by law. Since the number of returned products has remained at the same level for years, it is very likely that there will be no significant cumulative reversal of revenue. At each balance sheet date, the validity of this assumption and the estimated number of returned products are reviewed.

If the Company provides any additional services to the customer after control over the goods has been transferred, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the provision of the service.

Electrical works and other services

Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided by the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Revenue is calculated as the ratio of incurred costs to total expected costs.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known to management. If the contract includes variable consideration, revenue is recognized only to the extent that it is highly probable that there will be no significant reversal of such consideration.

25.22 Lease income

Lease income from investment property is recognized on a straight-line basis over the lease term, when the customer benefits from the service at the time the Group is rendering the service. Any lease concessions are treated as an integral part of lease income (The Group as the lessor).

25.23 Interest and dividend income

Interest income is recognized on a time-proportion basis using the effective interest rate method. When the receivable becomes impaired, the Group reduces its carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established. Distribution of dividends to the parent's shareholders is recognized as a liability in the Group's financial statements in the period when the company's shareholders approve the dividends.

25.24 Earnings per share (IAS 33)

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares during the period, while also taking into account the number of shares that can be issued with a potentially dilutive effect.

25.25 Related parties (IAS 24)

For the purposes of the consolidated financial statements the related parties are:

- AS Harju KEK that owns 30.44% of the shares of AS Harju Elekter;
- members of the Management Board and Supervisory Board of the parent company;
- immediate family members of the aforementioned persons - spouse, minor children or persons sharing a joint household with a member; and
- companies controlled by the members of the Management Board and Supervisory Board of the Parent company.

25.26 Events after the reporting date (IAS 10)

The financial statements for the financial year reflect material circumstances affecting the valuation of assets and liabilities that occurred between the balance sheet date and the reporting date, and that relate to transactions in the reporting period or prior periods. Subsequent events that are not related to the reporting period or prior period transactions are not recognized in the statement of financial position, the contents of which are disclosed in the notes to the financial statements.

26. Accounting estimates and decisions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that can have a material impact on the application of policies and carrying amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily available from other sources.

Estimates and underlying assumptions are continually evaluated. The effect of a change in an accounting estimate is recognized in the period of the change and any future periods affected by the change.

Critical accounting estimates made by management in the preparation of the financial statements:

- Useful lives of investment property and property, plant and equipment (Notes 7, 8, 25)
- Testing the recoverable amount of goodwill (Note 10)
- Fair value of financial investments (Note 6)
- Business mergers and asset acquisitions
- Valuation of contingent liabilities (Note 28)

27. Financial risk management

In its day-to-day operations, the Group faces various risks. Management of these risks is an important and integral part of the company's business. The ability of the company to identify, measure and control different risks is an important input to the Group's overall profitability. Risk is defined by the Group's management as a possible negative deviation from the expected financial result.

The main risk factors are:

- market risk;
- credit risk;
- liquidity risk; and
- capital risk.

The Group's risk management is based on the requirements set by the Nasdaq Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies, the monitoring of generally accepted accounting standards and good practices, and the company's internal regulations and risk policies. Risk management at a general level involves identifying, measuring and controlling of risks. The main role of risk management and approval of risk procedures in the management of the parent company is at the level of each subsidiary and Parent company, both consolidated and individually. The Supervisory Board of the parent company monitors the measures taken to manage the risks of the Management Board.

27.1 Market risk

Market risk is the risk arising from changes in the markets to which the Group is exposed. The main market risks in the Group's business are currency risk, price risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or cash flows of financial instruments will be volatile in the future due to changes in foreign exchange rates. Most of the Group's operations are carried out in the currencies of the economic environment in which the Group operates: euros (EUR) in Estonia, Finland, and Lithuania and Swedish kronor (SEK) in Sweden. The Group's foreign exchange risk arises from the translation of the Swedish subsidiary's functional currency into the Group's functional and presentation currency. Financial assets and liabilities denominated in euros (EUR) are considered to be free of foreign exchange risk.

To mitigate currency risks, the Group concludes as many international agreements as possible and makes most intra-group transactions in euros. The table above shows the Group's foreign currency receivables and liabilities. Based on availability, the funds received from collection of foreign currency receivables will be used to settle liabilities in the same currency. All existing non-current loan and lease agreement are denominated in euros and are therefore treated as liabilities that are not subject to currency risk.

