Annual Report 2023

HARJU ELEKTER

Electrifying **Tomorrow**

AS HARJU ELEKTER GROUP

Consolidated Annual Report 2023

Registry code: 10029524

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Auditor: AS PricewaterhouseCoopers

Beginning of financial year: 1 January 2023

End of financial year: 31 December 2023

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 (www.nasdaqbaltic.com/statistics/en/instrument/EE3100004250/report)

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A fruitful year of transformations

TIIT ATSO
Chairman of the Management Board

For Harju Elekter, 2023 will go down in history as a year of transformations. We managed to turn last year's major loss into strong profitability, achieving the largest-ever operating profit for the Group, as well as a satisfactory net profit, considering the increased interest costs.

In 2023, we made several principal decisions and transformative changes we can all be proud of.

Initially we were certain that the late 2022 decision to merge our Estonian manufacturing units would take several years to bring results. The actual merger conducted over 2023 by the tight-knit team of our Estonian subsidiary was more successful than expected, receiving the Group's Action of The Year award. The merged unit achieved strong financial results, assuring us that the decisions were correct and were implemented well and according to plan.

We can also be proud of our Lithuanian manufacturing unit. The company's strategic growth plan has been completed despite the crises and confusion of the past 3-4 years. Employing approximately 400 people, the Lithuanian manufacturing unit is the largest unit in the Group. The company invests in the personal development of the region's youth and our employees, including the establishment of Harju Elekter Academy, which provides learning paths starting with basic electronics up to electronic engineering.

Systematic implementation of its development plan has brought the Lithuanian subsidiary the strongest financials in the entire Group.

Finland, being the main market for both our Estonian and Finnish manufacturing units, also had a year full of changes. In 2023 we exited minor business directions, focusing on our core activities and strengthening thereof. Although our Finnish manufacturing unit has always operated with consistent and satisfactory profitability, stronger steps need to be taken in the coming years to further improve profitability. To this end, a strong management team has been formed and efficiency programs have been initiated. The future holds several price negotiations and evaluation of investment opportunities to identify potential new business directions.

Our Swedish manufacturing unit is the one with least satisfactory results. The Swedish business direction is still a net sink for the Group, even after years of contributing time and money to building its business. Proportionally, the Group's management team spent the most time on organising our Swedish business and supporting local management in 2023. While our expectations of the Swedish unit turning a profit did not come true last year, we will continue to work towards profitability this year. Currently, all manufacturing in Sweden is consolidated in the modern factory in Västerås, which is manned by an ambitious team and fully engaged with customer orders.

I consider the Group's greatest achievement to be the consolidation of its centralised management structure, which started in late 2022 and was completed last year.

This new model has helped us improve management quality, clarified the parent company's role and improved support for subsidiaries, in order to share best practices and provide professional and skilled guidance and become even more efficient in our everyday work.

Our growing number of employees, increasingly tight deadlines and heightened expectations for results all act as work stressors and increase the risk of errors – accordingly, we have made it our goal for 2024 to focus centrally on workplace health and safety, to prevent and minimise hazards.

This spring we will start setting strategic goals for the next growth season of the Group, driven by our desire to improve the Group's profit margin and meet the shareholders' expectations for dividend growth. The management teams of the Group and its functions and subsidiaries are committed to meeting the growing expectations of all stakeholders. Sustainable growth will be the central strategic thesis for the Group in the coming years.

Tiit Atso
Chairman of the Management Board

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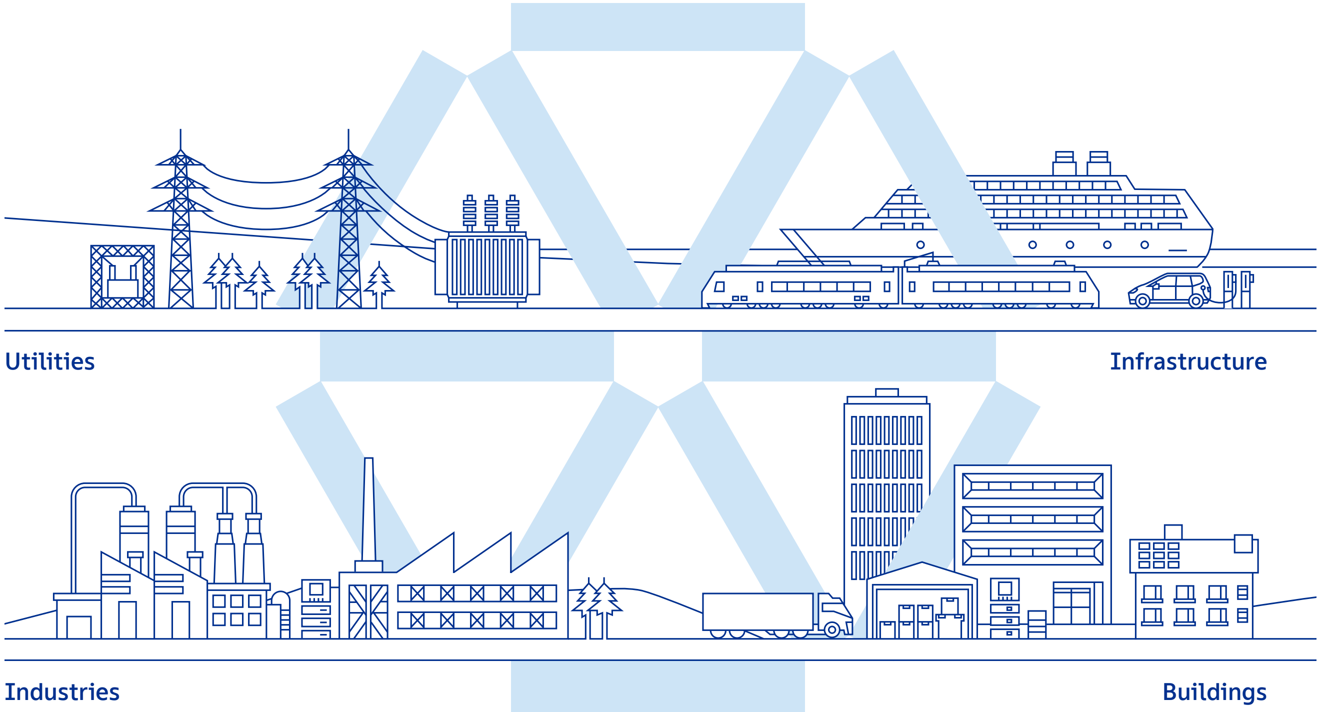
Electrifying **Tomorrow**

Harju Elekter in brief

HARJU ELEKTER
Electrifying **Tomorrow**



Share of revenue by markets

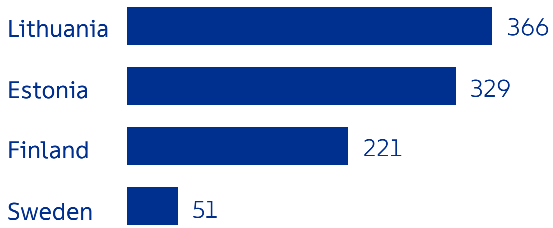
Turnover 2023

209 M€

Employees in total

967

Employees by country



Who we are

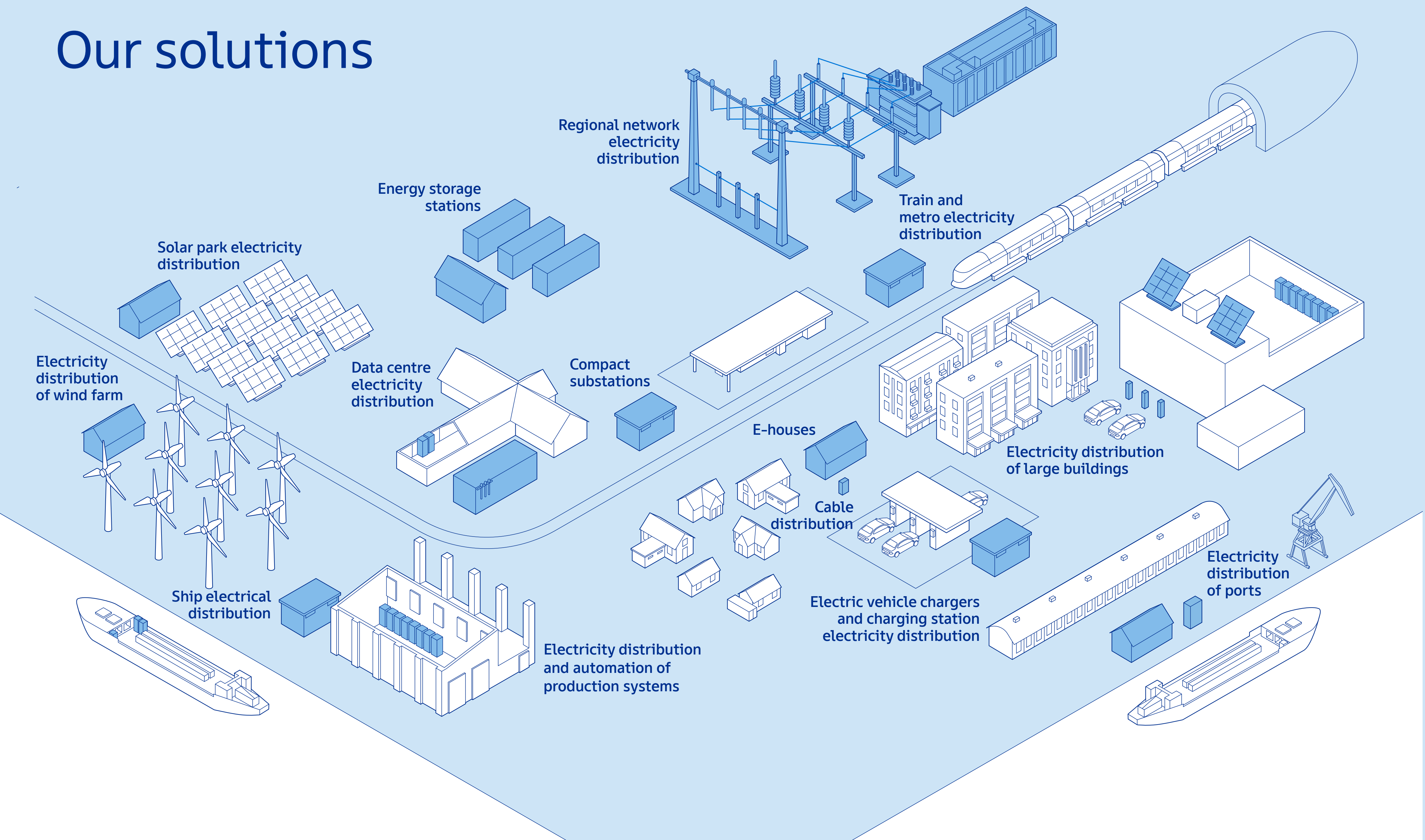
Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. Harju Elekter Group has its roots and head office in Estonia, and production units in four countries: Estonia, Finland, Sweden and Lithuania.

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.


HARJU ELEKTER
DEVELOPMENT
We are keen to learn and be innovative
RELIABILITY
No bargaining over quality
Our values
COOPERATION
We work as one team

Our solutions



Harju Elekter Group

As of 31 December 2023

AS HARJU ELEKTER GROUP

ESTONIA
AS Harju Elekter
Energo Veritas OÜ

FINLAND
Harju Elekter Oy
Telesilta Oy
Harju Elekter Kiinteistöt Oy

SWEDEN
Harju Elekter AB
Harju Elekter Services AB
LC Development Fastigheter 17 AB

LITHUANIA
Harju Elekter UAB

AS Harju Elekter Group's share in its subsidiaries is 100%

ESTONIA

AS HARJU ELEKTER GROUP
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
(*former business name AS Harju Elekter Elektrotehnika*)
Manufacturer of electrical equipment for energy distribution, industrial and construction sectors, located in Keila

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

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 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

LITHUANIA

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

Strategical Investments

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (5.45%)
Developer and manufacturer of ultra-capacitors

FINLAND

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

In 2023, two subsidiaries of Harju Elekter Group (former business name AS Harju Elekter) were merged: AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika. Following the merger, the combined subsidiary's business name was changed from AS Harju Elekter Elektrotehnika to AS Harju Elekter.

The detailed information about the activities of companies in 2023 can be found in the "Business Segments" chapter on page 60.
A more detailed overview of the Group's structural changes can be found on page 114.

Main events

Cusotmer agreements

Harju Elekter AB signed an agreement with the leading Swedish data center operator atNorth, under which Harju Elekter supplied and installed transformers and low-voltage distribution devices for the customer's new server rooms in the data center.

Telesilta Oy signed a contract with Uudenkaupungin Työvene Oy to provide electrification and commissioning works for two patrol vessels to the Finnish Border Guard. The first vessel will be completed in 2025 and the second in 2026.

AS Harju Elekter won in August the tender of Eesti Energia AS for the supply of prefabricated substations, distribution points, and equipment. Framework agreements with a total value of 115 million euros will be concluded with Elektrilevi OÜ for 36 months, with the option to extend by 24 months.

Real estate

AS Harju Elekter Group and Prysmian Group Baltics AS signed a lease agreement until 2030. With the extended lease agreement, Prysmian Group Baltics is renting over 20,000 m² of production, storage, and office space, as well as an external storage area of approximately 40,000 m² in Keila Industrial Park. The contract also agreed on a large-scale renovation and reconstruction of the premises.

AS Harju Elekter Group planned a new 6,000 m² production building in Allika Industrial Park, which was completed for Reimax Electronics in December.

Recognition and anniversaries

AS Harju Elekter ranked in the TOP 10 in the sustainable company category at the 'Entrepreneurship Award 2023' competition.
The competition assesses the company's contribution to the sustainable development of society, the application of ESG principles, and outstanding activities to achieve energy efficiency.

At the end of September, Harju Elekter celebrated its 55th year of operation. The festive anniversary was celebrated in all units of Harju Elekter.

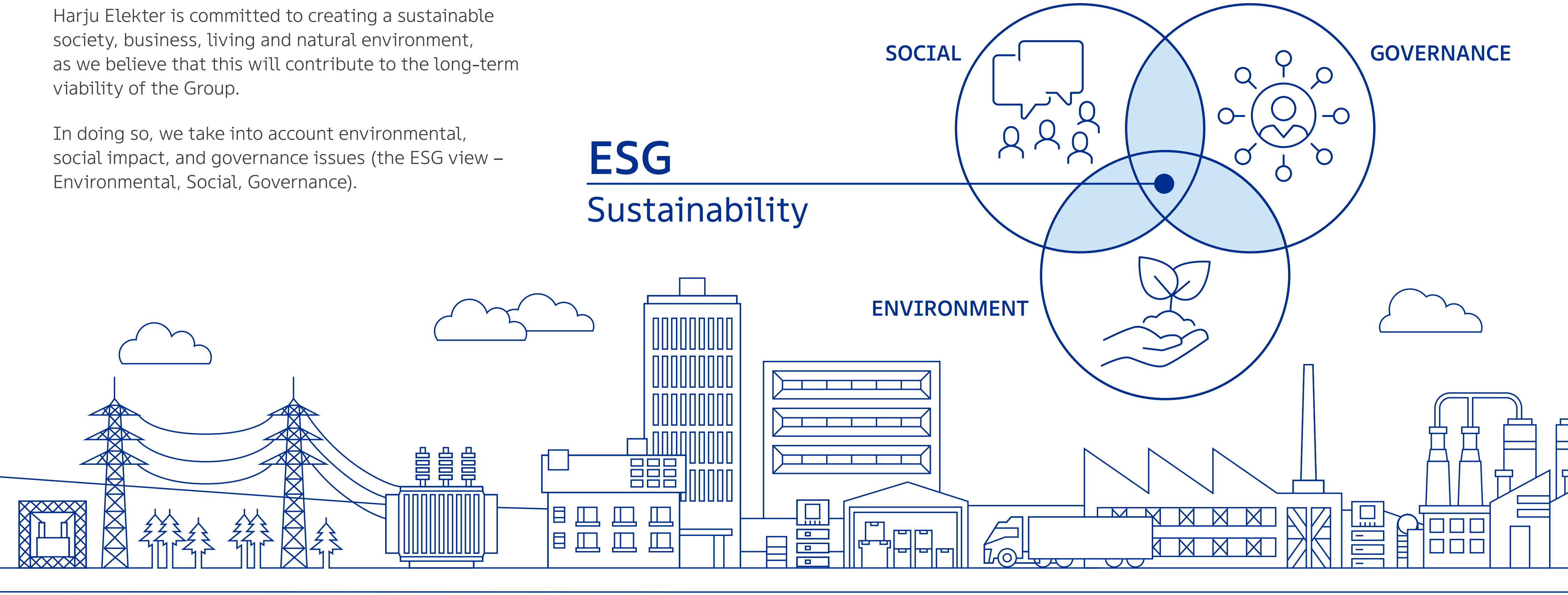
55 years of sustainable electrical distribution equipment

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. On the one hand, grid-connected electrical solutions make it possible to replace environmentally unfriendly ways of generating energy, while on the other hand there is a need to replace outdated electrical distribution equipment with new, more environmentally friendly ones. Although Harju Elekter cannot guarantee that only green energy is transmitted in the equipment produced, thanks to global efforts and demand, the trend is moving towards the electricity network ensuring the availability of increasingly environmentally friendly electricity.

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 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

We have 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 an internal stakeholder view, we asked the management teams of Harju Elekter's production companies, the expanded management team of AS Harju Elekter Group, 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").

Materiality topics 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 2023 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:

- CUSTOMER FOCUS
- EMPLOYEE HEALTH AND SAFETY
- RESPONSIBLE GOVERNANCE
- EMPLOYEE WELLBEING
- CYBER SECURITY AND DATA PROTECTION
- ENVIRONMENTAL MANAGEMENT
- SUSTAINABLE SUPPLY CHAIN
- GREENHOUSE GAS FOOTPRINT
- 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 four 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.

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

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 2022, the management of Harju Elekter approved a sustainability strategy for the entire Group. The focus during the period 2022–2026 will be on four focus areas, which were selected based on a materiality analysis and the goals of sustainable development. The areas, on which Harju Elekter's sustainability strategy is based, are customer focus, employees, environment and responsible governance. We believe that these are the topics which Harju Elekter can contribute to the most while also having the greatest impact on the company.

We have set key indicators and short- and long term goals for the focus areas, more detailed descriptions of which are set out in dedicated chapters. We periodically review the strategy to make sure it is current, and update it as needed. We plan to supplement subtopics without goals in 2024.

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

OUR KEY FOCUSES
- Quality
- Customer satisfaction

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

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

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

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 have been 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 and the principles of an internal management system for the work environment and safety • Regular occupational risk assessments • Employee 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 • Introducing the Code of Conduct to suppliers • 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.

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.

Rohetiiger

Green Tiger member since 2022.

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 79 students have participated in the scholarship programme. In 2023, one scholarship was awarded to a bachelor's student in electrical engineering and mechatronics, and one to a master's student in product development and production engineering.

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 Industrial Education Center, 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.

At the end of 2023, Harju Elekter Lithuania received a letter of appreciation from the Panevėžys Chamber of Commerce, Industry and Crafts for its innovative and sustainable activities and contribution to the development of the city. Harju Elekter has made a commitment to the promotion of engineering education in Lithuania. We cooperate extensively with various educational institutions because we believe that introducing young people to the engineering profession through practical projects is the basis for their further interest in developing professionally in this field.

Opening of Solid Edge classroom

Sector development

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 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 National Defence Development Foundation (Riigikaitse Edendamise SA) to assist and support Ukrainian fighters with battery stations. They are used in Ukraine to charge devices, power Starlink terminals, and enable the use of medical equipment.

Governance

In 2023, we published the updated Harju Elekter Code of Conduct. We also prepared common guiding principles for quality, environment, and health and safety at the Group level, which were introduced internally within the companies 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 the ISO 9001:2015 standard. All manufacturing companies hold the ISO 14001:2015 certificate. The processes of AS Harju Elekter, Harju Elekter UAB and Telesilta Oy have been certified in accordance with the occupational health and safety standard 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

The position of Sustainability Manager, a Sustainability Steering Committee and four Sustainability Teams were established within Harju Elekter to manage cross-group sustainability issues. The established teams correspond to the focus areas of the strategy, which are customer focus, employees, the 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 2023 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.

Activities for 2023 to promote the Group's cybersecurity:

- Raising awareness among employees regarding the threats posed by the cyber world and how to deal with those threats is an important step in ensuring a more secure cyber environment. As a result, similar to the previous few years, companies within the Group underwent cyber hygiene training so that employees have an overview and knowledge of how to operate safely in the cyber world.
- Significant investments continued to be made to ensure a more secure IT infrastructure, including the introduction of new technological solutions.
- The backup solutions in use were improved to better ensure data retention.

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 risk, we have created a motivation package with a transparent remuneration system for employees in the group, as well as modern working conditions.

From the perspective of occupational safety, we follow the guiding principles of occupational health and safety. In order to mitigate the risks of business ethics we updated the Harju Elekter Code of Conduct in 2023 and organised Code of Conduct training among Group employees. In 2024, we will also introduce these principles to our key suppliers.

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 life-time 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 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 has been established, focusing on the transition to a lean concept in different production units.

KEY FOCUS	Key performance indicator	Target	Results as of 2023	Future initiatives
QUALITY	OTD (first confirmed date)	> 90%	67%	Setting common OTD monitoring principles (2024)
	COPQ (Cost of Poor Quality)	<0.1%	0.11% (registered reclamation costs)	Setting common COPQ monitoring and reporting principles (2024)
CUSTOMER SATISFACTION	NPS (Net Promoter Score)	> 80	60	Set up reqular NPS monitoring (quaterly) covering all Group entities (2024)

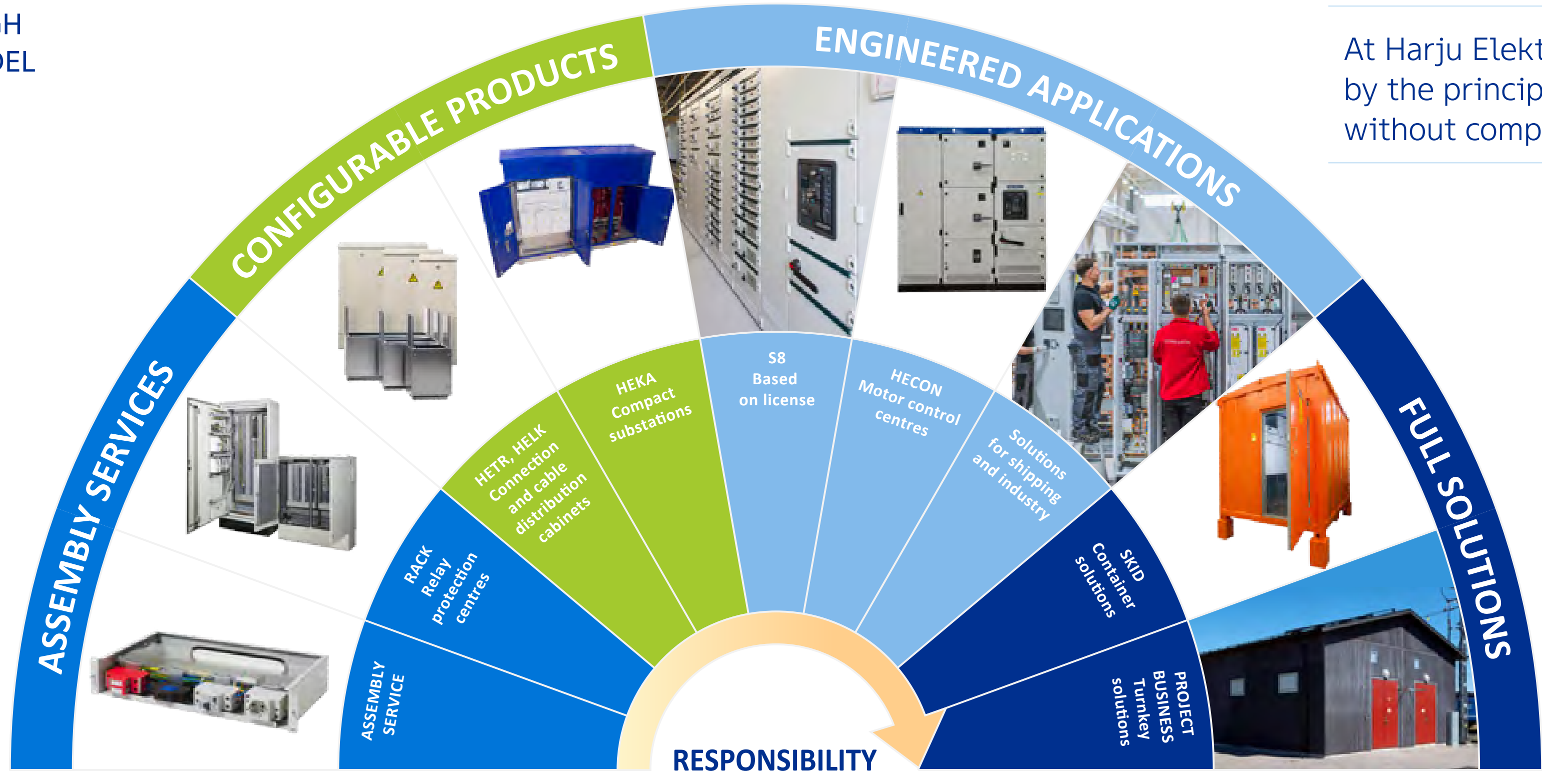
Quality and product safety

Supply chain security is an important quality indicator for Harju Elekter, which has been our biggest challenge in recent years. Failures in supply chains have decreased, but delivery times remain at crisis levels. Although delivery times are longer than initially agreed upon, we consider it important to provide customers with a constant overview of actual deadlines. This will help them to better plan their work and activities and cope in common complex supply chains. To maintain security of supply, we have increased our stockpile of materials, which has helped in part to mitigate the effects of extended material delivery times.

In the reporting year, the timely delivery of compliant products by all Group companies was in the range of 56–100%. The average across the group was 67% (2022: 69%). The result for 2023 was impacted significantly by the continued overloading of the Lithuanian manufacturing unit and the ongoing difficulties being experienced by the Finnish production units in the supply chain. Our goal is to provide customers with a sense of security and security of supply that guarantees satisfaction. Therefore, we make efforts to increase this indicator.

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. We offer our customers safe, reliable and sustainable equipment designed according to current standards and good practice.

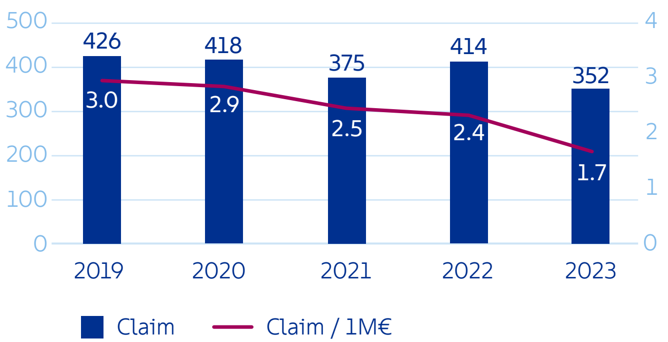
PRODUCTS THROUGH THE BUSINESS MODEL



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 – factory acceptance test). 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.

Customer complaints



In the reporting year, the number of errors was lower compared to the previous year, 1.7 (2022: 2.4) incidents per 1 million euros turnover. The number of cases reaching the customer has been reduced by smoother production compared to the previous period and the continued commitment to the final inspection of products.

In order to design a single COPQ performance indicator and to organise data availability, we have focused on making the necessary changes: replacement of the ERP system in Estonia, and the consolidation of sales statistics. Today, we can estimate that the cost of handling complaints has remained stable, remaining below 0.2% of turnover. During the reporting period, it was an estimated 0.11% (2022: 0.12%) of turnover.

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.

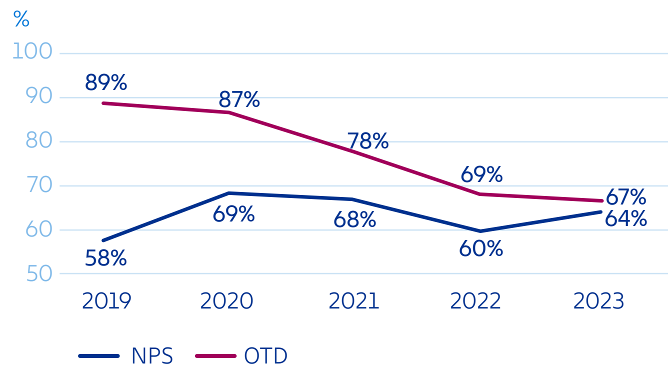
Customer satisfaction

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.

Compared to the previous period, customer satisfaction has remained stable. The scope of the regularly performed survey has reached all customers in 2023, except Sweden, which will join the survey in 2024. Customer satisfaction is affected most by appropriate and prompt customer service and deliveries made at the agreed time, which gives them the opportunity to schedule their work appropriately.

Average customer satisfaction with the Group, along with new subscribers, was 60 points out of 100. It needs to be taken into account that the survey has only covered the customer base of Finnish and Estonian companies until 2022. The goal is to achieve average customer satisfaction of at least 80 points.

On-time delivery (OTD) and customer satisfaction (NPS)



* The customer satisfaction (NPS) trend covers only the customer base of Estonian and Finnish manufacturing companies

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.

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Photographer: Kaia-Kristiina Kirikal

Based on the HR strategy of Harju Elekter, the main guarantee of the efficient and effective operation of the company is the knowledge, skills, experience and motivation of its employees. The development of our employees is moving towards professionalism, flexibility, independence and customer orientation.

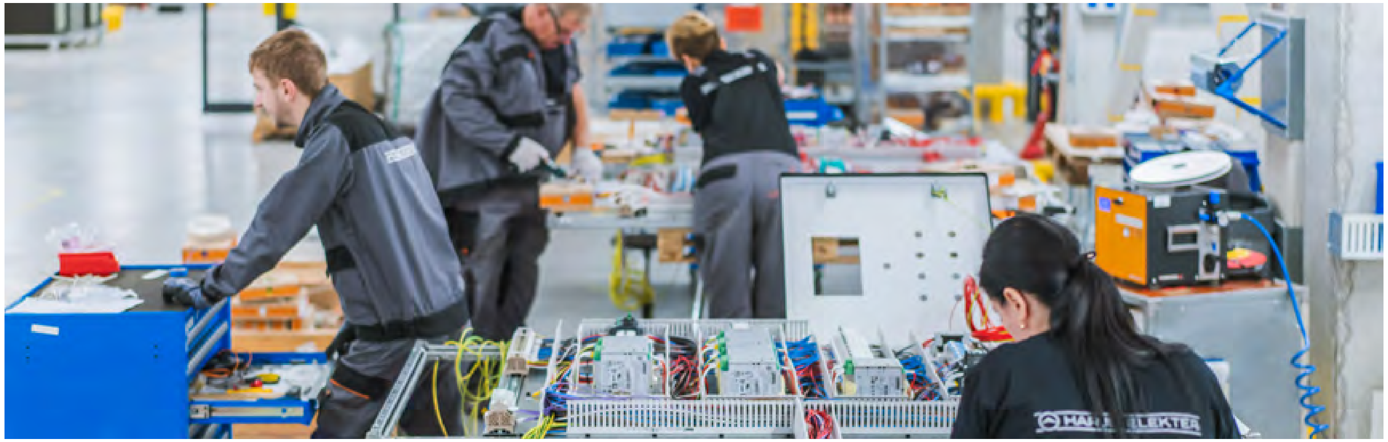
According to the sustainability strategy approved in 2022, one of the focus areas is employees, with the health and safety of employees being a priority. In addition, the professional development of employees, a cultural organisation of learning, and the involvement and equal treatment of employees are supported in every way.

KEY FOCUS	Key performance indicator	Target	Results as of 2023	Future initiatives
HEALTH AND SAFETY IN THE WORKPLACE	LTIFR (Lost Time Injury Frequency Rate)	< 3	14.8	• Developing of a group-wide database and analysis tool (2024-2025). The aim is to consolidate OHS tools, guides, reporting environment.
EMPLOYEE DEVELOPMENT	% of employees received trainings	100%	72% of employees received trainings in 2023	• Implementing e-training and leadership development programs over the Group (2026) • Group-wide harmonization of management principles, value-based behavior and management (2024) • Creation of a group-wide system of cooperative discussions (2024)
EMPLOYEE SATISFACTION	Response rate for general job satisfaction survey	> 80%	The result of 2023 was 67%	
	Employee engagement index	> 65	The results of 2023 was 59	
	Voluntary turnover	< 15%	20%	
DIVERSITY AND FAIR TREATMENT	Employee by age group	under 30 years 24%, 30–49 years 52%, 50 years and over 24%	Under 30 years 23%, 30–49 years 54%, 50 years and over 23%	• Creating a transparent system for pay gap analysis (2024)
	Pay gap	To be confirmed	Data not available	

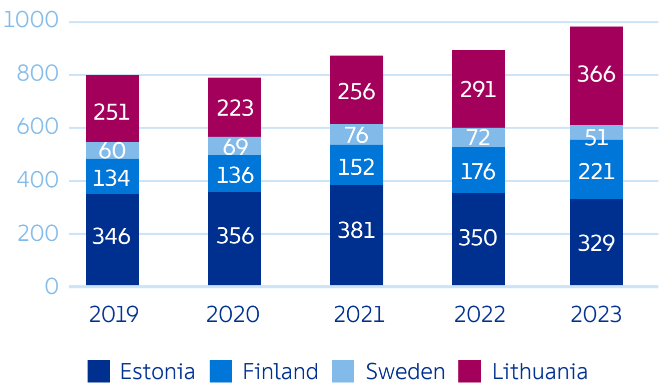
Employee statistics

As at the end of the reporting period, a total of 967 people were working at Harju Elekter, which is 78 employees more than a year ago. The biggest increase in the number of employees was in Lithuania, due to the increase in the volume of orders. A total of 97% of all Harju Elekter employees work full-time, and 95% have an employment contract of indefinite duration.

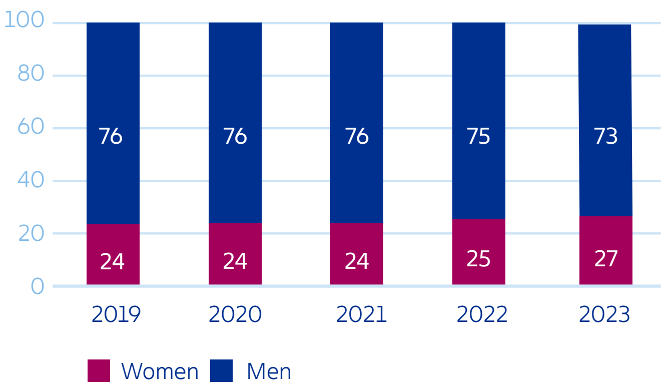
The gender distribution of the Group's workforce has remained relatively stable over the past five-years. The lower proportion of women, which was 27% (2022: 25%) in the reporting year is related to the specific nature of the core business of the Group. Out of the top fifteen managers (Supervisory Board, Management Board and Managing Directors) two are women.



Number of employees



Employees by gender
%



Employees	2022		2023	
	Total	% of all employees	Total	% of all employees
Total number of employees	**889**		**967**	
incl. Management Board and Managing Directors	10	1%	9	1%
incl. administrative and engineering staff	305	34%	326	34%
incl. workers	574	65%	632	65%
incl. Supervisory Board, Management Board and Managing Directors	**16**		**15**	
incl. men	15	94%	13	87%
incl. women	1	6%	2	13%
incl. 30-49 year-old	10	62%	10	67%
incl. 50 year-old and older	6	38%	5	33%
New employees	**253**		**307**	
incl. men	187	74%	206	67%
incl. women	66	26%	101	33%
incl. under the age of 30	103	40%	137	45%
incl. 30-49 year-old	127	50%	143	46%
incl. 50 year-old and older	23	10%	27	9%
Employees left	**224**		**195**	
incl. men	189	84%	132	68%
incl. women	35	16%	63	32%
incl. under the age of 30	99	44%	80	41%
incl. 30-49 year-old	94	42%	100	51%
incl. 50 year-old and older	31	14%	15	8%

Working environment, occupational safety and health

At Harju Elekter, we adhere to the guiding principles and processes for the internal working environment and safety, as well as comply with applicable legislation and other relevant requirements. All companies in the Group have elevated occupational health and safety management to a strategic level.

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 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.

In order to eliminate hazards, we have made changes to production processes and rearranged our factories. Separate movement areas have been set up for workers, guests and vehicles, visible safety instructions have been installed, and personal protective equipment provided. Safety-related instruction and observations obtained from inspection tours help prevent accidents at work.

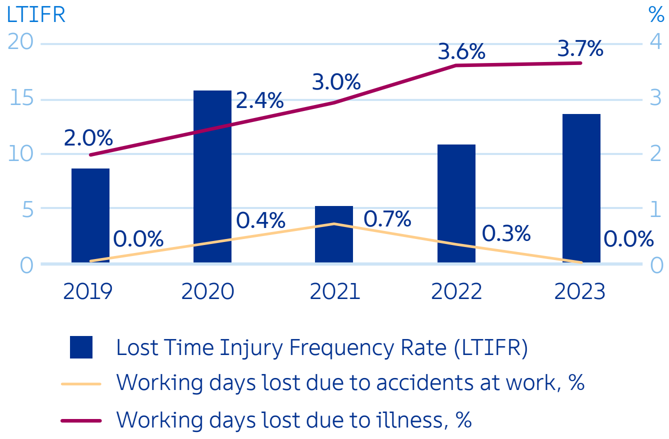
Working with the occupational health co-operation partner, we conduct medical examinations of employees in accordance with the procedure provided by law and after a period determined by the occupational health doctor. The service provider maps the risks related to mental health and prepares health audit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

In use within Harju Elekter is a performance indicator measuring the frequency of incapacitating injuries per million working hours (LTIFR – Lost Time Injury Frequency Rate). 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 LTIFR indicator for the year 2023 was 14.8 (2022: 10.8).

None of the accidents at work resulted in death and no cases of occupational disease were recorded. In Group companies, the proportion of lost working days due to work accidents was on average < 0.01% (2022: 0.3%) and the proportion of lost working days due to illness averaged 3.7% (2022: 3.6%).