Possible impact on total comprehensive income:

EUR´000	2022	2021
Impact of SEK exchange rate +9.07% (2021: +4.39%)	195	-28
Impact of SEK exchange rate -9.07% (2021: -4.39%)	-160	78

Due to the above, management believes that the Group is not exposed to currency risks to a significant extent and therefore no separate instruments have been used in the Group for hedging currency risks in 2022 and 2021.

EUR´000	31.12.2022			31.12.2021		
	EUR	SEK	NOK	EUR	SEK	NOK
Assets	41	12,698	0	41	12,903	0
Liabilities	-82	-11,420	0	-1,557	-7,706	0
Open currency position	**-41**	**1,278**	**0**	**-1,516**	**5,197**	**0**
Revenue	0	25,733	0	2,069	27,271	0
Expenses	-357	-30,624	-400	-5,758	-19,279	-407
Open currency position	**-357**	**-4,891**	**-400**	**-3,689**	**7,992**	**-407**

Price risk
The Group is exposed to the price risk of equity instruments arising from the change in the fair value of the investments held by the Group. The change in the fair value of the 6.1% holding of OÜ Skeleton Technologies Group, recognised as other long-term financial investments, may have a significant impact on the value of the Group's assets. The values of the investment in the future will depend on the realization of growth forecasts for business volumes, both on the company itself and on the general economic indicators, which can have a significant impact on the pricing of the next funding rounds, which in turn is an important input in assessing the value of the investment. Information about the holding in OÜ Skeleton Technologies Group is given in Note 6. Other non-current financial investments include listed securities and a 5.5% holding in IGL-Tehnologies Oy (Note 6).

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk stems from short-term and long-term borrowings taken on at a floating interest rate. Through variable rate financial liabilities, the Group is exposed to cash flow interest rate risk. The risk of the Group's interest rates is first dependent on possible changes in the Euro Interbank Offered Rate and the €STR (euro short-term rate). Interest rates, which were negative for a long period of time, increased significantly during the reporting year, when, for example, the 3-month Euribor rose to 2.2% at the end of the reporting period. Inflation has been rapid in the euro zone, and to combat this, the Governing Council of the European Central Bank has repeatedly raised interest rates at which commercial banks can deposit money with and borrow from the central bank. The Group's long-term and short-term borrowings as at 31 December 2022 carried floating interest rates based on the 3-month, 6-month and 12-month Euribor (Note 11).

At the balance sheet date, the interest rate structure of the Group's interest-bearing financial instruments were as follows:

EUR '000	Note	31.12.2022	31.12.2021
Fixed rate financial liabilities	11	2,715	2,462
Variable rate financial liabilities	11	42,402	25,876
Total	11	**45,117**	**28,338**

If the interest rate had changed by an average of one percentage point during the year, the profit or loss and equity would have increased (or decreased) by 424 (31.12.2021: +/- 259) thousand euros, assuming that the other variables are constant. The calculation was performed on the same basis also in the previous period.

27.2 Credit risk

Credit risk assessment
Credit risk represents a potential loss that could arise if a Group's counterparty in a transaction is unable to meet its contractual obligations and provide cash flows from the financial instrument. Credit risk is mainly related to cash and cash equivalents, deposits, trade receivables and contractual assets.

Credit risk is managed on a group-by-group basis, accepting only banks and financial institutions with high credit ratings in the Baltic States and Scandinavia as long-term partners. In order to dissipate the liquidity risk, the Group holds free funds in different banks:
In the current accounts of banks belonging to Swedbank AB Group, AS SEB Pank, AS LHV Group, Coop Pank AS, Nordea Bank, and the OP Corporate Bank group.

Cash and cash equivalents by depositing bank according to Moody's Investor Service credit rating:

EUR '000	Note	31.12.2022	31.12.2021
a3		190	32
aa2		67	161
aa3		24	165
ba1		7,980	0
baa1		571	136
baa3		320	80
Total	11	**9,152**	**574**

The scope of the Group's credit risk is most affected by the specific circumstances of each customer.
At the same time, the Group's management also follows the general circumstances such as the legal status of the customer (private or public company), the geographical location of the customer, the field of operation, the state of the economy and future economic forecasts.
The Group's experience shows that the largest credit risk is in the private sector, with public authorities and local governments having the lowest credit risk.