In 2024, in order to further promote the culture of work safety and to achieve set objectives, we are planning to contribute Group-wide to development activities in the field of the work environment and safety.

Work accidents and lost working days



Employee development and succession

The aim of the Group's HR development activities is to support the comprehensive development of employees, strengthen teams, and share experiences. 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.

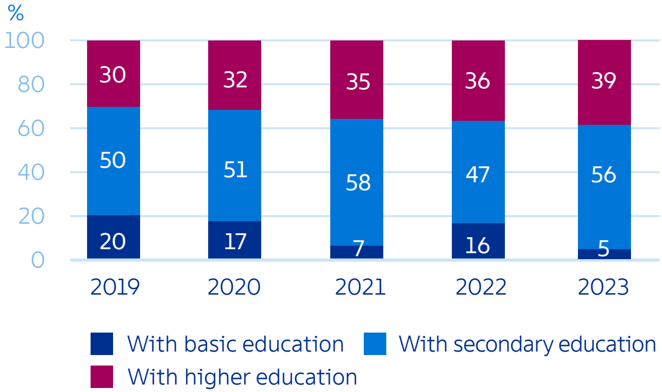
> We believe that involving employees in the decision-making process is crucial, as it helps them to understand the decisions taken within the company and know how to support the company in its development

In order to gather together the expectations and feedback of employees, Harju Elekter holds annual development interviews, during which training needs are identified and valuable feedback about the company and management is obtained. In 2023, 57% (2022: 84%) of development interviews took place among administrative and engineering personnel and 45% (2022: 57%) among production workers. Next year, the culture of conducting development interviews will be improved and harmonized within companies.

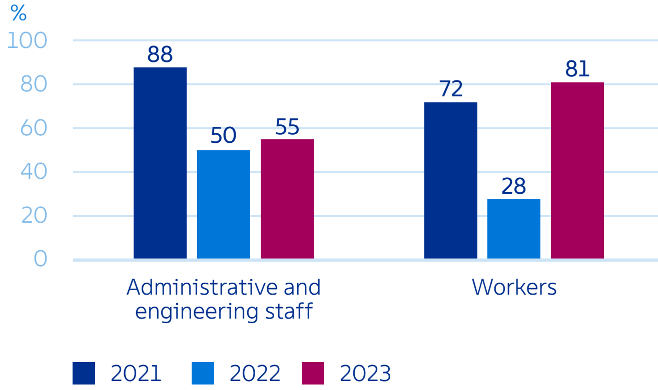
In the reporting year, value-based management trainings for all management levels within the Group were started, to support the implementation of the company's values in everyday life. A lot of added value comes from the sharing of best experiences between companies. In 2024, the development of Group-wide management principles will begin, to support the improvement of management quality and harmonise the principles governing the management of people. All Group companies will continue to develop adaption training and programmes for new employees, adding more Group-wide and responsible business principles.

The proportion of workers having taken part in training increased during the reporting year, in particular from the perspective of production workers.

Education of the employees



Proportion of employees who participated in trainings



In Estonia, a special professional training programme for new employees was introduced in 2023. In addition, a comprehensive lean management training programme was conducted, to apply new theoretical knowledge and practical methods of lean philosophy to production. In addition to the ongoing training of engineers, various communication, time management, and leadership programmes were organised at the training academy in Lithuania.

In 2023, we improved the system for measuring training hours within Group companies, to get a better overview of the proportion of in-house and external trainings. A total of 17% of the training volume has taken place in the form of internal trainings with the support of the company's own specialists. We have set the goal of increasing the proportion of internal trainings, so that all employees have the opportunity to develop their knowledge and skills. In 2023, administrative and engineering staff averaged 12 hours of training per employee, and production staff averaged 7.5 hours per employee.

To ensure the companies of Harju Elekter a succession of people who are ambitious and eager to develop:

- we organise tours and work shadowing days for young people,
- we participate in student events,
- we provide practical work experience,
- we assist students in writing coursework and final papers, offering the opportunity to use Group companies as research objects.

In 2023, there were a total of 58 (2022: 21) pupils and students in internships at Harju Elekter Group companies. The majority of apprentices, 38 pupils, were at the Finnish company.

Employee satisfaction and motivation

Employee feedback plays an important role in Harju Elekter's organisational culture. In 2023, the Employee Survey was carried out for the first time Group-wide. In total, the participation rate within the Group was 67% for employees, and the employee satisfaction index was 59 points out of 100. In the future, we will continue to conduct a similar survey on an annual basis, to identify trends in the survey results.

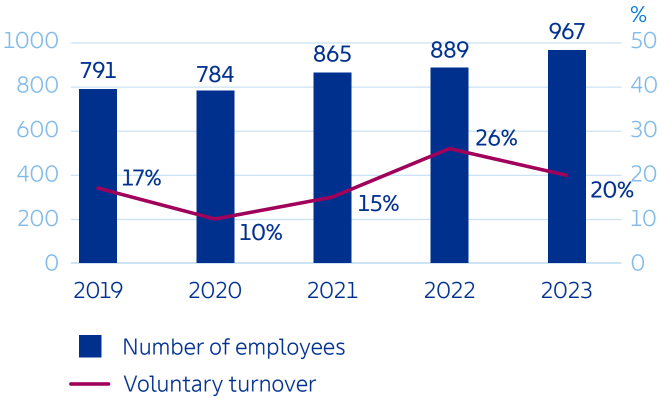
Results of the satisfaction survey by country as of 2023

	Estonia	Finland	Sweden	Lithuania
Satisfactions	63	56	55	57
Response rate	81%	79%	76%	44%

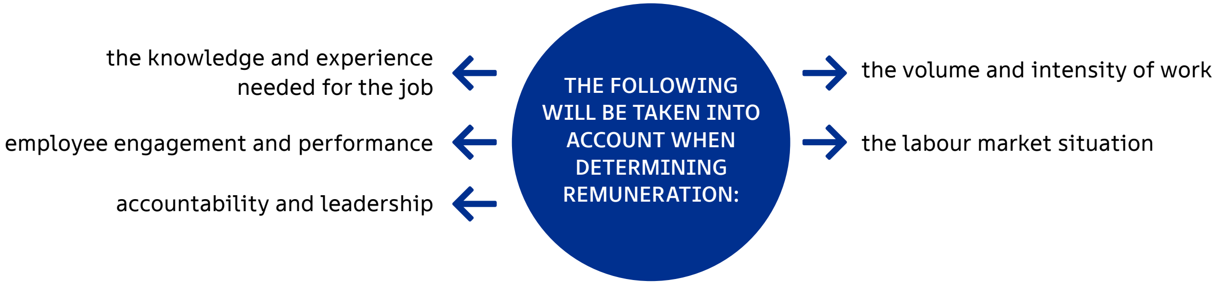
In 2023, the labour turnover rate in Harju Elekter companies was reduced to 20% (2022: 26%). Employee turnover was affected most by the Lithuanian company, which has a large number of new employees who left, in part, due to the expectation of too complex technical skills and insufficient support for settling in. The labour turnover of the Swedish company was affected by the change in the location of the production units. It will

be important to further analyse the causes of voluntary turnover, with the goal being to reduce the figure.

Employee turnover



As an employer, we consider it very important that the work and private life of our employees is balanced. 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. 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 broader aim of the remuneration policy is to recruit staff with the skills, competences, and experience necessary to implement 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. A new remuneration system was introduced at a manufacturing plant in Estonia, which takes the skills of the employees further into account. Most employees have the opportunity to earn performance pay, which is calculated using clear and transparent principles.

For longer serving employees, we offer additional benefits in the form of additional leave; for the duration of national defence training, we partially maintain the remuneration of employees.

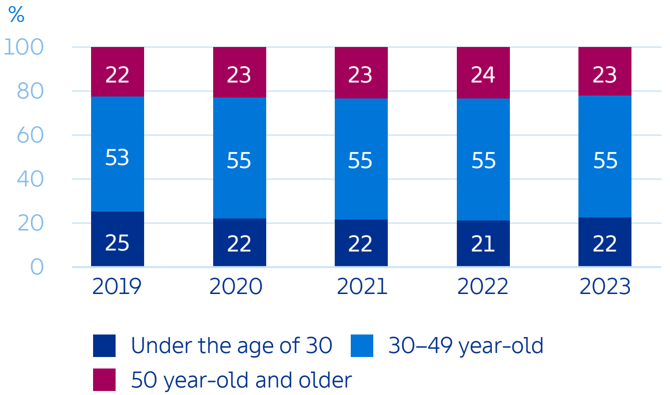
A variety of possibilities and channels are used to best reach, involve, and listen to employees, as well as establish an open organisational culture.

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 Estonian Intranet, through which all employees in Estonian unit are able to recognise their colleagues. In addition, at the end of each year, the Colleagues of the Year – those people who have best represented Harju Elekter's values, are selected and recognised.

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 39 years. We are committed to keeping staff in different age groups, so that there is a succession of young people and the sharing of the older generation's experiences, therefor ensuring the sustainability of the company. The sustainable development of the company is ensured by a diverse staff with a broad range of experience. The majority of our employees, 67%, 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 cooperation between professionals with long-term experience in their field and top young performers.

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). 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.

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.

KEY FOCUS	Key performance indicator	Target	Results as of 2023	Future initiatives
GREENHOUSE GAS (GHG) FOOTPRINT	GHG emissions scope 1 & 2	Reduce 50% by 2026 (base year 2021)	• Scope 1, 2 and 3 emissions were Calculated • Targets are set for scope 1 and 2 reduction • 2023: 3,189.4 tCO_2e (2022: 3,350.6 tCO_2e)	• Continued activities to increase energy efficiency and renewable energy consumption (2023-2026) • Continuation of scope 3 measurement in group companies and reduction of emissions (2023-2024)
	GHG emissions scope 3	To be confirmed	• 2023: 20,274 tCO_2e	
RENEWABLE ENERGY	Investments to increase the amount of produced renewable energy	–	The production capacity of solar panels increased by 408.4 kW. Total production capacity for 2023: 2,811.3 kW.	• Switching to renewable electricity in Estonian factories (2023-2024)
	Ratio of consumed renewable electricity from total electricity consumption	100% by 2026	25% (2022: 29%)	
RESOURCE EFFICIENCY	District heating consumption (kWh/m^2)	Reduce 15% by 2026 (base year 2022)	57.1 kWh/m^2 (2022: 58.2 kWh/m^2)	• Activities to increase energy efficiency and reducing municipal water consumption (2023-2026)
	Electricity consumption (kWh/revenue*1,000)	Reduce 17% by 2026 (base year 2022)	24.9 (2022: 32.3) kWh/revenue*1000	
	Domestic water consumption (m^3/number of employees)	Reduce 20% by 2026 (base year 2022)	6.8 (2022: 9.1) m^3/number of employees	
CIRCULARITY	To be confirmed	To be confirmed	• Creation of a green roadmap in the Estonian factory	• Development activities resulting from the green road map (2024-2026)

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

- compliance with environmental laws, regulations and other interested parties' requirements;
- periodic environmental analysis and environmental impact assessment;
- 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 2023 or in previous years.

Greenhouse gas footprint

In Harju Elekter, we have set targets for measuring our carbon footprint and reducing greenhouse gas (GHG) emissions.

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 Group, AS Harju Elekter, 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.

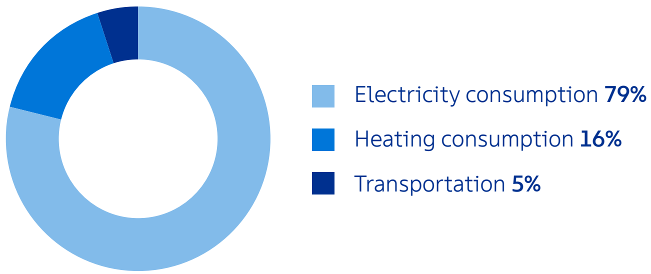
In 2023, Harju Elekter's GHG footprint (scope 1 and 2) was 3,189.4 tCO_2e (2022: 3,350.6 tCO_2e). The largest share of the emissions was accounted for by electricity and heat purchased and consumed.

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.

tCO_2e	2022	2023
Scope 1	**244.7**	**200.0**
Petrol	30.0	30.4
Diesel	99.9	101.2
Liquid gas (LPG)	10.2	11.5
Natural gas	83.7	54.3
Refrigerants (leakage)	20.9	2.6
Scope 2	**3,106.0**	**2,988.9**
Purchased electricity*	2,429.0	2,529.0
Purchased heating*	677.0	459.9
tCO_2/revenue*1000000	**19.1**	**15.3**

* Due to the values reported by the service providers, the results of heat and electricity are for tCO_2.

GHG emissions (scope 1 and 2)



In 2023, we began conducting a scope 3 analysis at AS Harju Elekter. These are indirect emissions, occurring as a result of upstream and downstream activities in the company's value chain.

In the analysis of scope 3, carried out in 2023 (for 2022), the metal factory and the electrical equipment factory of the Estonian manufacturing unit were included. First, for the scope 3 category, a primary qualitative screening was performed to assess the inclusion of both upstream and downstream impact categories in the calculation. Depending on the importance of the impact category or the availability of data, it was decided to include in 2023 all upstream impact categories (excluding fixed assets) and, for downstream impact categories, outbound transport and freight transport.

The scope 3 table provides an overview of GHG emissions in different impact categories.

The Scope 3	2023 t CO_2e
Upstream impact categories	
Category 1. Outsourced products and services	18,823
Category 2. Fixed asset*	
Category 3. Indirect impacts related to fuel and energy use	457
Category 4. Transport and freight related to upstream activities	639
Category 5. Waste	29
Category 6. Business trips	10
Category 7. Employee commuting	264
Category 8. Leased assets	0
Downstream categories	
Category 9. Transport and freight related to downstream activities	52
TOTAL	**20,274**

* Not included in the calculation

In total, the scope 3 GHG footprint in the selected impact categories was 20,274 tCO_2e. The biggest impact came from scope 1 – bought-in products and services. In the corresponding impact category, the materials, components and equipment that account for the largest share of the purchase volume were mapped. Impacts related to the transport of purchased materials and products are reflected due to the availability of data, either at the input of impact category 1 (integrated into the specific emission factor used) or under impact category 4 (transport and freight related to upstream activities). The GHG emissions from the transport of products sold by Harju Elekter to the customer, either organised or paid for by Harju Elekter, are also reflected under impact category 4 (the rest is reflected under impact category 9).

Scope 3 calculations will continue at the Group level in 2024, mapping opportunities and the scope to carry out calculations in all Group companies. In parallel with the calculations, the setting of targets for the reduction of greenhouse gas emissions in Scope 3 will begin in 2024 at the company level.

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 408.4 (2022: 140) kW, raising the total capacity for renewable energy generation to 2,811 (2022: 2,403) kW.

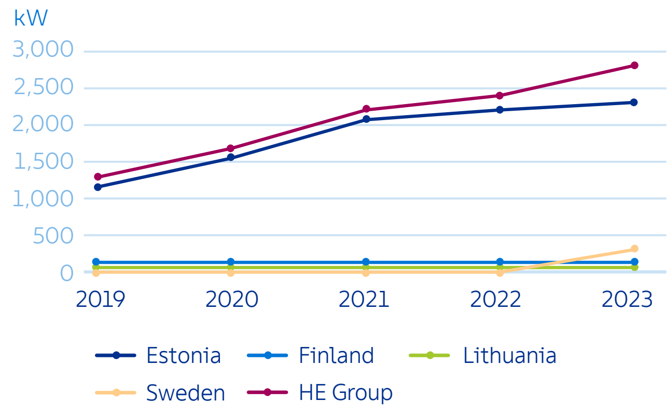
In 2023, the Group's solar power plants generated 2,200 MWh of electricity, of which 115 MWh was used for own consumption.

The Swedish Västerås production facility, with its installed 308 kW solar power plant, started up in the third quarter of 2023; as a result, the Swedish company's renewable energy production volume was significantly lower compared to 2022. In addition, the volume of renewable energy production was affected by failures in the operation of solar power plants in 2023, and unsuitable weather conditions from the point of view of solar energy production. Over the year, the production of renewable energy decreased by 3.3%.

25% (2022: 29%) of the electricity consumed by the Group's companies and 11% (2021: 4%) of the heat consumed came from renewable energy sources. 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, 2,085 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.

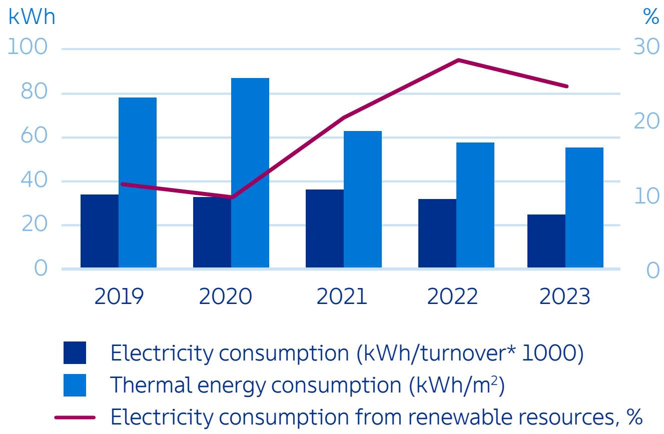
In 2023, the Harju Elekter companies consumed 5,213 (2022: 5,663) MWh of electricity and 3,565 (2022: 3,350) MWh of heat energy.

We are committed to increasing energy efficiency in the Group's companies. By 2026, we plan to reduce the consumption of thermal energy per heated surface by 15% and electricity consumption by 17% compared to turnover in comparison with the base year (2022). In the reporting year, thermal energy was consumed in the amount 57.1 (2022: 58.2) kWh/m^2 and electricity in the amount of 24.9 (2022: 32.3) kWh/turnover*1000.

Our thermal energy efficiency targets will be achieved through following activities:

- reducing overheating and optimising temperatuures;
- building new energy-efficient buildings;
- renovating existing production buildings;
- implementing more energy efficient ventilation aggregates; and
- reconstructing thermal assemblies.

Energy consumption



In 2023, Group companies continued to replace 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.

Group companies are updating their machinery to the extent possible, replacing old production machines with more energy-efficient ones in order to reduce the energy used to operate 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.

Materials and waste

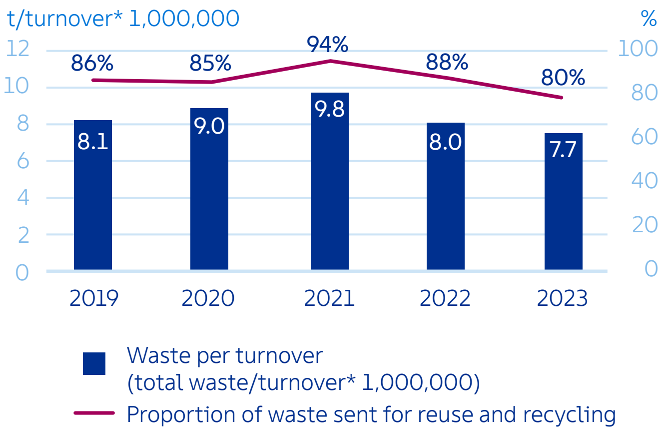
For Harju Elekter, the reuse of resources and recycling of waste, following the principles of the waste hierarchy, is important.

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 nonproduction 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



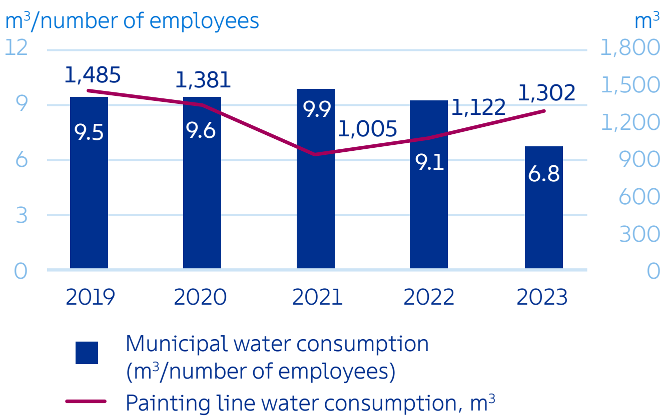
Waste management instructions have been prepared to guide waste sorting, and waste containers and bins have been marked, as well as staff trained. The companies have contractual and reliable partners for waste management, who provide the Group's companies with information on waste statistics.

In 2023, the amount of waste per turnover (total waste/turnover*1000) was 7.7 (2022: 8.0) with 80% (2022: 88%) of waste sent for recovery and recycling.

Water consumption

Harju Elekter's water consumption was 8.2 (2022: 9.1) ML. The main use of water in the companies is for domestic purposes. At the sheet metal plant of AS Harju Elekter, water is used in the production of the paint line processes, which accounts for 19% of total water consumption. We have set a goal to reduce 20% domestic water consumption by 2026 compared to 2022.

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.

Improved insight into the carbon footprint of components and materials gives us the opportunity to make informed decisions to reduce the environmental impact of electrical installations throughout their lifecycle.

In 2023, in cooperation with external experts, AS Harju Elekter prepared the Green Roadmap, during the creation of which the development directions of the company's production and product-related circularity were determined, along with recommended performance evaluation indicators.

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.

5 GENDER EQUALITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

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 2023	Future initiatives
COMPLIANCE	% of employees committed to the Code of Conduct	100%	We developed and published a new Group-wide Code of Conduct	• We continue to train employees on the new Code of Conduct (2023-2024) • We continue to introduce the Code of Conduct to key suppliers (2023-2025) • We continue to introduce the different Group-wide policies (Quality, Environment, OH&S) to employees (2023-2024)
	% of TOP suppliers committed to the Code of Conduct	100%	We started introducing the Code of Conduct to key suppliers	
	% of employees who have gotten introduction of new Group policies (Quality, Environment, OH&S)	100%	We started introducing the updated policies	
MISCONDUCT REPORTING	% of employees completed whistleblowing channel training	100%	We set up a whistleblowing channel in all manufacturing companies of the Group	• We continue to carry out trainings about the whistleblowing channel to employees (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 (2024) • Carrying out supplier audits according to the audit plan (2024-2026)
	% 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.

Our common standard of conduct is set out in detail in our Code of Conduct, which was fully updated and made public in 2023. We are continuing with Group-wide new Code of Conduct trainings for employees.

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 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.

In 2023, we established a platform for reporting misconduct.

Using the whistleblowing channel, our employees and all persons who cooperate with us, either professionally or for business, have the opportunity to report information indicating illegal, unethical and fraudulent conduct, without following pressure methods, either anonymously or by name.

In 2023, Harju Elekter:

- 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;
- there were no descrepancies in the activities of the companies with current regulations (inc social, economic and natural environment) therefore no monetary or non monetary sanctions were received;
- the companies did not contribute to political activities through financial or non-financial support;
- In 2022, AS Harju Elekter (former business name AS Harju Elekter Elektrotehnika) was approached in a court case involving the dismissal of an employee trustee due to a significant decrease in the workload of the position. 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 court. The parties are not in agreement with the decision of the court of first instance in 2023, and the case is currently in the court of second instance.

Sustainable supply chain

In order to obtain suitable purchasing conditions, we consider it a good practice to organise tenders and consider alternatives. 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.

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.

In 2022, we assessed the Group's major suppliers to map their associated risks, assess performance and promote sustainability issues. A total of 70% of the Group's 56 large suppliers completed the self-assessment questionnaire sent to them. Based on the analysis of the results, we plan to prepare a Group-wide supplier audit plan in 2024.

It is important to us that our partners not only act in accordance with all applicable laws and rules, but also comply with our Code of Conduct. To achieve this, we will continue introducing our Code of Conduct to our partners.

EU Taxonomy for sustainable activities

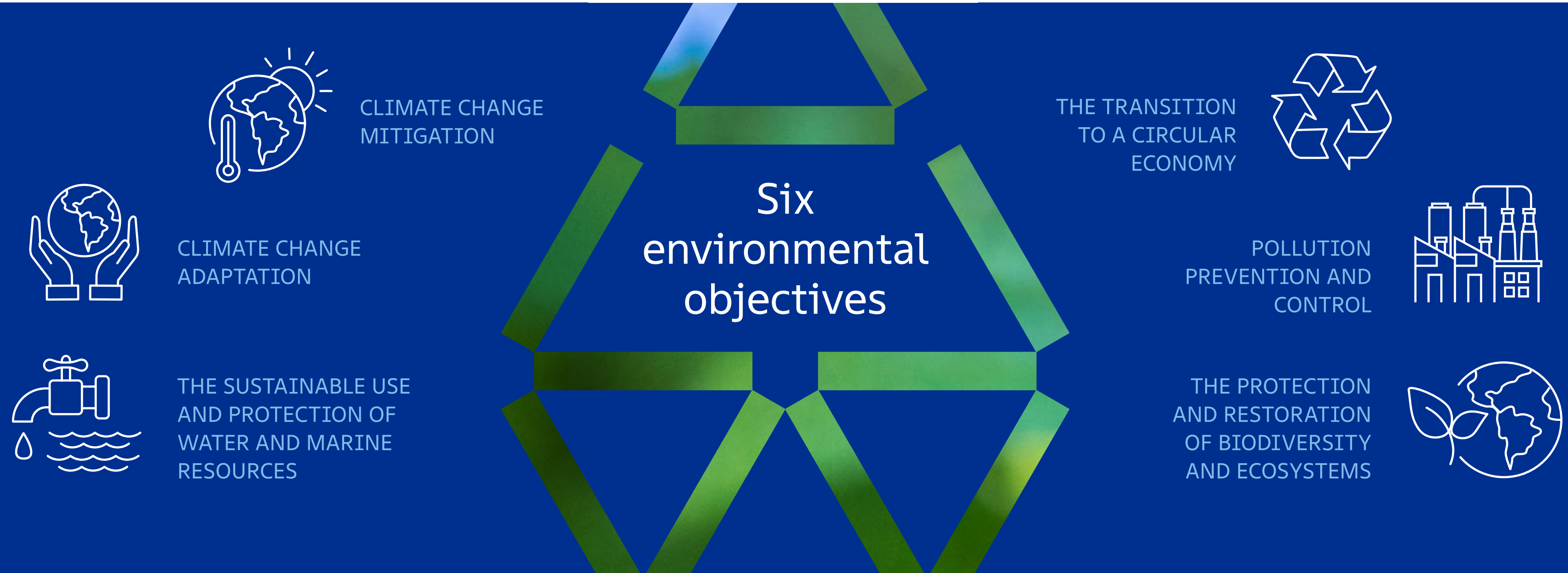
In 2020, the European Union adopted a classification system that establishes a list of environmentally sustainable activities – the EU Taxonomy Regulation[1] , which establishes the criteria for classifying economic activities as environmentally sustainable. By fulfilling these criteria, sustainable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

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The delegated acts under the Taxonomy Regulation determine a list of activities that can be classified as environmentally sustainable. These activities are considered Taxonomy-eligible activities. As of the end of 2023, delegated acts have been adopted regarding all six climate and environment objectives ('Climate Delegated Act')[2], of which the acts related to the last four environmental objectives were adopted in June 2023. Based on the activities of Harju Elekter, the Group's 2023 taxonomy report section covers **manufacturing, energy, construction, and real estate activities**.

According to the provisions in the Taxonomy Regulation governing information to be disclosed[3], Harju Elekter reports the proportion of Taxonomy-eligible, Taxonomy non-eligible and Taxonomy-aligned economic activities in revenue, capital expenditure and operating expenditure.

[1] Regulation 2020/852 (EU) of the European Parliament and of the Council.
[2] C/2023/3851.
[3] C(2021) 4987 final.



Proportion of Harju Elekter's revenue from products or services, and capital expenditure, associated with Taxonomy-aligned economic activities in 2023

Year 2023	NACE code(s)	Turnover (EUR´000)	Proportion of turnover (%)	(A.1) Proportion of Taxonomy-aligned and (A.2) Taxonomy-eligible turnover in the previous period (2022)
A. Taxonomy-eligible economic activities (A.1 + A.2)		93,666	44.8%	24.2%
A.1. Taxonomy-aligned economic activities		0	0.0%	0.0%
A.2. Taxonomy-eligible economic activities		93,666	44.8%	24.2%
incl. 3.1 Manufacture of renewable energy technologies[4]	C27.1.2	861	0.4%	2.4%
incl. 3.6 Manufacture of other low carbon technologies4[4]	C27.1.2	88,897	42.5%	19.7%
incl. 4.1 Electricity generation using solar photovoltaic technology	D35.1.1	133	0.1%	0.2%
7.7 Acquisition and ownership of buildings	L68.2.0	3,775	1.8%	1.9%
B. Taxonomy non-eligible activities		115,348	55.2%	
Taxonomy non-eligible activities		115,348	55.2%	
Total turnover (A+B)		209,014	100.0%	

Year 2023	NACE code(s)	Capital expenditure (EUR´000)	Proportion of capital expenditure (%)	(A.1) Proportion of Taxonomy-aligned and (A.2) Taxonomy-eligible capital expenditure in the previous period (2022)
A. Taxonomy-eligible economic activities (A.1 + A.2)		4,970	71.5%	88.2%
A.1. Taxonomy-aligned economic activities		0	0.0%	0.0%
A.2. Taxonomy-eligible economic activities		4,970	71.5%	88.2%
incl. 4.1 Electricity generation using solar photovoltaic technology	D35.1.1	46	0.7%	3.1%
incl. 4.16 Installation and operation of electric heat pumps	F43.22	4	0.0%	-
incl. 7.1 Construction of new buildings for use within the Group	F41.2.0	-	-	73.5%
incl. 7.3 Installation, maintenance and repair of energy efficiency equipment	F43.21	21	0.0%	0.7%
Incl. 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.21	15	0.0%	-
7.7 Acquisition and ownership of buildings	L68.2.0	4,884	2.3%	10.9%
B. Taxonomy non-eligible activities		1,979	28,5%	
Taxonomy non-eligible activities		1,979	28.5%	
Total turnover (A+B)		6,949	100.0%	

The proportion of operating expenditure from products or services associated with the Taxonomy-aligned and Taxonomy-eligible economic activities of Harju Elekter was 0% in the accounting year.

[4] Enabling activity

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.[5] The company used the definitions of performance indicators to calculate the proportion of Taxonomy-eligible and Taxonomy-aligned activities, given that the performance indicators for the 2023 report are the proportion of Taxonomy-eligible or Taxonomy-aligned 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 to the Taxonomy Climate Delegated Act[6] and the Taxonomy Environmental Delegated Act[7].

Based on the interpretation of the Taxonomy Regulation on sustainable economic activities issued by the European Commission on 16 June 2023 (2023/C 211/01), it is mandatory to have a human rights due diligence process in place in order to be Taxonomy-aligned. In its report of 2022, Harju Elekter reported partial alignment in revenue and capital expenditure, but the Group did (does) not have a human rights due diligence process in place that would comply with the requirements of the Regulation. As a result, the indicators for the reference period have been adjusted this year.

Performance indicator related to revenue – the denomination 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 of the revenue in compliance with the Taxonomy includes the revenue reflected in the denominator, which according to the Group's assessment was in compliance with the assessment criteria described in the Taxonomy Regulation (incl. with the technical screening criteria applicable to the given area of activity, the criteria "Does Not Significantly Harm" and the minimum social protection measures).

In the case of Taxonomy-eligible activities that are not environmentally sustainable, the numerator included the proportion of revenue which did not meet the criteria for assessing compliance but which is associated with Taxonomy-eligible economic activity.

Performance indicator related to capital expenditure – the denominator included the investments made by the Group in 2023. During the financial year, the Group invested in real estate, property, plant and equipment, and intangible assets, and accounted for new lease contracts under IFRS accounting.
The numerator also includes those capital expenditures that are related to Taxonomy-eligible and Taxonomy-aligned economic activities. In addition, the numerator also includes capital expenditures that are related to the purchase of output from Taxonomy-eligible or Taxonomy-aligned economic activities and to 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.

In the case of Taxonomy-eligible activities that are not environmentally sustainable, the numerator included the proportion of capital expenditure which did not meet the criteria for assessing compliance but which is associated with Taxonomy-eligible economic activity.

Performance indicator related to operating expenditure – the denominator included direct non-capitalised development costs incurred in 2023.

The numerator of Taxonomy-aligned operating expenditure equals the proportion of operating expenditure included in the denominator which, according to the Group, meets the assessment criteria described in the Taxonomy Regulation.

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 Environmental 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,

[5] C(2021) 4987 final, Annex I, point 1.1.
[6] (EL) 2021/2139
[7] (EL) 2023/2486

and transitional activities. The activities of Harju Elekter Group include both low-carbon activities and enabling activities.

In 2023, the Taxonomy-eligible or Taxonomy-aligned economic activities of Harju Elekter are:

- NACE C27.1.2, which corresponds to the Taxonomy 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.

- NACE C27.1.2, which corresponds to the Taxonomy Climate Delegated Act activity No. **3.6 Manufacture of other low-carbon technologies**. The Group manufactures electric vehicle chargers and heaters. 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.

- NACE D35.1.1, which corresponds to the Taxonomy 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 F43.2.1, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.3 Installation, maintenance and repair of energy efficient 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.

- NACE F43.2.1, which corresponds to the Taxonomy Climate Delegated Act activity No. **7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)**. The Group invests in the installation and replacement of energy-efficient light sources.

- 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 the 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.

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 quantitative breakdown of the numerator is shown in the table (see activities 4.1, 7.3, 7.4, 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

	2023	2022	2021	2020	2019
STATEMENT OF PROFIT OR LOSS (million euros)					
Revenue	**209.0**	175.3	152.8	146.6	143.4
Gross profit	**23.6**	12.3	17.9	21.2	18.2
Operating profit/ loss (-)	**8.1**	-4.5	3.2	6.5	3.3
Net profit/loss (-) (belonging to owners of parent company)	**5.2**	-5.5	2.6	5.6	2.5
STATEMENT OF FINANCIAL POSITION AS AT THE YEAR END (million euros)					
Total current assets	**78.1**	79.0	63.5	49.7	48.0
Total non-current assets	**100.3**	92.5	84.0	65.7	59.9
Total assets	**178.4**	171.4	147.6	115.5	107.9
Equity (belonging to owners of parent company)	**90.0**	79.6	87.0	73.5	67.1
Equity multiplier (%)	**48.5**	52.2	61.0	63.0	65.1
GROWTH RATES (% of previous year)					
Revenue	**19.2**	14.8	4.2	2.2	18.7
Gross profit	**92.3**	-31.4	-15.7	16.3	14.2
EBITDA	**5,634.6**	-97.0	-30.2	52.3	35.8
Operating profit/loss (-) (EBIT)	**277.7**	-242.0	-51.1	100.0	35.6
Net profit/ loss (-) (belonging to owners of parent company)	**193.1**	-313.4	-53.3	126.1	59.1
Assets	**4.0**	16.2	27.8	7.0	9.9
Equity (belonging to owners of parent company)	**13.1**	-8.5	18.3	9.6	0.2

	2023	2022	2021	2020	2019
PROFITABILITY RATIOS (%)					
Gross margin	**11.3**	7.0	11.7	14.5	12.7
EBITDA margin	**6.0**	0.1	4.7	7.1	4.7
Operating margin	**3.9**	-2.6	2.1	4.5	2.3
Net profit margin	**2.5**	-3.2	1.7	3.8	1.7
Return on assets (ROA)	**3.0**	-3.5	2.0	5.0	2.4
Return on Capital Employed (ROCE)	**7.1**	-4.5	3.3	8.1	4.4
Return on equity (ROE)	**6.1**	-6.7	3.2	7.9	3.7
SHARE (EUR)					
Average number of shares (1,000 pcs)	**18,356**	18,134	17,855	17,740	17,740
Equity per share	**4.62**	4.61	4.50	3.96	3.78
Closing price of share	**4.97**	5.01	7.44	5.18	4.21
Net profit per share	**0.28**	-0.31	0.15	0.31	0.14
P/E ratio	**17.68**	-18.08	51.13	16.52	30.07
Dividend per share	(1) **0.13**	0.05	0.14	0.16	0.14
LIQUIDITY RATIOS					
Current ratio	**1.2**	1.1	1.3	1.4	1.6
Liquidity ratio	**0.6**	0.6	0.8	0.9	0.9
PERSONNEL AND SALARIES (pcs)					
Average number of employees	**957**	878	825	780	778
Number of employees at the end of period	**967**	889	865	784	791
Salaries (million euros)	**31.8**	27.1	23.9	21.3	21.4

(1) – Management board proposal
The calculation of ratios is presented in the supplementary annexes to the annual report on page 142.

Overview of the economic environment

World economy

The most significant factor influencing the global economy in 2023 was the fight against inflation. Major central banks' base rate increases presumably reached their peak by the end of the year, and there were heightened expectations for interest rates to start decreasing from spring 2024. Despite the high interest rates, world economic growth remained strong at 3%, according to the International Monetary Fund's preliminary estimate, which is half a percentage point less than what was forecasted a year earlier.

Economic growth has been supported by stabilized energy prices, restored supply chains, and demand that has been higher and more resilient to the interest rate increases than expected. Several geopolitical tensions in different regions have caused turbulence as economic entities are still adjusting to the high-interest environment. Additionally, at the beginning of the year, we witnessed the bankruptcies of several American and European banks, which occurred in cooperation with and under the control of central banks, and did not have a broader impact on the economic environment. Besides the high interest rates and numerous geopolitical tensions, other risks to the world economy include the slowdown in China's economic growth, the country's real estate crisis, and the sustainability of related financial institutions.

Heightened attention was paid to climate and environmental risks, which, after the record-high world average temperature of 2023, remain relevant.

> Economic growth is expected to accelerate in 2024, with interest rate cuts and the consequent increase in economic activity seen as the main drivers.

Nordic and Baltic countries

The economic environment in the Nordic and Baltic countries faced challenges in 2023, with neither significant economic growth nor recession observed in the region. The proximity to Russia, an aggressor state, and NATO's expansion towards Finland and Sweden, induced anxiety and uncertainty throughout the area. Similar to the global economy, these economies were affected by high inflation and the subsequent adaptation of economic entities to the altered circumstances.

Traditionally, the Nordic economies have relied on exporting high-value-added products that were in strong demand, though a slight decline was observed. Capital-intensive sectors with high debt burdens, particularly the real estate and construction sector in Sweden, faced difficulties. These challenges also reverberated through subcontractors in the Baltics. While the unemployment rate rose marginally in the Nordic countries, the employment rate in the Baltics remained high, with continued strong wage pressure.