To reduce the credit risk, customers' payment discipline and their ability to meet their commitments are monitored daily. Based on internal and external ratings, individual credit limits are set for customers. There is regular monitoring of the use of credit limits. Retail customers pay with known bank's payment cards. The card payment requirement is secured by the card payment agreement, which guarantees the receipt of card payments within two banking days, thus, there is no significant credit risk associated with retail customers. The Group has laid down conditions for taking debt recovery to court.

The maximum amount exposed to credit risk is the carrying amount of receivables less allowances, and deposits with banks and financial institutions.

EUR '000	Note	31.12.2022	31.12.2021
Cash and cash equivalents	2	9,152	574
Trade receivables, contract assets and other receivables	3	31,612	33,689
Total		**40,764**	**34,263**

As at 31 December 2022, the Group's exposure to credit risk was 40.8 million euros and as 31 December 2021 it was 34.3 million euros. Management considers that the Group has no significant risk of a credit loss exceeding the amount already recognized.

Of the amount of accounts receivable at 31 December 2022, 1.3 (31 December 2021: 0.9) million euros had not been collected by 15 March 2023.

Credit quality of financial assets

The Group uses a simplified approach to measure expected credit losses under IFRS 9, applying lifetime expected credit losses to all trade receivables and contract assets. Historical loss rates are adjusted to include both current and future information about the macroeconomic factors, which may have impact on the ability of customers to pay the receivables. Based on the principles described above the impact of impairment losses on the cash and cash equivalents 31 December 2022 was immaterial.

To measure expected credit losses, trade receivables and contract assets are grouped according to the shares credit risk characteristics and the aging period. The expected credit loss rates are based on the payment discipline over the last 12 month-period until 31 December 2022, historical credit losses occurred in respective periods and considering the economic growth and market interest rate forecasts.

Based on the principles described above the allowances as at 31 December 2022 and 31 December 2021 were as follows:

EUR'000	Note	Not due	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2021							
Expected loss rate		0.17%	0.30%	3.71%	6.68%	75.70%	
Trade receivables	3	19,004	2,849	90	70	483	22,496
Contract assets	3	11,032	0	0	0	0	11,032
Other receivables	3	33	0	0	0	0	33
Total loss allowance		**51**	**8**	**3**	**5**	**366**	**433**
31 December 2022							
Expected loss rate		0.11%	0.75%	1.06%	83.06%	75.85%	
Trade receivables	3	15,266	4,605	564	97	298	20,830
Contract assets	3	10,551	0	0	0	0	10,551
Other receivables	3	272	0	0	0	0	272
Total loss allowance		**29**	**35**	**6**	**81**	**226**	**376**

27.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial liabilities that are settled by the transfer of cash or another financial asset. The Management Board continuously monitors cash flow forecasts, taking into account the availability and sufficiency of the Group's financial resources to meet its commitments and to finance the Group's strategic objectives.

Liquidity risk is hedged with various financial instruments – bank loans, overdrafts, non-current loan and lease agreements and monitoring of receivables. A overdraft account is used in order to manage the Group's cash flows as efficiently as possible, as it allows the subsidiaries, i.e. the members of the cash pool account, to use the Group's funds within the limit established by the Parent company. Overdraft is used to finance working capital. Non-current loan or lease agreements are used for the acquisition of investments or construction. Funds have been invested in securities for the long-term, which have a liquid secondary market and which can be immediately used to improve liquidity if necessary. As at the end of the financial year, the Group's available funds amounted to 9.2 (31.12.2021: 0.6) million euros and total liabilities to 92.0 (31.12.2021: 60.7) million euros. The current ratio and liquidity ratio of the Group were 1.1 and 0.6 in 2022 and 1.3 and 0.8 in 2021, respectively.

Analysis of the Group's financial liabilities by maturity:

EUR '000	Note	<3 months	3-12 months	1-5 years	Total
31 December 2021					
Borrowings		4,321	12,963	11,905	29,189
Trade payables	13	20,196	0	0	20,196
Other liabilities	13	649	0	33	682
Total		**25,166**	**12,963**	**11,938**	**50,067**

EUR '000	Note	<3 months	3-12 months	1-5 years	Total
31 December 2022					
Borrowings		6,301	18,902	21,455	46,658
Trade payables	13	20,047	0	0	20,047
Other liabilities	13	617	31	0	648
Total		**26,965**	**18,933**	**21,455**	**67,353**

27.4 Capital management

The Group's goal in capital management is to protect the Group's sustainability in order to ensure return to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure so as to reduce capital costs.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets for debt reduction.