Estonia

The Estonian economy continued to decline in 2023. According to Statistics Estonia, GDP dropped by 3% in the fourth quarter compared to the previous year. The recession that began the year before was expected to be short-lived, with recovery anticipated to start soon. However, in reality, the recession has persisted for over one and a half years, spanning seven consecutive quarters, and has become broad-based.

The most significant difficulties were experienced in the transportation and logistics, manufacturing, construction, and several other sectors. High interest rates, rapid price growth, the uncertain economic environment of Estonia's main export partners, and geopolitical tensions have made consumers more cautious, contributing to a tense business environment. Despite the decline in external demand, government expenditure has remained constant, and the decrease in domestic demand has been marginal, supported by a high employment rate.

On the positive side, the volume of investments remains high. With the anticipation of sustained investment volume, declining energy prices, a deceleration in inflation, and the dropping interest rates of the European Central Bank, Estonia's economy is expected to recover in 2024.

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

Operating results

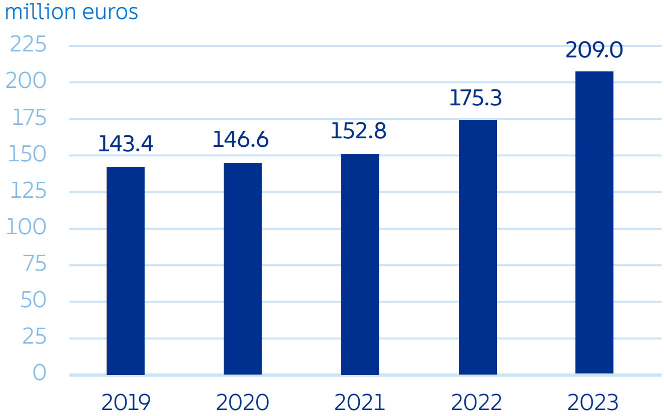
Harju Elekter has taken significant steps to become a more modern and profitable manufacturing group. Group restructuring and implementation of the new strategic plan have already demonstrated positive results despite past years' challenges. We finished this reporting year with all-time highest revenue and operating profit due to, among other factors, successful price negotiations for framework contracts, optimisation of manufacturing in our Estonian plant, and improved supply chains and component availability which enabled our Lithuanian plant to work at full capacity. The good financials were primarily due to the Estonian, Lithuanian and Finnish plants. Our Swedish subsidiary had weaker results, because it is taking longer than expected to start up the new plant.

Revenue

Over the past five years, the Group has increased its revenue by 46%, 19% of which is attributable to the reporting year. Restructuring, strong expansion and increasing demand in target markets have helped us consistently grow our revenue.

In 2023, Harju Elekter Group consolidated revenue was 209.0 million euros.

Group`s revenue



The main source of revenue during the reporting year was the sale of electrical equipment, making up 91% of total revenue and growing by 41.9 million euros compared to the previous year, reaching 190.1 million euros.

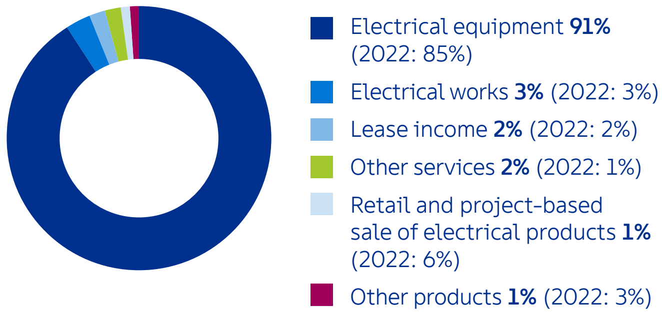
Provision of substations, low voltage distribution equipment, technical buildings and subcontracting made up the largest share of sales of electrical equipment.

Over the years, Harju Elekter has made several real estate investments in the Keila and Allika industrial parks, because demand for new manufacturing space is high near Tallinn. Lease income from industrial real estate was 3.8 million euros – 13.5% more than the previous year. Our long-term lessees have expanded their manufacturing, storage and office premises, indicating trust and good cooperation.

Energo Veritas OÜ was wound down in late 2022, resulting in an 81.3% decrease in the revenue from the retail and project-based sale of electrical products, amounting to 1.8 million euros. Additionally, the revenue from other products decreased by 53% to 2.8 million euros due to production optimization in Estonia.

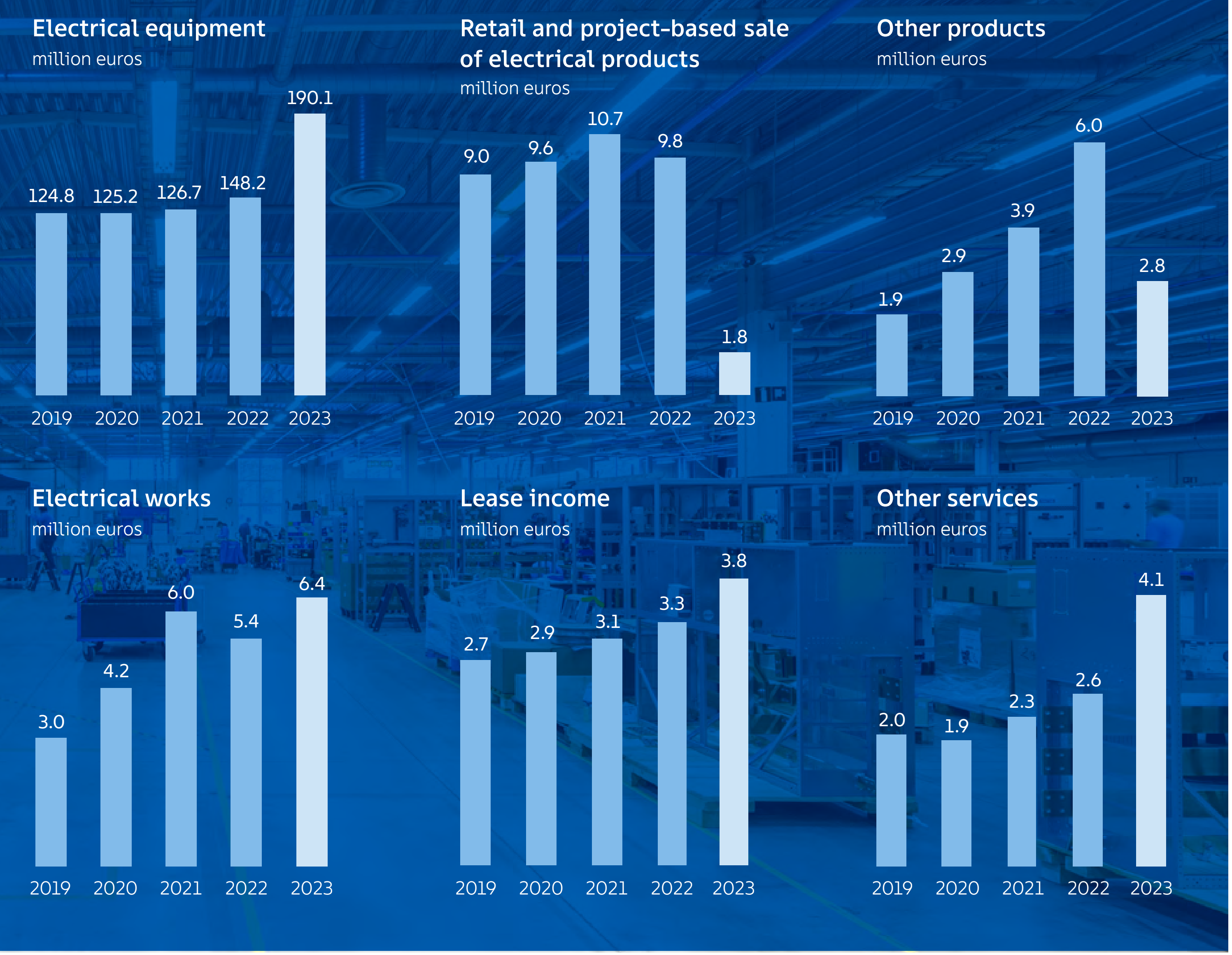
Revenue from electrical works increased by 18% in 2023, reaching 6.5 (2022: 6.6) million euros. A majority of this was from turnkey solutions for electrical, automatics and navigation systems provided to dredging ships of the Poland Maritime Agency. Additionally, other electrical works were conducted on the Finnish domestic market.

Revenue by business segments



Revenue by business activities

in 2019–2023



Increased revenue is also attributable to our target market distribution, where the largest growth rates were seen on the Norwegian (55%) and Swedish (42%) markets. Revenue increase on the Norwegian market was mainly attributable to Harju Elekter's Lithuanian manufacturing unit providing project-based engineering services as a subcontractor. Also, manufacturing of various frequency converter systems and electrical and automation panels for the maritime and shipping sector. For the reporting year, revenue from this market was 33.8 (2022: 21.8) million euros. Revenue growth on the Swedish market was driven by increased sales of substations and project business during the reporting year, reaching 32.5 (2022: 22.8) million euros.

Finland, the largest market for the Group, brought no significant increase in revenue. Most of the revenue was from producing turnkey substations, low voltage distribution equipment and electric vehicle chargers to customers in the electric energy distribution and industrial sectors, in total 83.3 (2022: 81.8) million euros. Revenue growth was hampered by reduced investments by electric grid operators due to regulatory changes in grid charge rates. Demand was also affected by the general downturn in the construction sector.

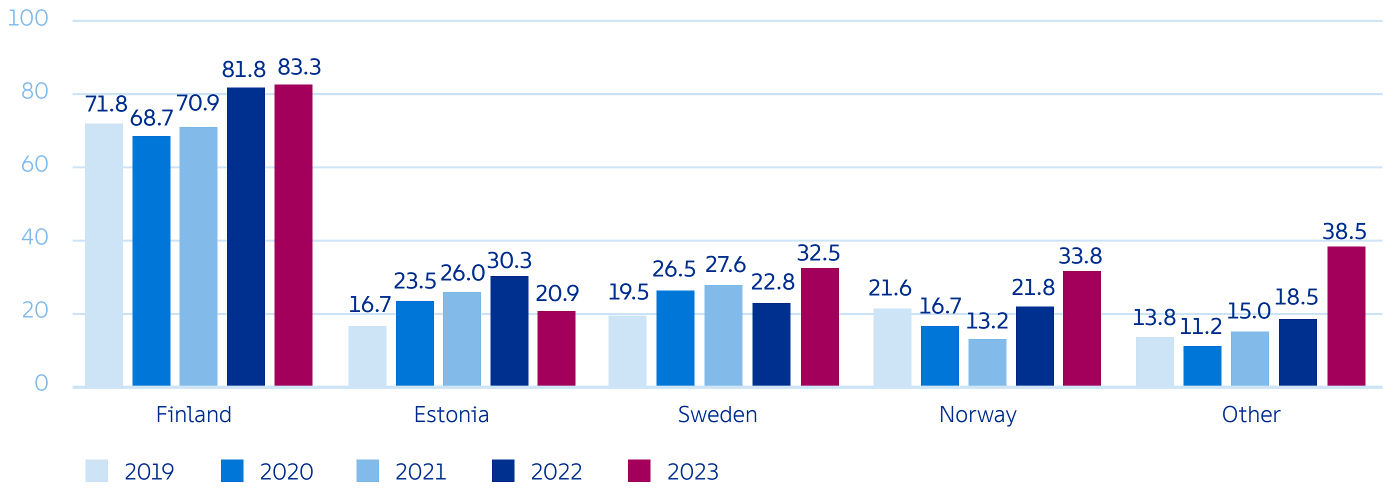
Declining revenue on the Estonian market is primarily associated with the winding down of project and retail sales of electrical products, but also the reduced sales volumes of our contractual customers. During the reporting year, revenue from Estonia amounted to 20.9 (2022: 30.3) million euros, which is 9.4 million or 31% less than the year before. Revenue was mainly from providing turnkey substations, junction boxes and low voltage distribution equipment to customers in the electric power distribution sector.

There were other markets with significant growth in 2023 as well, particularly the US and Germany. The US market grew by 277%, totalling 14.8 (2022: 3.9) million euros, and the German market grew by 119%, totalling 12.7 (2022: 5.8) million euros. Activities on the US market mainly consisted of providing frequency transformer and MCC systems to the Big River Steel corporation. On the German market, revenue was from providing engineering services as a subcontractor. Netherlands was also an important market with revenue of 7.7 (2022: 6.7) million euros. Other more minor markets totalled 3.3 million euros in revenue. While most of the growth was from the US, Germany and Netherlands, there are other high-potential markets which will help us improve our total revenue.

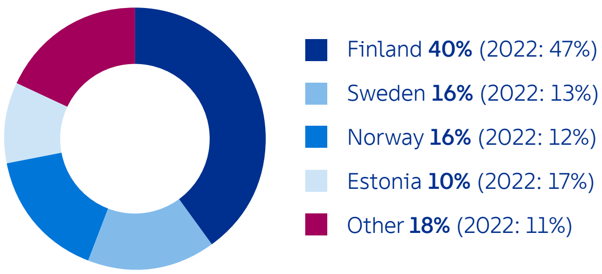
Comparing the period's revenue by segment, most of the revenue growth is attributable to manufacturing and real estate sectors. As the Group's main area of activity, manufacturing, accounted for the largest portion of revenue – 95% (2022: 90%). Real estate and other non-segmented activities amounted to 5% (2022: 10%). Revenue from the produciton segment increased by 26% during the year, reaching 197.9 (2022: 157.6) million euros. A more detailed overview of segments and the company's activities during the reporting period may be found in the "Business segments" chapter.

Revenue by markets in 2019-2023

million euros



Share of revenue by markets



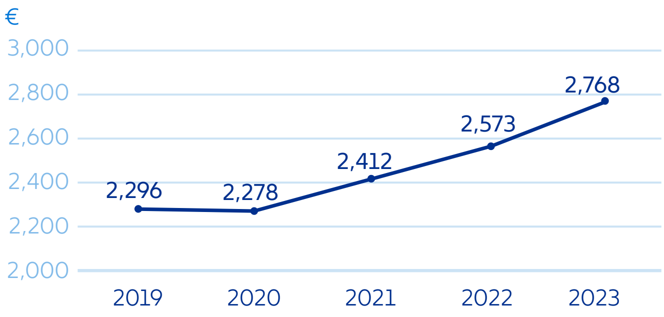
Expenses

Compared to the previous year, business expenses increased by 12% to 200.9 (2022: 179.8) million euros. This is mainly attributable to increased workload and need for higher labour in manufacturing, as well as additional work due to some long-term projects taking longer than expected. Of the operating expenses, the costs of sales increased by 13.7% year-on-year to 185.4 (2022: 163.0) million euros. Distribution and administrative costs, on the other hand decreased by 4.6% and 9.7%, being 5.3 and 10.1 million euros, respectively. This resulted in the Group's yearly distribution costs to revenue ratio dropping by 0.7% to 2.5% and the administrative expenses to revenue ratio dropping by 1.6% to 4.8%. In the previous year, the Energo Veritas OÜ goodwill write-down of 0.4 million euros was recognised as administrative expenses , which impacted depreciation of non-current assets for that year. Depreciation of non-current assets for the reporting year was 4.4 (2022 4.8) million euros.

Total labour costs in 2023 were 39.9 (2022: 34.4) million euros, including share option program costs recognised as labour cost of 42 (2022: 190) thousand euros.

The Group's average monthly salary per employee was 2,768 euros for the reporting year, which is 7.6% more than for the previous period.

Average monthly earnings per employee in the Group



Most of the increase in labour costs was due to the growth in employees. The wage pressure associated with overall economic growth contributed to the increase of average salary. The ratio of labour costs to the Group's overall revenue during the reporting year was 19.1% (2022: 19.6%).

Operating results

Harju Elekter has thoroughly examined Group-wide management processes to find ways to improve productivity. This has resulted in several decisions which should result in better business organisation and reduced costs. Furthermore, pricing policies and prices have been adjusted to the market situation and the competitive landscape. Some of the input prices increase resulting from previous crises was offset by framework contract price adjustments negotiated with major customers. During the previous year, the Group introduced several changes due to rising input prices and supply chain issues, resulting in the re-evaluation of all current projects and contracts for future periods, as well as an increase of one-time expenses. The dispute regarding the framework contract for hermetic distribution transformers was resolved, enabling a reduction of the 1.9 million euro provision made at the end of the previous year.

To improve the company's competitive position and efficiency, some one-time costs had to be recognised in 2023, including reorganisation of the Swedish manufacturing units and the termination of the termination of retail and project based sale in Estonia.

Reorganisation of manufacturing units in Sweden resulted in moving costs due to the company closing down its Malmö and Borlänge plants and relocating all manufacturing to the new facility in Västerås. Termination of retail and project-based sales of electrical products in Estonia was based on the Group's strategic decision to focus on its core activity of manufacturing electrical equipment and dispose of its retail and wholesale businesses which had low profitability.

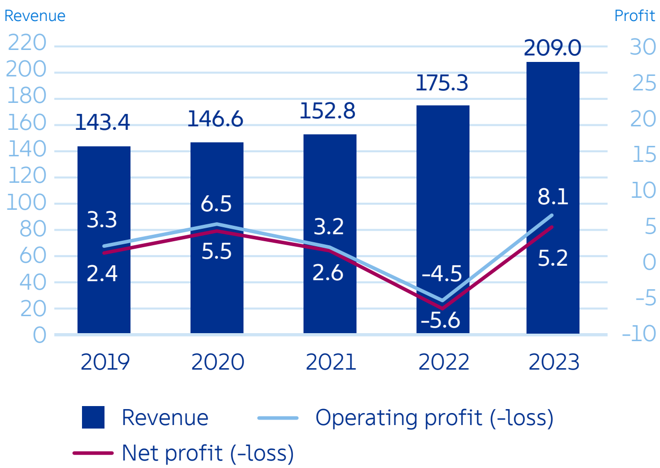
In addition to strategic decisions, the company's financial results were impacted by rapidly rising interest rates, which is a significant additional cost for any company.

Compared to the previous year, Harju Elekter nearly doubled its gross profit for the reporting year – 23.6 (2022: 12.3) million euros. Gross profit margin improved by 4.3 percentage points to 11.3%, compared to the reference period.

2023 operating profit (EBIT) was 8.1 (2022: operating loss of -4.5) and net profit was 5.2 (2022: net loss of -5.6) million euros. Net profit per share was 0.28 (2022: net loss per share of -0.31) euros.

Revenue, operating and net profit (loss)

million euros



Other comprehensive income (loss)

Gains on revaluation of financial assets and gains on disposals are recognised as other comprehensive income. In the reporting year, net gains from the revaluation of financial assets was a total of 5.5 (2022: loss of 0.7) million euros. The main contributor to the 2023 revaluation of financial assets was the estimated change in the fair value of the investment in OÜ Skeleton Technologies Group by 5.4 million euros to 27.2 million euros. (See Note 6 Financial investments.) During the reporting period, listed securities appreciated in fair value by 0.1 million euros, contrasted with previous year's depreciation by 0.7 million euros. There were no acquisitions or disposals during the reporting year.

Financial position

The Group's assets increased by 6.9 million euros during the year to 178.4 (31.12.22: 171.4) million euros, with non-current assets increasing by 7.8 and current assets decreasing by 0.8 million euros.

At the end of the reporting period, current assets made up 44% (31.12.22: 46%) and non-current assets 56% (31.12.22: 54%) of all assets. The proportions of debt and equity in the Group's assets, respectively, were 50% (31.12.22: 54%) and 50% (31.12.22: 46%).

Current assets decreased by 0.8 to 78.1 million euros by the end of the year, due to several factors. Cash and cash equivalents decreased by 7.8 to 1.4 million euros, primarily due to investments in non-current assets and loan repayments, but also dividend payments. In parallel with growing revenue, trade receivables and other receivables increased by 22% to 38.9 million euros by the end of the reporting period. Inventories decreased by 0.2 million euros to 36.8 million euros, with an increase in the proportion of finished products and a decrease in the proportion of in-progress products, materials and components.

As of the reporting date, the Group had liabilities totalling 88.4 (31.12.22: 92.0) million euros, of which current liabilities made up 73% (31.12.22: 78%).

During the year, current liabilities decreased by 6.4 million euros to 64.9 million euros, with borrowings decreasing by 5.0 million euros, prepayments from customers increasing by 2.0 million euros, trade payables and other current payables decreasing by 1.3 million euros, and provisions decreasing by 2.0 million euros. Most of the prepayments have been received for financing project-related inventories.

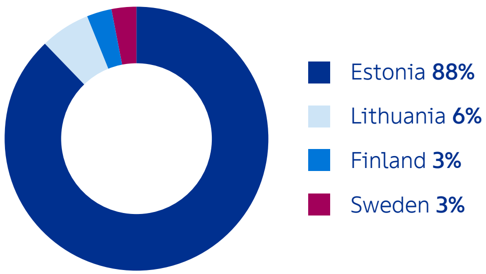
Over the reporting year, total borrowings decreased by 2.2 million, reaching the following amounts by the end of the period – current borrowings 19.4 (31.12.22: 24.4) and non-current borrowings 23.5 (31.12.22: 20.7) million euros. Non-current loans and leases have been used to finance property investments and automated manufacturing equipment investments in Estonia, as well as manufacturing facility expansions in Lithuania and Sweden. Current and non-current borrowings recognised under IFRS 16 "Lease agreements" decreased by 0.1 million to

0.2 million euros. The Group's equity increased by 10.6 million to 90.0 million euros.

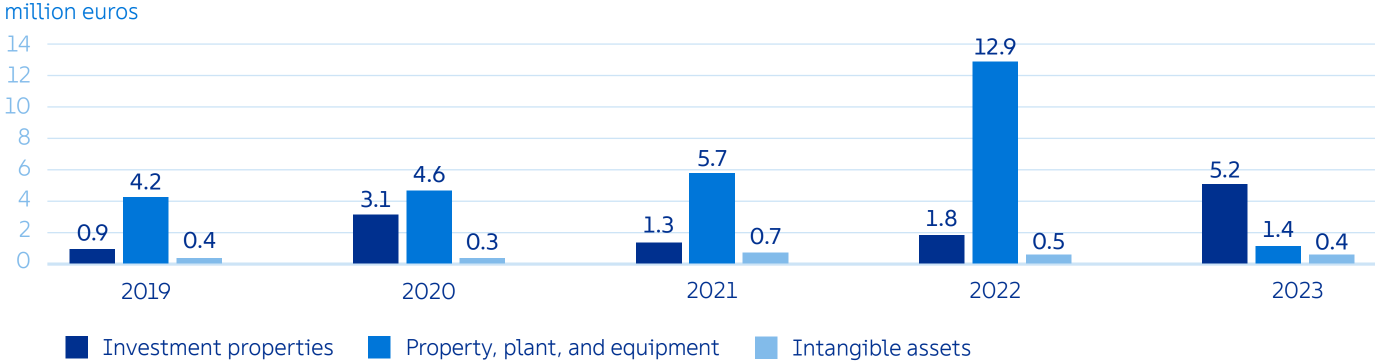
Investments

Harju Elekter is committed to remaining an innovative enterprise and ensuring the long-term competitiveness of its manufacturing processes, technological assets, business real estate and IT solutions. In 2023, the Group's investments in non-current assets totalled 7.0 (2022: 15.2) million euros, including real estate investments of 5.2 (2022: 1.8) million euros, property, plant and equipment investments of 1.4 (2022: 12.9) million euros, and intangible asset investments of 0.4 (2022: 0.5) million euros. Total invested amounts by country: Estonia 6.2 (2022: 2.4); Finland 0.2 (2022: 0.3); Sweden 0.2 (2022: 12.1) and Lithuania 0.4 (2022: 0.4) million euros.

Share of investments in 2023 by country



Invesments



Major investment projects in 2023:

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

- The Estonian manufacturing unit added three new AMADA sheet metal bending benches This investment will significantly improve manufacturing efficiency, help with filling orders, and reduce environmental impact.
- Production technology equipment was purchased for the new Västerås plant, in Sweden.
- All Group companies invested in IT equipment and manufacturing and process management systems.
- All Group companies invested in tools, manufacturing equipment and heating equipment.

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

- In the Allika Industrial Park located in Saue

parish, a manufacturing facility with 5,788 m² of manufacturing area and a 2-story office and administrative building was completed and leased to Reimax Electronics OÜ. Located on the outskirts of Tallinn, this facility will help the customer optimise its manufacturing lines and improve its environmental sustainability, with the premises meeting modern industrial requirements.

- In Keila Industrial Park, major renovations and reconstructions were started for a long-term lessee. Prysmian Group Baltics will be allocated more than 20,000 m² of manufacturing, storage and office space, as well as a 40,000 m² storage yard.
- A pathway leading to the Keila health trails was completed on the territory of the Keila Industrial Park.
- Estonian and Finnish manufacturing facilities were renovated.

3. **Renewable energy and green transition projects**

- Rooftop solar plants totalling 100.4 kW were installed on buildings in the Allika Industrial Park.
- A 308 kW solar plant was installed on the roof of the new Västerås manufacturing facility in Sweden.

Cash flows

The Group's total cash flow was negative in 2023, with cash and cash equivalents decreasing by 7.7 million euros to 1.4 million euros.

Operating cash flows were 1.2 million euros during the reporting year, which is 6.0 million euros less than the previous year. Operating receivables and prepayments decreased by 6.7 million euros, due to both increased revenue as well as sales invoicing at the end of the reporting period. Companies paid more to their suppliers and other creditors, as a result of which operating liabilities and prepayments decreased by 2.3 million euros. The Group's cash flows were also impacted by a tripling of interest payments.

In 2023, 6.0 million euros were invested, which is 8.0 million euros less than the previous year. The reduction in investment cash flows was due the previous year's major investments in the Västerås plant and manufacturing equipment in Sweden, totalling 14.1 million euros. In 2023, investments in non-current assets were more conservative, but still necessary for maintaining the Group's manufacturing capacity and efficiency, and for expanding its real estate market.

Financing cash flows were -2.9 million euros, which was 18.5 million euros less than the previous year. The Group repaid non-current loans totalling 3.7 million euros and reduced its overdraft balance by 4.5 million euros. These steps indicate the Group's intent to limit its interest-bearing liabilities. On the other hand, the Group borrowed an additional 6.2 million euros to ensure timely completion of real estate projects and order fulfilling. The Group received new share capital from exercised share options totalling 0.9 million euros, which was 0.1 million euros less than the previous year. On May 24th, shareholders were paid dividends totalling 0.9 million euros for 2022.

Business segments

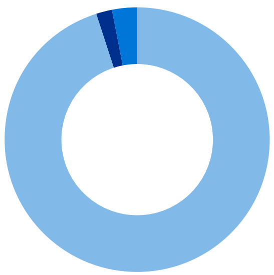
The Group's Management Board has defined business segments according to the main business areas of the company. The two main areas of activity of Harju Elekter, which are presented as separate segments, are production and real estate. Other activities which are not sufficiently significant to constitute 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.

Activities of the production segment are the designing, sale, manufacturing, and after-sales service of electric power 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, provided to third-party lessees and Group companies.

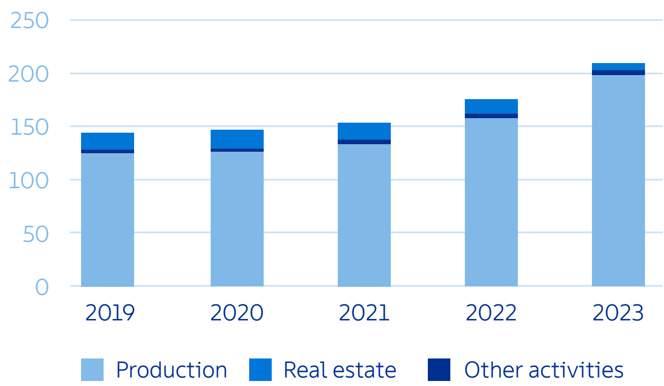
Other activities comprise the managing of financial investments, electrical installation work in shipbuilding, and retail and project sales of electrical equipment, the latter of which the Group discontinued in Estonia during the reporting year.

Revenue by segments



Production **95%** (2022: 90%)
Real estate **2%** (2022: 2%)
Other activities **3%** (2022: 8%)

Revenue of business segments



Production

The main activity of Harju Elekter is production, with increasing profitability and efficiency being of primary importance to the Group. In this regard, the Group continued activities initiated in 2022 to restructure the Group and increase the efficiency of its manufacturing activites.

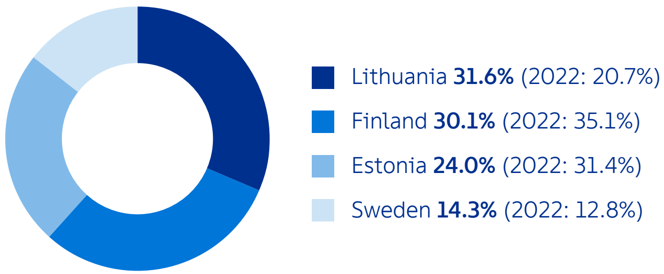
The production segment includes factories producing power distribution and control equipment in Estonia (AS Harju Elekter, previously AS Harju Elekter Elektrotehnika), Finland (Harju Elekter Oy), Sweden (Harju Elekter AB), and Lithuania (Harju Elekter UAB).

During the reporting year, the merger was completed between AS Harju Elekter Teletehnika, previously included in the production segment, and AS Harju Elekter. As a result of the merger, the sheet-metal parts and products plant along with all its assets and liabilities was transferred to AS Harju Elekter to continue homogenising processes in Estonian manufacturing facilities and improve their efficiency.

Restructuring of the production segment included the exclusion of Harju Elekter Kiinteistöt Oy in Finland and Harju Elekter Services AB in Sweden from the production segment as of 1.01.2023. The primary activity of these companies is the management of industrial real estate owned and operated by Group companies in Finland and Sweden, and therefore they belong in the real estate segment.

Production segment revenue from non-Group customers for the reporting year was 197.9 (2022: 157.6) million euros, which is 94.7% (2022: 89.8%) of total consolidated revenue.

Production segment revenue by countries

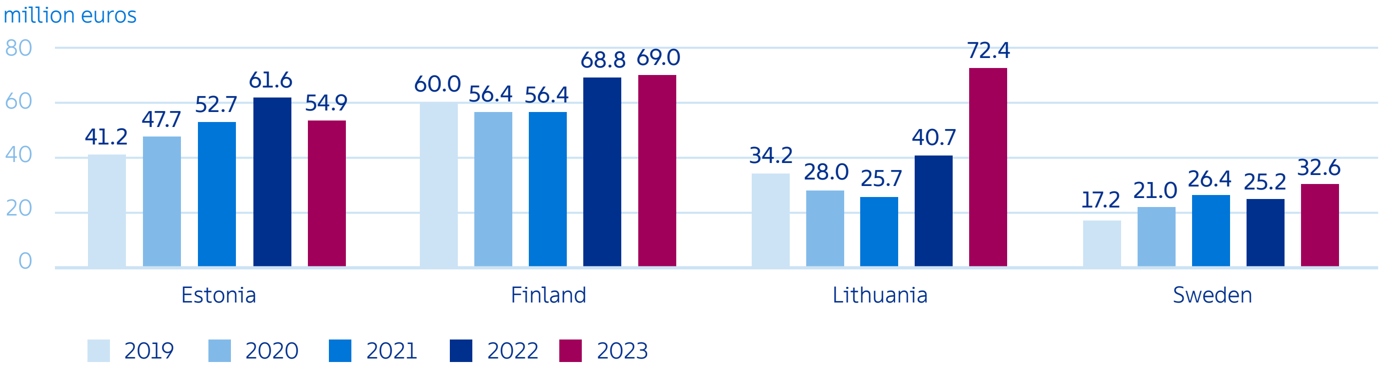


The 26% revenue growth of the segment was due to:

- Significant improvements in material and component supply chains during the reporting year, with supply difficulties having inhibited growth during the previous year.
- Recent years' significant investments in manufacturing capability have empowered us to leverage these advantages on a daily basis.
- Excellent cooperation with key customers, which enabled successful price negotiations in times of rapid inflation.
- Ongoing systematic sales and marketing efforts which helped provide all-time high order volumes.

The Group's manufacturing companies employed 898 (2022: 820) people at the end of the reporting period, and an average of 890 (2022: 810) people during the reporting year, of whom approximately 70% are manufacturing personnel, and 30% are administrative and engineering personnel.

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

7 production plants 1,000 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

While there were previously two separate production companies in Estonia, that were merged into a single company in 2023: AS Harju Elekter Teletehnika was merged with AS Harju Elekter Elektrotehnika and the company was renamed AS Harju Elekter.

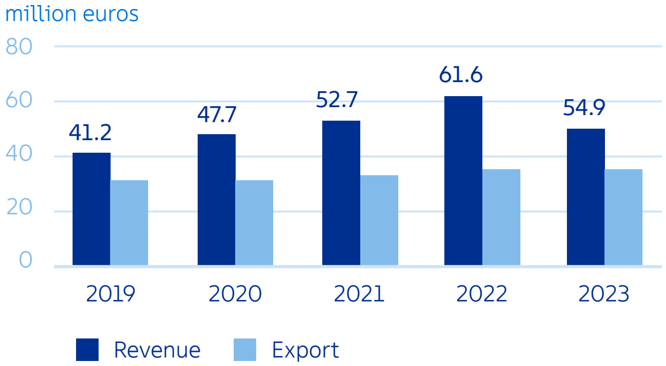
Located in the Keila Industrial Park, AS Harju Elekter is a designer, manufacturer and seller of medium and low voltage electrical equipment. In addition to this core activity, they also manufacture various sheet metal products for own use and for other Group companies. The company has two production facilities totalling 34,000 m² of manufacturing, storage, yard and office space. As of the end of reporting year, t he company employed 301 (2022: 326) people. Over the reporting period on average, the company employed 317 (2022: 338) people. Reduction of the number of employees was due to synergies achieved by the merger and redundant positions being lost.

Total revenue of Estonian produciton companies in 2023 was 54.9 (2022: 61.6) million euros.

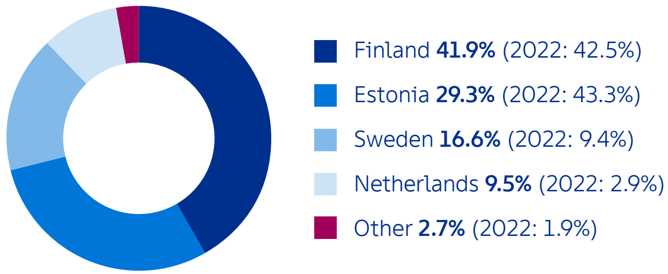
The reduction in revenue is attributable to the merger, as revenue previously gained from internal sales of metal parts was reclassified as input cost for the joint company. Year-on-year, revenue of the electrical equipment manufacturer increased by 14.8%.

A significant portion of the Group's Estonian manufacturing output is exported. During the reporting year, exports comprised 70.7% (2022: 56.7%) of revenue,

Revenue of Estonian production companies combined



Estonian production companies revenue by markets



with the Group's home markets of Finland and Sweden being the major export destinations for its Estonian company.

The Estonian electrical equipment manufacturer bids for various contracts. During the reporting year, one of the major achievements in this regard was the awarding of a contract by Eesti Energia AS to supply turnkey substations, distribution boxes and equipment. Framework contracts totalling 115 million euros were signed with Elektrilevi OÜ for 36 months with an option for extending the period by 24 months. These contracts also include supplies to other companies in the Eesti Energia AS group, as well as contractual partners of Elektrilevi OÜ and Enefit Connect OÜ.

Last year was highly intense and challenging for Estonian manufacturing, both in terms of business as well as organisational changes. First quarter of 2023 saw the completion of merger of Estonian manufacturing companies, as well as ongoing improvements to the joint management structure and internal processes associated with products, suppliers, partners, quality and human resources. Implementation of lean manufacturing principles was a core aspect of process and management policy updates. Employee health and wellness received heightened attention.

In terms of business volumes, Estonian manufacturing facilities were well-engaged. Work was provided by the servicing of international framework contracts negotiated over the previous years; similarly to last year, we had successful price negotiations with clients, which helped ensure satisfactory profitability despite the inflationary environment.

In 2024, focus will be on improving profitability. We will continue delivering for key customers and fulfilling our framework contracts. A notable challenge will be the transition to a new accounting and management software to help complete the merger of manufacturing companies. There will be continuous work with planning and implementing updates of processes and manufacturing equipment, in order to ensure maximum engagement for our manufacturing capacity in the future.

PRODUCTION IN FINLAND

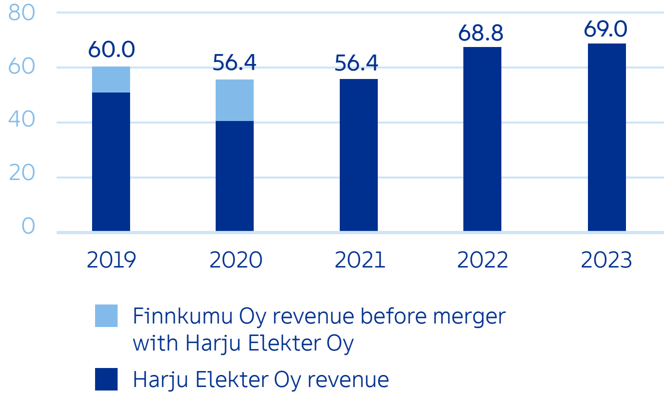
Harju Elekter Oy has become one of the leading manufacturers of industrial automation and power distribution and transmission equipment in Finland. The company headquarters is in Ulvila, with factories in Ulvila, Kerava, and Kurikka, In total, the company uses about 8,600 m² of manufacturing, warehouse and office space.

Total revenue of Harju Elekter Oy in 2023 was 69.0 (2022: 68.8) million euros, which is about the same as the previous year.

A significant part of Finnish manufacturing output is sold outside Finland, and reaches customers primarily via other manufacturers and exporters. However, the Finnish company acts as an importer and local reseller of the Group's Estonian companies. Finnish resale of products imported from Estonia totalled 16.1 (2022: 19.8) million euros.

As of the end of reporting period, the Group's Finnish manufacturing units employed a total of 180 (2022: 141) people, and the period-average number of employees was 170 (2022: 130). Approximately 60% of the employees are engaged in manufacturing, with the other 40% engaged in administration, engineering

Revenue of Finnish production units



and sales. Employees and their well-being were in central focus during this year. Several key personnel changes were made in the Finnish manufacturing company during the reporting year, most importantly a change of managing director. On January 2nd 2024, Jari Jylli became the new managing director of Harju Elekter Oy.