According to a common practice, the Group uses the debt-to-capital ratio and equity ratio to monitor capital. The debt-to-capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and cash equivalents from total debt (current and non-current interest bearing borrowings recognized in the consolidated statement of financial position). Total capital is the sum of equity and net debt recognized in the consolidated statement of financial position. For calculation of the equity ratio, equity is divided by total assets.

In accordance with the laws of the country where the parent company is located, minimum requirements for equity limits of companies have been established. According to law, the company's equity capital must be at least one half of the share capital, but not less than 25 thousand euros. During the reporting period, the Group has complied with all statutory requirements relating to the amount of equity.

The Group's equity ratio:

EUR '000	Note	31.12.2022	31.12.2021
Interest-bearing borrowings	11	45,117	28,338
Cash and cash equivalents	2, 27.2	-9,152	-574
Net debt		**35,965**	**27,764**
Total equity		79,410	86,846
Total capital		**115,375**	**89,642**
Debt to capital ratio		31.2%	24.2%
Total assets		171,437	147,557
Equity ratio		46.3%	58.9%

27.5 Fair value measurement (IFRS 13, IFRS 7)

The Group divides assets and liabilities according to their fair value estimates at three different levels:

Level 1: Assets and liabilities valued using unadjusted price from the stock exchange or other active regulated market.
Level 2: Assets and liabilities valued using valuation techniques based on directly or indirectly observable inputs. This category includes, for example, financial instruments that are valued using the prices of similar instruments on an active regulated market or financial instruments that are revalued on the basis of the price of a regulated market but with low liquidity on the stock exchange. As at 31 December 2022 and 2021, the Group did not have any financial instruments at level 2.
Level 3: Assets and liabilities that are valued using non-observable inputs.

Cash and cash equivalents (Note 2), trade and other receivables (Note 3), trade payables and other current liabilities (Note 13) are current, therefore management considers their fair value to be close to the carrying amount.

The majority of Group's current and non-current borrowings are based on floating interest rates, which change according to the market interest rate. Management estimates that Group's risk rating has not changed considerably as compared to the inception of the borrowings, and Group's interest rates on borrowings correspond to the market. Fair value is determined using the discounted cash flow analysis, whereby future contractual cash flows are discounted at effective market interest rates, which are available to the Group from using similar financial instruments. Such financial instruments are classified at level 3.

Fair value of the financial instruments traded on active markets (listed securities, Note 6) is based on market prices at the balance sheet date and are therefore classified as level 1. The fair value of the unlisted financial instruments (Note 6) is determined by the management and is classified as level 3.

Additionally, the Group discloses the fair value of the investment properties in the Note 7 which is assessed at each balance sheet date based the fair value method at level 3.

28. Contingent liabilities

Income tax

EUR '000	31.12.2022	31.12.2021
Retained earnings	47,771	55,315
Maximum possible dividend distributable to owners	37,482	44,195
Potential income tax expense on dividend distribution	**10,289**	**11,120**

The maximum possible income tax liability has been calculated under the assumption that the net dividend and the related income tax liability cannot exceed retained earnings as at 31 December 2022.

The contingent income tax liability is calculated based on the maximum tax rate of 20/80. Upon the payment of dividends in 2022, the Group is able to use the reduced 14% tax rate on 89 (2021: 142) thousand euros.

Potential tax risks

The tax authority has neither initiated nor carried out a tax audit or an individual case review in any of the Group companies. The tax authority has the right to check the tax records of the Group companies for up to 5 years from the date of submission of the tax return and to determine the additional amount of tax, interest and fines when identifying errors. Management estimates that there are no circumstances that could lead the tax authority to determine the amount of additional tax for the Group.

29. Events after the reporting date

The Harju Elekter Group's Swedish subsidiary Harju Elekter AB signed an agreement with one of Sweden's leading data centre operators, atNorth which is expanding their data centre in Sweden with the addition of several new server halls. According to the agreement Harju Elekter will deliver and install transformers and switchgear for electrical power distribution for the new server halls of the atNorth data centre during 2023. The total volume of the agreement is about 2.7 million euros.