Products manufactured in Finland are targeted to the industrial, power generation and distribution sectors, as well as infrastructure projects, and encompass all customer needs from product, software and project development to after-sale service.

The extensive product portfolio includes various products and solutions up to 20 kV. During recent years there has been lots of progress made developing the Elektra electric vehicle chargers introduced on the Finnish market.

The manufacturing units in Ulvila and Kerava are mainly focused on contractual manufacturing, project services and supplies to the power and industrial sectors and infrastructure projects. In these areas, the focus in 2023 was mainly on fulfilling existing customer contracts While manufacturing efficiency was restored thanks to improvements in previous years' supply difficulties, the persistently high input prices required a lot of attention. There was some decline in demand in the field of solar power projects, but the overall utilisation of manufacturing capacity remained high.

The Kurikka manufacturing facility with 2,500 m^2 of manufacturing and office space is primarily focused on making turnkey substations and junction boxes and the engineering, manufacturing and marketing of power distribution equipment on the Finnish market. There were no significant changes in customer base or product lines 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.

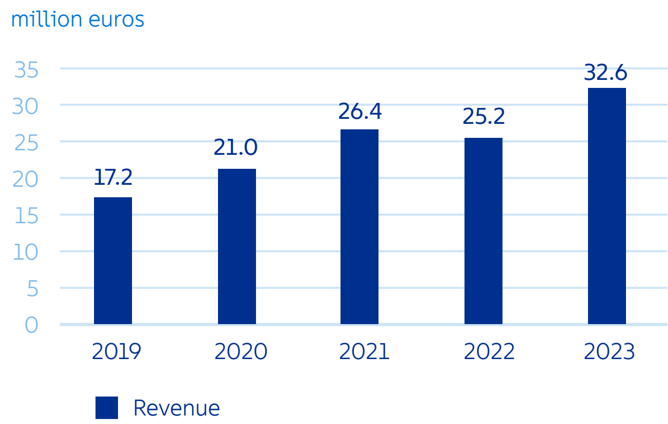
The main goals for manufacturing in Finland involve improving profitability for all facilities, as well as more effective implementation of recent years' changes in management structure and processes. For product development, focus is on the development of chargers. Profitability of all products and product groups is being analysed on an ongoing basis

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, and supply thereof to the infrastructure, construction, and energy sectors. The company's headquarters, together with manufacturing, sales and service functions, are located in a modern manufacturing facility of 6,282 m^2 which was completed in December 2022 in Västerås and is equipped with all necessary warehouse and office spaces. During the reporting year, there was ongoing restructuring of Swedish production units and the closing of manufacturing in Malmö and Borlänge, with competence moved to Västerås. An additional change was the reassignment of Harju Elekter Services AB from the production segment to the real estate segment, with no material impact on the segment performance.

As of the end of reporting period, Harju Elekter AB employed 51 (2022: 72) people, and the period-average number of employees was 58 (2022: 69). The decrease in the number of employees was due to closing down various locations and consolidating operations in the Västerås plant.

Revenue of Sweden production units



2023 total revenue in Sweden was 32.6 (2022: 25.2) million euros, which is 29% higher than the previous year

The Swedish unit is focused on the Swedish market, with 96% (2022: 88%) of all products and services sold domestically; this included resale of Estonian-manufactured goods in Sweden, which totalled 9.1 (2022: 5.3) million euros.

The reporting year was highly challenging for the Swedish unit. The biggest challenge was starting up the newly completed manufacturing facility, which proved to be more time- and resource-intensive than expected. Another challenge throughout the year was the successful, profitable and timely completion of projects taken on in previous years. Several projects proved significantly more complex, expensive and time-consuming than expected. There was also a change of managing director of the Swedish unit last year. Martin Frank, previously chief marketing officer and deputy managing director, took up the position of managing director of Harju Elekter AB on October 2nd.

Next year's main goals include completion of restructuring and the startup of the new Våsterås plant in a timely and effective manner, achieving profitability. There will be a focus on active marketing and improving business volume. A further area of focus will be growing sales volumes of own-manufactured low voltage equipment and e-house solutions.

PRODUCTION IN LITHUANIA

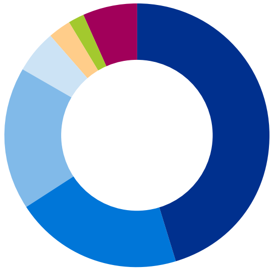
The Lithuanian subsidiary Harju Elekter UAB has been part of the Group since 2003. The company's focus is on the development and contractual manufacturing of products and solutions for system integrators in the marine and industrial sectors, supplying custom-made power distribution and frequency inverter solutions. Company headquarters and manufacturing is located in Panevėžys, Lithuania. As of the end of reporting year, the company employed 366 (2022: 291) people at the end of the reporting period, and an average of 346 (2022: 271) people.

During the reporting period, the Lithuanian production segment had revenue of 72.4 (2022: 40,7) million euros, with year-on-year growth of 78%.

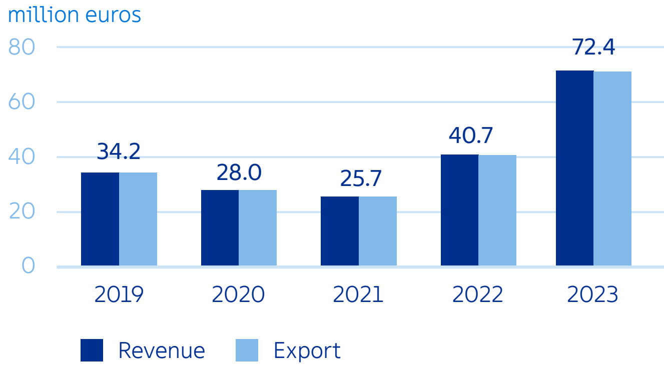
The second year in a row with strong revenue growth was attributable to the multiple factory expansions over the past five years, improvements in component and material supply chains, and excellent cooperation with long-term customers. 99% (2022: 99%) of the over 17,300 m² Panevėžys manufacturing facility output during the reporting year was exported to various global destinations, particularly Norway, Germany, United States, Sweden, Netherlands and Finland.

During the reporting year, most of the revenue was generated from the development, manufacturing and sale of project-based products and services to the maritime and shipping sectors.

Lithuanian revenue by markets



Revenue in Lithuanian production unit

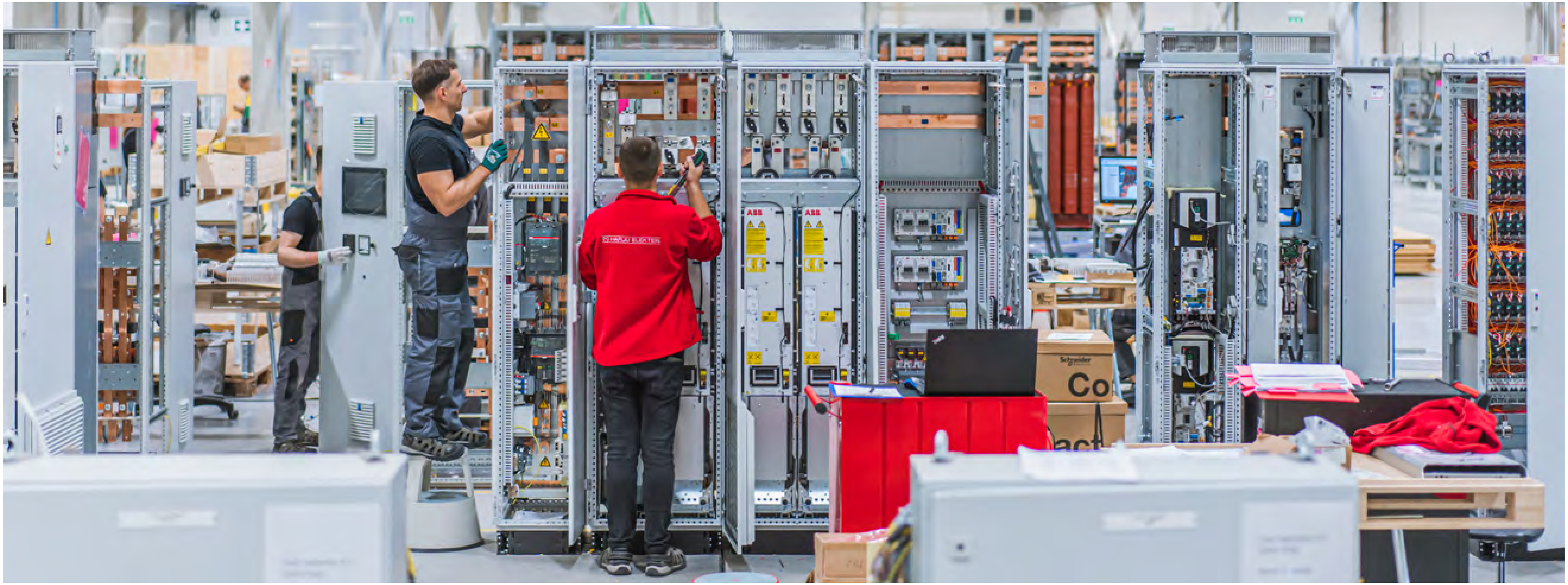


The product range was dominated by various frequency converter systems, as well as electrical and control switchboards. The supply of high-quality products to the maritime sector is strongly linked to the company's high level of engineering capability, as orders are mainly for project and customer-specific solutions not found in standard catalogues. Customer interest and inquiries regarding the company's products are very high, and the year ended with a record order book. Taking care of key customers was a priority during the year, and the company had to turn away several smaller customers.

While the component supply difficulties were resolved, key customers' heightened expectations for the timely completion of ongoing projects created major challenges for production planning. Simultaneously, significant increases in prices of materials and components had to be addressed. Most of the challenges carried over from 2022 were successfully overcome during the reporting year.

In addition to active sales efforts and extremely high engagement of production capacity, the company heavily invested in developing internal processes, improving employee qualifications and various social activities during the reporting year.

In summary, for the second year in a row, 2023 was a year of excellent revenue growth for the Lithuanian plant, and the year ended with a strong order book. Main goals for the next year include keeping the factory operating near maximum capacity and focusing on more efficient resource utilisation, to ensure that customers are serviced in a timely manner.



Real estate

Activities in the real estate sector include 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 Group real estate department, where 5 (2022: 5) people were employed as of the end of reporting year.

The Group owns properties in industrial parks in Estonia (Keila, Allika, Haapsalu), Finland (Ulvila, Kerava, Kurikka), Sweden (Västerås), and Lithuania (Panevėžys) totalling 80 ha, with 130.6 thousand m^2 of manufacturing, office and warehouse space. Premises are rented to external customers in the industrial parks of Keila, Allika, and Haapsalu.

During the reporting year, real estate revenue totalled 6.9 (2022: 6.6), of which external revenue was 4.5 (2022: 4.4) million euros, constituting 2.2% (2022: 2.5%) of total consolidated revenue. During the reporting year, real estate revenue was earned in Estonia. Of total real estate revenue, lease revenue made up 84% (2022: 73%) and real estate maintenance and other services made up 16% (2022: 27%). Business was stable, with low vacancy of rental properties. The increase of non-Group revenue during the reporting year is mainly attributable to newly developed properties, including the first full year of operating the Laohotell III building, completed in Q2 2022 in the Allika Industrial Park. In June 2023, a new long-term lease agreement was signed with Prysmian Group Baltics AS, and a new manufacturing facility was completed and delivered to Reimax Electronics OÜ at the end of the year.

A long-term lease agreement until 2030 was signed with Prysmian Group Baltics AS, with Harju Elekter Group leasing over 20,000 m^2 of manufacturing, storage and office spaces and a nearly 40,000 m^2 storage yard to the company in Keila Industrial Park under the renewed lease agreement.

The 5,788 m^2 manufacturing facility built and long-term leased to Reimax Electronics OÜ was the sixth building completed in Allika Industrial Park by Harju Elekter.

Real estate investments during the reporting period totalled 5.3 (2022:13.5) million euros. Most of the investments during the reporting period were associated with the completion of the Reimax Electronics OÜ manufacturing facility and renovations of premises leased to Prysmian Group Baltics AS.

In 2024, preparations will continue for potential future developments in Allika and Keila industrial parks.

Other activities

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

Total non-Group revenue from non-segmented activities during the reporting year was 6.7 (2022: 13.4) million euros, half that of previous year. There were no sales to other segments during the reporting year. Other activities made up 3.2% (2022: 7.6%) of the Group's total consolidated revenue.

ESTONIA

AS Harju Elekter Group is the parent company of the Group, with activities in two segments: 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;
- management of investor relations of the Group;
- Group-wide sales, marketing, and product management;
- Group-wide production and purchasing management;
- investment planning and management;
- business development;
- supporting Group companies in the areas of human resources, information technology, communication, finance, and legal.

As of the end of reporting period, the parent company employed 23 (2022: 21) people outside the real estate department.

Among others, investment management is one of the most important activities of AS Harju Elekter Group. As of the end of the reporting year, the investment portfolio included various listed securities with a total value of 1.5 (2022: 1.4) million euros, ownership share in OÜ Skeleton Technologies Group valued at 27.2 (2022: 21.8) million euros, and ownership share in IGL-Technologies Oy valued at 0.5 (2022: 0.5) million euros.

Energo Veritas OÜ is a 100% owned subsidiary of AS Harju Elekter Group, which has terminated operations. In 2023, Energo Veritas OÜ had revenue of 0.3 (2022: 8.1) million euros. The company's operations were suspended due to a dispute with Enefit Connect OÜ over a framework contract for hermetic distribution transformers in 2022.
The disagreement was resolved in the second quarter of 2023 by a mutually satisfactory agreement.
During the reporting year, the Group acquired a minority ownership share in Energo Veritas OÜ from a minority shareholder. Pursuant to AS Harju Elekter Group's strategy of focusing on its core business and manufacturing of proprietary products, the purpose of the transaction was to terminate the retail and wholesale activity of Energo Veritas OÜ.

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 of the end of reporting year, the company employed 40 (2022: 34) people, and the period-average number of employees was 37 (2022: 34). Revenue during the reporting year was 6.4 (2022: 5.5) million euros, increasing 16.3% compared to the previous year. The increased revenue was due to the large number of projects in progress. Despite the failure of one large project, the reporting year was successful for Telesilta Oy. In the area of maritime electrical work, the company faced the challenge of shortage of qualified personnel. The biggest victory for the year was the contract signed in May with long-standing customer Uudenkaupungin Työvene Oy for the electrical and commissioning works on two Finnish border guard ships. The contract is for approximately 6.5 million euros, and the ships are to be completed in 2025 and 2026.

Goals for 2024 include the effective performance of contracts with existing customers and key customers, focusing on improving profitability.

Share and shareholders

ISIN code	Security ticker	Number of securities	Share with book value 0.63 euros	Date of listing
EE3100004250	HAE1T	18,498,770		30 September 1997

AS Harju Elekter Group has been listed on Nasdaq Tallinn since 30 September 1997.

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. To the best of the company's knowledge, there are no restrictions on the transfer of securities or other specific control rights in the shareholders' agreements.

In the reporting year, phase III of the employee stock option program announced in 2018 was realized. The Supervisory Board of AS Harju Elekter Group increased the company's share capital by 131,835 euros, by issuing new ordinary shares without a nominal value. The subscription term for the shares was 14 July 2023, and the issue price was 4.44 euros per share. A total of 209,262 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 11.66 million euros, divided into 18.5 million ordinary shares without a nominal value.

Share price and trading

The year 2023 was favorable for investors, emerging as a good counterbalance to the complexity of the previous year. Although most of the world's stock markets rose, the Tallinn Stock Exchange remained unchanged (+0.1%). The MSCI world index in euros rose by 19.6%, including growth primarily from the US and European markets. In the US, the technology sector brought the biggest gains.

Harju Elekter's share price also remained stable in 2023. On the last trading day of the year, the share of AS Harju Elekter Group closed at the level of 4.97 euros, decreasing by 0.8% over the year. A total of 1.2 (2022: 0.9) million shares were traded, including the volume of transactions totaling 5.8 million euros. As of December 31, based on the share price, the market value of the company was 91.9 million euros.

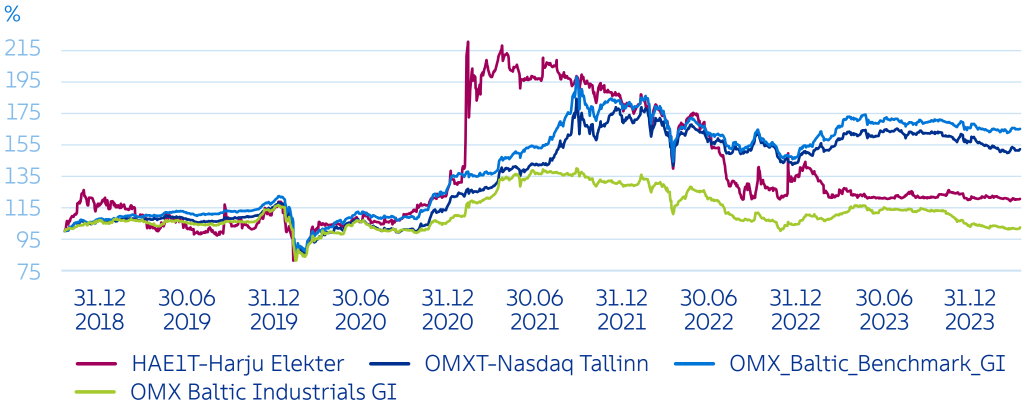
Share price and trading

	2023	2022	2021	2020	2019
Average number of shares (pcs)	18,355,774	18,134,463	17,855,220	17,739,880	17,739,880
Opening price (euros)	5.01	7.44	5.24	4.26	4.12
Highest price (euros)	5.31	7.74	10.50	5.26	5.20
Medium price (euros)	5.04	6.04	7.83	4.43	4.46
Lowest price(euros)	4.90	4.85	5.20	3.20	4.01
Closing price (euros)	4.97	5.01	7.44	5.18	4.21
Change in the closing price (%)	-0.8	-32.70	76.7	23.0	2.2
Company's market capitalization (millions)	91.94	91.63	134.06	91.89	74.68
Traded shares (pcs)	1,154,685	929,491	2,048,865	1,160,598	531,415
Turnover (million euros)	5.82	5.60	15.85	4.99	2.35
Net profit per share (euros)	0.28	-0.31	0.15	0.31	0.14
P/E ratio (ratio)	17.75	-	51.13	16.52	30.07
Dividend per share (euros)	(1) 0.13	0.05	0.14	0.16	0.14
Dividend rate (%)	2.6	1.0	1.9	3.1	3.3
Dividend/net profit (%)	46.2	-	96.2	51.0	100.9

(1)- Management Board's proposal

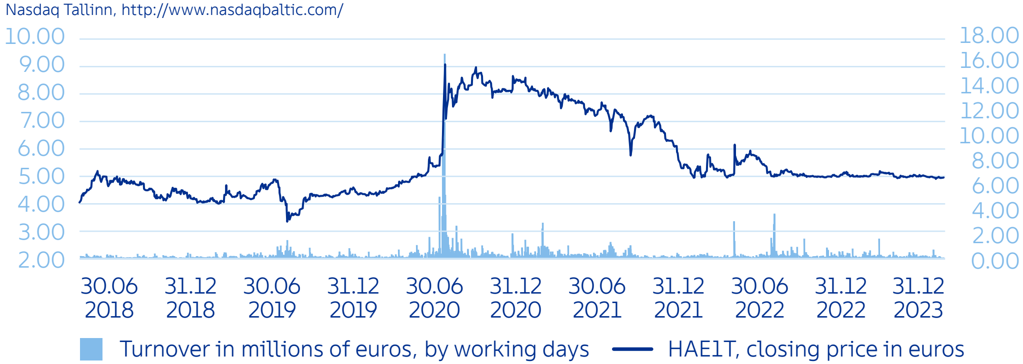
Change in the share price of AS Harju Elekter Group compared to the change in share indexes between 31 December 2018 and 31 December 2023.