AS Harju Elekter has decided, by agreement between the parties, to terminate the contract with Harju Elekter AB's Managing Director Mikael Shwartz Jonsson. Mikael Jonsson will continue as Managing Director until 28 February 2023, after which Martin Frank will take over as acting director. Martin Frank has worked as the Head of Marketing and Sales at Harju Elekter AB since 2021.

AS Harju Elekter decided to build a new production building in the Allika Industrial Park. To this end, AS Harju Elekter and Nordecon Betoon OÜ (brand name NOBE) signed a construction contract for a production and office building at Angerja tee, Hüüru. Together with the construction cost of the building, the total real estate investment will amount to 5 million euros, and the works will be completed in December 2023.

The merger decisions of AS Harju Elekter Elektrotehnika (the acquiring company) and AS Harju Elekter Teletehnika (the company being acquired) were adopted on 1 December 2022 and an entry of the merger in the commercial register was made on 13 March 2023. Pursuant to the merger agreement concluded on 30 September 2022, the legal successor of AS Harju Elekter Teletehnika is AS Harju Elekter Elektrotehnika and, with the entry of the merger in the commercial register, all the assets of AS Harju Elekter Teletehnika were wholly transferred to AS Harju Elekter Elektrotehnika. Due to the merger, AS Harju Elekter Teletehnika was deleted from the commercial register 13 March 2023.

Management Board's Confirmation of the Consolidated Annual Report

The Management Board confirms that the management report as set out on pages 6 to 72 gives a true and fair view of the key events that occurred during the reporting period and their impact on the financial statements contains a description of the key risks and uncertainties, and reflects material transactions with related parties.

The Management Board confirms the correctness and completeness of AS Harju Elekter consolidated financial statements for the year 2022 as set out on pages 85 to 132 and that:

- the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Parent and the Group;
- AS Harju Elekter and its subsidiaries are going concern.

Tiit Atso Chairman of the Management Board	/ Signed digitally /	23 March 2023
Aron Kuhi-Thalfeldt Member of the Management Board	/ Signed digitally /	23 March 2023
Priit Treial Member of the Management Board	/ Signed digitally /	23 March 2023

The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed https://nasdaqbaltic.com/statistics/en/instrument/EE3100004250/reports

Independent auditor's report

To the Shareholders of aktsiaselts Harju Elekter

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of aktsiaselts Harju Elekter (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 23 March 2023.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

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Independence

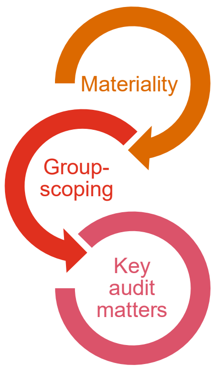
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

During the period from 1 January 2022 to 31 December 2022 we have not provided any non-audit services to the Company and its subsidiaries.

Our audit approach

Overview



- Overall group audit materiality is EUR 1,600 thousand, which represents approximately 1% of Group's consolidated revenue.
- A full scope audit was carried out by the Group audit team or under our supervision by other firms in the PwC network in all major Group companies, which accounted for 90% of the Group's assets and 91% of the Group's revenue. In addition, we performed specific audit procedures in the subsidiary where statutory audit was conducted by non-PwC component auditor.
- Revenue recognition

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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	The overall Group audit materiality is EUR 1,600 thousand.
How we determined it	Overall Group materiality represents approximately 1% of Group's consolidated revenue.
Rationale for the materiality benchmark applied	We have applied this benchmark, as we consider revenue to be a key performance indicator that determines the Group's value and is monitored by the Group's management, investors, analysts and creditors.

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition (for further information, refer to Notes 25 "Basis of preparation and significant accounting policies", 17 "Segment reporting" and 18 "Explanation of items in the profit and loss account"). In 2022, the Group has recognised revenue of EUR 175 million. Revenue consists mainly of sales of electrical equipment and products in the amount of EUR 164 million and revenue from electrical works and other services in the amount of EUR 8 million. While majority of the Group's revenue transactions are non-complex, some judgment and management estimates are needed for a proper accounting in certain areas, especially measuring the progress towards satisfaction of performance obligations of projects where revenue is recognised over time (mainly applicable to production of specific electrotechnical equipment and delivery of electrical works). To measure the progress, the management assesses at each balance sheet date the relation of costs incurred to total estimated costs necessary to complete the contract as well as possible changes in the contract fee. Revenue recognition requires significant time and resource to audit due to its magnitude and is therefore considered to be a key audit matter.	When auditing revenue recognition we performed the following tests: • We obtained understanding of the sales process and evaluated the effectiveness of control environment and procedures. • We assessed if the Group had appropriately applied the guidance in the revenue recognition standard IFRS 15, including for revenue recognised over time. • We obtained confirmation letters from the largest customers for both annual revenue and year-end receivable balance. • We assessed the correctness of revenue bookings, by agreeing selected transactions in the accounting systems to supporting evidence, such as invoices, agreements and subsequent cash receipts. • Regarding revenue recognised over time, we examined the procedures and management estimates to ensure that revenue recognised corresponds to the selected underlying agreements and progress of the project. In addition, we examined whether all conditions to recognise revenue were met. • We obtained the list of manual journal entries impacting revenue and checked the underlying supporting evidence. We examined the correctness and sufficiency of the information disclosed in the financial statements about recognition of revenue.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has a number of subsidiaries, which are disclosed in note 23 to the financial statements. A full scope audit was performed by us or under our instruction by other firms in the PwC network at Group entities covering 90% of the Group's assets and 91% of the Group's revenue. The remaining Group entities were immaterial and, accordingly, we performed selected audit procedures on them that related to certain balances or disclosures.

Where the work was performed component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's financial statements as a whole.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises the Management report, the Corporate Governance Report 2022, the Remuneration Report, Supplementary Annexes and Contents of the Global Reporting Initiave report (GRI) (but does not include the consolidated financial statements and our auditor’s report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

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

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In accordance with the Securities Market Act with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 (3) of the Securities Market Act.

Based on the work undertaken in the course of our audit, in our opinion:
- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135^3 (3) of the Securities Market Act of the Republic of Estonia.

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In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of aktsiaselts Harju Elekter for the year ended 31 December 2022 (the "Presentation of the Consolidated Financial Statements").

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Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Parent Company to comply with the requirements of art. 3 and 4 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 "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Parent Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

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Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

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Appointment and period of our audit engagement

We were first appointed as auditors of aktsiaselts Harju Elekter on 3 May 2018 for the financial year ended 31 December 2018. Our appointment has been renewed by shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for aktsiaselts Harju Elekter of 5 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of aktsiaselts Harju Elekter can be extended for up to the financial year ending 31 December 2038.

AS PricewaterhouseCoopers

/signed digitally/

Eva Jansen-Diener
Certified auditor in charge, auditor’s certificate no. 501

/signed digitally/

Kristiina Veermäe
Auditor’s certificate no. 596

23 March 2023
Tallinn, Estonia

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Profit allocation proposal

Retained earnings attributable to equity holders of AS Harju Elekter:

	EUR
Retained earnings for prior periods as at 31 December 2022	53,314,971
Net loss for 2022	-5,544,403
Total distributable profit as at 31 December 2022	47,770,568

The Management Board proposes to distribute profit as follows:

	EUR
As dividends (0.05 euros per share)	914,475
Balance of retained earnings after profit distribution	46,856,093

Tiit Atso / Signed digitally / 23 March 2023
Chairman of the Management Board

Signatures of the Members of the Supervisory Board to the Annual Report of 2022

The Management Board has prepared the consolidated financial statements and annual accounts of AS Harju Elekter for 2022.

Tiit Atso Chairman of the Management Board	/ Signed digitally /	23 March 2023
Aron Kuhi-Thalfeldt Member of the Management Board	/ Signed digitally /	23 March 2023
Priit Treial Member of the Management Board	/ Signed digitally /	23 March 2023

The Supervisory Board has reviewed the annual report prepared by the Management Board (pp. 6-132), which consists of management report and financial statements, and approved it for submission to the general meeting of shareholders.

Triinu Tombak Chairman of the Supervisory Board	/ Signed digitally /	28 March 2023
Arvi Hamburg Member of Supervisory Board	/ Signed digitally /	28 March 2023
Aare Kirsme Member of Supervisory Board	/ Signed digitally /	28 March 2023
Märt Luuk Member of Supervisory Board	/ Signed digitally /	28 March 2023
Andres Toome Member of Supervisory Board	/ Signed digitally /	28 March 2023
Risto Vahimets Member of Supervisory Board	/ Signed digitally /	28 March 2023

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Supplementary annexes

Formulas to calculate ratios

Formulas used to calculate the ratios set out on pages 49 and 70:

Equity ratio	= Average Equity (attributable to owners of the Parent company) / Average assets * 100
Gross profit margin	= Gross profit / Revenue * 100
Operating margin	= Operating profit / Revenue * 100
Net margin	= Net profit (attributable to owners of the parent company) / Revenue * 100
Return of assets (ROA)	= Net profit (attributable to owners of the parent company) / Average assets * 100
Return of Capital Employed	= EBIT/(total assets-total current liabilities)* 100
Return of equity (ROE)	= Net profit (attributable to owners of the parent company) / Average equity (attributable to owners of the parent company) * 100
Equity per share	= Equity (average, attributable to owners of the parent company) / Number of shares (average of the period)
Earnings per share	= Net profit (attributable to owners of the parent company / Average number of shares
P/E ratio	= Share closing price/Earnings per share
Current ratio	= Average current assets / Average current liabilities
Liquidity ratio	= Average liquid assets (current assets - inventories) / Current liabilities (average)
Company’s market capitalization (million)	= Closing price * Number of shares
Dividend rate %	= Dividend per share / Closing price
Dividend / net profit %	= Dividend per share / Net profit (attributable to owners of the parent company)

Contents of the Global Reporting Initiave report (GRI)

Since 2017, the Group has based its annual report on the standards of internationally highly recognised and widely used the Global Reporting Initiative (GRI) at the "Core" level. The topics proceeding from the GRI requirements have been integrated into the rest of the report as an integrated part of it.

The report covers the environmental, social and responsible governance, responsible management and market behavior issues that are most important from the point of view of the Group's activities and influence and expectations of stakeholders. The table with GRI content presented below includes data on the activities of the Parent company and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Satmatic Oy, Telesilta Oy, Harju Elekter UAB, Harju Elekter AB, unless otherwise noted. Harju Elekter Services AB is included in the report only with the data on the personnel. Data have been collected and presented by each company under common methodology and with the level of detail that the Group companies collect on the basis of materiality.

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Foundation (GRI 101: 2016)				
General disclosures (GRI 102: 2016)				
Organizational profile				
	102-1	Name of organization	p. 1	
	102-2	Activities, trademarks, products and services	p. 7-10, 23, 51-68	
	102-3	Location of head office	p. 2	Keila (Estonia)
	102-4	Location of operations	p. 8	
	102-5	Ownership and legal form	p. 69-71	
	102-6	Markets served	p. 53, 57-67	
	102-7	Scale of the organization	p. 8, 49, 51-56	The nature of activities and products differ by the company and, therefore, they are presented on the basis of revenue instead of the number of units produced.
	102-8	Information on employees	p. 27-33	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Organizational profile				
	102-9	Supply chain	p. 8, 43, 57	"To produce the main products of the Group, i.e. the production of electric distribution and control equipment (1) the products are designed according to the initial task; (2) necessary components are purchased from suppliers or produced by subsidiaries of the Group; (3) products are complemented; (4) tested and (5) dispatched or taken to the customer's site."
	102-10	Significant changes occurred in the reporting period	p. 4-5, 9-10, 43, 51-56, 69-72	
	102-11	Precautionary Principle or approach in environmental issues	p. 11-16, 34-39	
	102-12	External initiatives	p. 11-16, 17-19, 20, 23-25, 36, 74-81	
	102-13	Membership of associations	p. 19	
Strategy				
	102-14	Statement from Chairman of the Management Board	p. 4-5	
Ethics and integrity				
	102-16	Values, principles, standards, and behavioral norms	p. 7, 20, 42	
Governance				
	102-18	Governance structure	p. 20, 74-76	
Stakeholder engagement				
	102-40	List of stakeholders	p. 17	
	102-41	Collective bargaining agreements	p. 33	
	102-42	Identification and selections of stakeholders	p. 17	
	102-43	Approach to stakeholder engagement	p. 12-13, 17-19, 25, 27-33, 69, 74	
	102-44	Key topics and concerns raised	p. 17	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Reporting practice				
	102-45	Entities included in the consolidated financial statements	p. 91, 110	
	102-46	Defining report content and scope of topics	p. 12	
	102-47	List of material topics	p. 13	
	102-48	Restatement of information of previous reports		No restatements
	102-49	Changes in reporting		No changes
	102-50	Reporting period	p. 1, 91	
	102-51	Date of most recent report		Audited Annual Report of Harju Elekter Group for 2021 was published at 30 March 2022
	102-52	Reporting cycle	p. 2	
	102-53	Contact point for questions regarding the report		Merili Pärnpuu, merili.parnpuu@harjuelekter.com
	102-54	Compliance with the GRI standard	p. 147	
	102-55	GRI content index	p. 147-152	
	102-56	External assurance		The GRI report has not been certified by any third parties
SUSTAINABILITY FOCUS TOPICS				
Product quality				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 16, 22-25	
	non-GRI	Customer complaints	p. 24	
	non-GRI	Products delivered to customers on time in accordance with required specifications	p. 23-24	
Customer experience				
"Management approach (GRI 103:2016)"	103-1 to 103-3		p. 16, 22-25	
	non-GRI	Customer satisfaction	p. 25	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Environmental impact of products				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 34-39	
	non-GRI	Renewable energy production	p. 37	
Economic performance (GRI 201:2016)				
Management approach (GRI 103:2016)	103-1 to 103-3			
	201-1	Direct economic value generated and distributed	p. 49, 51-56, 77-81, 87-89	
Anti-corruption activities (GRI 205:2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 42	
	205-3	Confirmed incidents of corruption and actions taken	p. 42	
Energy consumption (GRI 302:2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 37-38	
	302-1	Organisatsiooni sisene energiatarbimine	p. 37-38	
Emissions (GRI 305: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 36	
	305-1	Direct (Scope 1) GHG emissions	p. 36	
	305-2	Energy indirect (scope 2) GHG emissions	p. 36	
Waste (GRI 306:2020)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 36, 39	
	306-3	Waste amount and types	p. 39	
	306-4	Amount of recycled and reused waste and types	p. 39	
Water and Effluents (GRI 303:2018)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 39	
	303-5	Water consumption	p. 39	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Environmental compliance (GRI 307: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 36	
	307-1	Non-compliance with environmental laws and regulations	p. 36	
Supplier environmental assessment (GRI 308: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 43	
	308-2	Negative environmental impacts in the supply chain and corrective measures	p. 43	
Employment (GRI 401: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 28-33	
	401-1	New employee hires and employee turnover	p. 28, 31	
	401-2	Employee benefits and incentives	p. 31-32	Presented by the description of the motivation system of employees. Benefits and incentives are for contract employees.
	non-GRI	Interns	p. 18	
	non-GRI	Employee level of education	p. 30-31	
	non-GRI	Employee satisfaction and feedback	p. 31-32	
Occupational health and safety (GRI 403: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3, 403-1, 403-2		p. 29-30	
	403-9	Injuries at work	p. 30	
Training and education (GRI 404: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 27, 30-31	
	404-1	Average hours of training per year per employee	p. 30-31	Data is provided with a detail that the Group companies have considered important.
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 30-31	Data is provided with a detail that the Group companies have considered important.
	non-GRI	Employee participation in training courses	p. 30-31	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Diversity and equal opportunities (GRI 405: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 33, 42, 80	
	405-1	Diversity of governance bodies and the entire staff	p. 28, 33, 75-80	Data is provided with a detail that the Group companies have considered important.
Non-discrimination (GRI 406: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 33	
	406-1	Incidents of discrimination and corrective actions taken	p. 33, 42	
Local communities (GRI 413: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 17-19	
	413-1	Activities with local community engagement, impact assessments, and development programs	p. 17-19	The Group companies assess their impact and plan activities in local communities on an ongoing basis in their everyday work (incl. introducing innovations and making decisions on the basis of feedback and proposals received from the community), separate impact assessments have not been performed.
Supplier social assessment (GRI 414: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 43	
	414-1	Negative social impacts in the supply chain and actions taken	p. 43	
Public policy (GRI 415: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 11-12, 20, 74	
	415-1	Political contributions	p. 42	
Customer health and safety (GRI 416: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 24	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 24	
Socio-economic compliance (GRI 419: 2016)				
Management approach (GRI 103:2016)	103-1 to 103-3		p. 42	
	419-1	Non-compliance with laws and regulations in the social and economic area	p. 42	

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