Share price change 2019–2023



The share price (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2018 and 31 December 2023

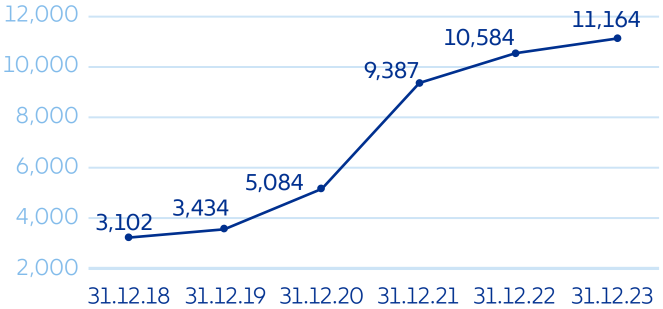
Nasdaq Tallinn, http://www.nasdaqbaltic.com/



Structure of shareholders

As at 31 December 2023, AS Harju Elekter Group had 11,164 shareholders. During the last five years, the number of shareholders of Harju Elekter has increased by 8,062 shareholders, of which 580 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 Group is the locally owned AS Harju KEK, which holds 30.1% of the company's share capital. Estonian shareholders own 87.2% of Harju Elekter's shares (31.12.2022: 86.6%), foreign capital holds 12.8% (31.12.2022: 13.4%). As at 31 December 2023, the members of the company's Supervisory Board and Management Board held, directly and indirectly, a total of 4.32% of the company's shares (Note 16 and Corporate Governance Report). The full list of shareholders of AS Harju Elekter Group 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	40.1
1.0–10.0%	7	0.1	19.3
0.1–1.0 %	61	0.5	16.2
Less than 0.1%	11,094	99.4	24.4
TOTAL	**11,164**	**100.0**	**100.0**

List of shareholders over 5%

Shareholders 31.12.2023	Shareholding (%)
AS Harju KEK	30.10
ING Luxembourg S.A.	10.02
Endel Palla	7.43
Shareholders with holdings less than 5%	52.45
TOTAL	100.00

Break-down of shareholders by country, as at 31 December 2023:

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	**11,050**	924	10,125	1	**16,129,606**	6,876,930	9,213,202	39,474	**87.2**	37.2	49.8	0.2
Luxembourg	**1**	-	-	1	**1,854,203**	-	-	1,854,203	**10.0**	-	-	10.0
Finland	**52**	3	48	1	**162,118**	10,670	22,401	129,047	**0.8**	-	0.1	0.7
Lithuania	**5**	-	-	5	**152,256**	-	-	152,256	**0.8**	-	-	0.8
Sweden	**7**	1	2	4	**65,443**	2,000	701	62,742	**0.3**	-	0.0	0.3
Great Britain	**6**	-	5	1	**48,046**	-	2,155	45,891	**0.3**	-	0.0	0.3
Other countries	**43**	1	31	11	**87,098**	150	12,073	74,875	**0.6**	0	0.1	0.5
TOTAL	**11,164**	**929**	**10,211**	**24**	**18,498,770**	**6,889,750**	**9,250,532**	**2,358,488**	**100.0**	**37.2**	**50.0**	**12.8**

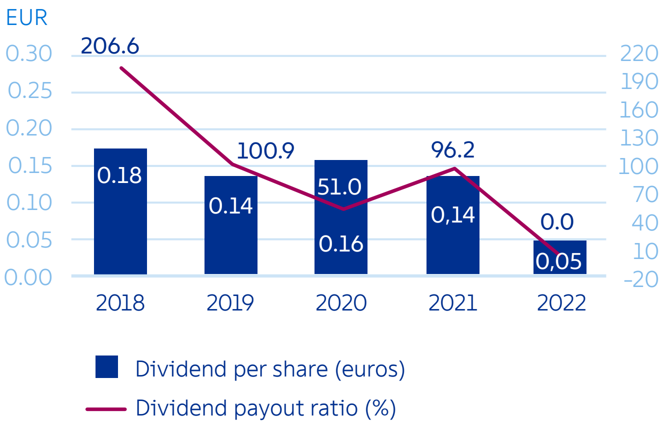
Dividends

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 Group was held on 28 April 2023, where, among other things, the profit distribution proposal was approved and it was decided to pay dividends of 0.05 euros per share to shareholders for 2022, totalling 914 thousand euros. The dividends were transferred to shareholders' bank accounts on 24 May 2023.

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.13 euros per share, totalling 2.4 million euros and representing 47% of consolidated net profit in 2023.

Dividends payout



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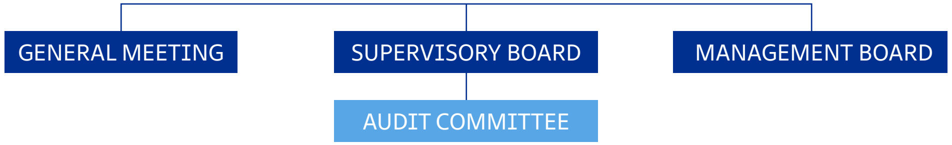
HARJU ELEKTER

Electrifying **Tomorrow**



In addition to the company's strategy, values, and commercial code, AS Harju Elekter Group bases its management on the Corporate Governance Code approved by Finantsinspektsioon. AS Harju Elekter Group follows the Corporate Governance Code, except if otherwise noted in this report.

AS Harju Elekter Group 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 Group, which is authorized, 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.

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 3 April 2023 via the information system of the Nasdaq Tallinn Stock Exchange and on its website, and on 4 April 2023 in Postimees. 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, Paldiski mnt 31/2. The shareholders submitted no questions about the topics on the agenda before the general meeting of shareholders in 2023.

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 Group of 2023 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. 1 shareholder cast its vote before the meeting and for video transmission was registered 6 participants. The video broadcast was made public both on the company's website www.harjuelekter.com and Nasdaq Baltic on the youtube.com account.

Participation in the general meeting, i.e. voting, has not been made possible through means of communi-cation (HÜT clause 1.3.3) due to the lack of a suitable technological solution.

The meeting was held in Estonian and chaired by lawyer Ursula Põld, 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 adoption of articles of association, Evelyn Roots, Tallinn notary, also participated in the meeting.

The auditor did not participate in the general meeting. 58 shareholders or their authorised representatives attended the meeting and they represented 62.57% of the total number of votes.

The general meeting approved the annual report for 2022 and profit distribution proposal and decided to pay the shareholders dividends for 2022 in the amount of 0.05 euros per share, 914 thousand euros in total. The name of the company and articles of association were changed. 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 Group 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 for a term of three years. The chair of the Management Board is appointed by the company's Supervisory Board.

The Management Board of AS Harju Elekter Group has three members. 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 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: 80% of the performance pay of the first half of the year, after the results of the first half become known; 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 2023:

EUR'000	Basic remune-ration	Perfor-mance pay	Fee for attending the subsidiary's meeting
Tiit Atso	150	8	1
Aron Kuhi-Thalfeldt	108	6	-
Priit Treial	114	6	-

Stock options granted to Members of the Management Board as of 31 December 2023:

	Quantity	Exercise price (EUR)	Subscription time 2025
Tiit Atso	10 000	4.50	25.06.
	10 000	4.50	21.12.
Aron Kuhi-Thalfeldt	10 000	4.50	25.06.
	10 000	4.50	21.12.
Priit Treial	14 000	4.50	21.12.

As at the end of 2023, the members of the company's Management Board held a total of 0.30% (2022: 0.22%) of the company's shares directly and via indirect holdings (Note 16).

Members of the Management Board as at 31 December 2023:

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 2014, mainly as the Group's CFO. Since 2020, he has been the Chairman of the Board of AS Harju Elekter Group. He is Chairman of the Supervisory Board of AS Harju Elekter (previous business name AS Harju Elekter Elektrotehnika), Chairman of the Board of Harju Elekter UAB, Harju Elekter Oy, Telesilta Oy and Harju Elekter AB and Member of the Board in Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB. Tiit Atso is shareholder and member of the management boards of Holm Capital OÜ, Holm Kinnisvara OÜ ja Justin Taim OÜ.

As of 31.12.2023 Tiit Atso owns 29,500 Harju Elekter shares. He has direct participation 0.16%. He doesn't have indirect holdings.

ARON KUHI-THALFELDT
Member of the Management Board

Aron Kuhi-Thalfeldt 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 is Chairman of the Board of Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB, member of the supervisory board of AS Harju Elekter (previous business name AS Harju Elekter Elektrotehnika) and member of the Board of Harju Elekter UAB, Harju Elekter Oy, Telesilta Oy, Harju Elekter AB and Entek AS. He is member of the management board of Energo Veritas OÜ.

As of 31.12.2023 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 Group 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 Member of the supervisory Board of AS Harju Elekter (previous business name Harju Elekter Elektrotehnika), member of the Board of Harju Elekter Oy, Harju Elekter UAB, Telesilta Oy, Harju Elekter AB, Harju Elekter Kiinteistöt Oy, Harju Elekter Services AB.

As of 31.12.2023 Priit Treial owns 400 of Harju Elekter shares. He has direct participation 0.002%. He doesn't have indirect holdings.

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 2023, 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 2023.

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.

In 2023, ten meetings of the Supervisory Board were held. Triinu Tombak, Risto Vahimets, Märt Luuk and Arvi Hamburg took part in all the meetings; Andres Toome took part in nine and Aare Kirsme in seven meetings.

Composition and remuneration of the Supervisory Board

According to the articles of association, the Supervisory Board of Harju Elekter has three to seven members for a term of five years. At least half of the members of the supervisory board must be independent within the meaning of the Corporate Governance Code. If there is an uneven number of supervisory board members, the number of independent members may be one less than the number of dependent members.

As of 28 April 2022, AS Harju Elekter Group has ix-member Supervisory Board: Chairman Triinu Tombak and members Risto Vahimets, Märt Luuk, Arvi Hamburg, Aare Kirsme and Andres Toome. Two of the six members of the Supervisory Board – Arvi Hamburg and Risto Vahimets – 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.

AS Harju Elekter Group will not be obliged to pay compensation when the authorisation of the members of the Supervisory Board expires or are terminated.

Gross remuneration paid to Members of the Supervisory Board in 2023:

EUR '000	Basic remuneration	Performance pay
Triinu Tombak	30	-
Aare Kirsme	24	-
Andres Toome	24	1
Arvi Hamburg	24	-
Risto Vahimets	24	-
Märt Luuk	24	-

As at the end on 2023 members of the Supervisory Board do not own stock options.

As at the end of 2023, the members of the company's Supervisory Board held a total of 4.02% (2022: 3.90%) of the company's shares directly and via indirect holdings (Note 16).

Members of the Supervisory Board as at 31 December 2023:

TRIINU TOMBAK
Chairman of the Supervisory Board

Triinu Tombak has been a Member of AS Harju Elekter Group 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 and Supervisory Board member of AS Saarte Liinid.

As of 31.12.2023, Triinu Tombak owns 30,000 Harju Elekter shares. His direct holding is 0.16% 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. He is a Member of the Supervisory Board of OÜ Proformex, AS Harju KEK, KEKE OÜ, AS Entek, Laagri Vara AS, Valdmäe Tööstuspargi OÜ, OÜ KEK Kinnisvara, H11 OÜ, OÜ Tarbus Kinnisvara, AS Tallinna Olümpiapurjespordikeskus, Baltlink-Valduse AS and Hoiupanga Töötajate AS. In addition, he is a shareholder and Member of the Management Board of OÜ Tradematic, 30pluss OÜ and Hermes Worldwide OÜ.Lisaks on ta OÜ Tradematic, 30pluss OÜ, Hermes Worldwide OÜ, OÜ Firm Group, OÜ M50, OÜ Sherwood, 139E Kinnisvara OÜ. Shareholder in Poolmere OÜ and member of the management board of SAMSI II OÜ and SAMSI I OÜ.

As of 31.12.2023 Andres Toome owns 50,000 of Harju Elekter shares. He has direct participation 0.27% and indirect participation 0.32%.

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-Jaagu Scholarship Board, Vice-Chairman of the Board of the Estonian Electroenergetic Society and member of the board of MTÜ Eesti Klubi.

As of 31.12.2022 Arvi Hamburg owns 25,500 Harju Elekter shares. He has direct participation 0.14%. 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 Tööstuspargi, AS EKE, H11 OÜ and KEKE OÜ. In addition, he is a Member of the Board of Kindluse Kodud OÜ and OÜ Devest Kaubandus, also a shareholder and member of the board of OÜ Kirschmann, OÜ Silvertec and Helicraft OÜ.

As of 31.12.2023 Aare Kirsme owns 235,750 Harju Elekter shares. He has direct participation in share capital 1.27% and indirect participation 0.20%.

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 member of the supervisory board of AS Fifaa, Sportland International Group AS, Sportland Eesti AS ja AS Pontos Baltic and member of the management board of R8Tech Strategy Committee and Leden Group Oy. Also, a shareholder and board member of Vahimetsa Investeeringute OÜ.

As of 31.12.2023, Risto Vahimets does not own any Harju Elekter shares. He has no direct participation, indirect participation is 0.01%.

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 Tööstuspargi OÜ, AS Taakes, AS Entek, H11 OÜ and KEKE OÜ. In addition, he is a Member of the Management Board of HE Ehituse ja Kinnisvara OÜ and a shareholder and a member of the board OÜ Landler Holding and a shareholder of Kindluse Kodud OÜ.

As of 31.12.2023, Märt Luuk owns 80,509 Harju Elekter shares. His direct participation is 0.44% and indirect 1.21%.

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 2023. Also, no significant transactions were concluded in 2023 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 AS Harju Elekter Group. 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 24² (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 Group 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 Group 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 Group's strategy 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 Group 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 Group publishes yearly the annual report and quarterly its interim reports. Annual reports are audited and approved by the Supervisory Board and the general meeting.

AS Harju Elekter Group and its subsidiaries are audited by PricewaterhouseCoopers from 2021-2023, except for Energo Veritas OÜ, which is audited by Baker Tilly Baltics OÜ and Telesilta Oy ja Harju Elekter Kiinteistöt Oy, which is audited by KPMG 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 2023, 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 Group has three members. Since 2012, the members of the council are Andres Toome (chairman), Triinu Tombak and since 2022 Risto Vahimets.

Remuneration Report 2023

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HARJU ELEKTER

Electrifying **Tomorrow**

In this remuneration report of AS Harju Elekter Group (reporting period 1 January 2023 to 31 December 2023), information is disclosed on the remuneration and benefits paid to the Members of the Management Board of AS Harju Elekter Group in 2023. Remuneration report has been prepared in accordance with Estonian Securities Market Act. Remuneration principles approved by AS Harju Elekter Group's Supervisory Board are described in Corporate Governance Report 2023.

The remuneration of members of the management bodies of AS Harju Elekter Group (basic and supplementary remuneration) will be determined taking into account the company's practices, strategy, short and longterm 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 remuner if necessary.

The remuneration policy aims to ensure that the long-term objectives and interests of the company are protected and sustainable.

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 2023, no claims for repayment have been enforced for the members of the board. In 2023, 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 2023:

Basic remuneration	Basic remuneration	Performance pay	Meeting participation remuneration	Total gross remuneration
Tiit Atso – Chairman of the Management Board	150	9	1	160
Aron Kuhi-Thalfeldt – Member of the Management Board	108	6	0	114
Priit Treial – Member of the Management Board	114	6	0	120

In 2023, the members of the board have received remuneration from foreign subsidiaries of the Harju Elekter group for the meeting of the management and supervisory bodies that they have attended in 2022, which was not paid if the member participated in the meeting by phone or MS Teams environment.

Stock options granted to Members of the Management Board as at 31 December 2023:

	Tiit Atso Chairman of the board		Aron Kuhi-Thalfeldt Member of the board		Priit Treial Member of the board	
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 Group in 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 Group 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 Group in 2019–2023:

	2023	2022	2021	2020	2019
Change in remuneration of Members of the Management Board (%)	28	2	-24	28	3
incl. Tiit Atso	-8	-3	30	41	3
incl. Aron Kuhi-Thalfeldt	-5	-1	27	21	11
incl. Priit Treial	695	-	-	-	-
Change in average remuneration of employees (%)	7.6	6.7	6	-1	6
Change in revenue (%)	19.2	14.8	4.2	2.2	18.7
Change in EBIT (%)	277.7	-242.0	-51.1	100	35.6

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HARJU ELEKTER

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Consolidated statement of financial position

EUR´000	Note	31.12.2023	31.12.2022
Current assets			
Cash and cash equivalents	2	1,381	9,152
Trade and other receivables	3	38,837	31,612
Prepayments	4	1,071	1,126
Inventories	5	36,834	37,068
Total current assets		**78,123**	**78,958**
Non-current assets			
Deferred tax assets	19	731	1,008
Non-current financial investments	6	29,244	23,731
Investment properties	7	28,856	24,756
Property, plant and equipment	8	34,067	35,740
Intangible assets	10	7,354	7,244
Total non-current assets		**100,252**	**92,479**
TOTAL ASSETS	17	**178,375**	**171,437**

EUR´000	Note	31.12.2023	31.12.2022
Liabilities			
Borrowings	11	19,387	24,385
Prepayments from customers	13	18,870	16,827
Trade and other payables	13	23,159	24,502
Tax liabilities	14	3,308	3,478
Current provisions	15	140	2,103
Total current liabilities		**64,864**	**71,295**
Borrowings	11	23,481	20,732
Deferred tax liability	19	32	0
Total non-current liabilities		**23,513**	**20,732**
Total liabilities	17	**88,377**	**92,027**
Equity			
Share capital	16	**11,655**	11,523
Share premium	16	3,306	2,509
Reserves	16	23,055	17,768
Retained earnings		51,982	47,771
Total equity attributable to owners of the parent company		**89,998**	**79,571**
Non-controlling interests		0	-161
Total equity		**89,998**	**79,410**
TOTAL LIABILITIES AND EQUITY		**178,375**	**171,437**

The notes on pages 94 to 129 are an integral part of the consolidated financial statements.

Consolidated statement of profit or loss

(EUR´000)	Note	2023	2022
Revenue	17, 18	209,014	175,293
Cost of sales	18	-185,426	-163,024
Gross profit		**23,588**	**12,269**
Distribution costs	18	-5,320	-5,578
Administrative expenses	18	-10,112	-11,194
Other income	18	425	234
Other expenses	18	-503	-277
Operating profit (loss)	17	**8,078**	**-4,546**
Finance income	18	97	78
Finance expenses	18	-2,103	-809
Profit (loss) before tax		**6,072**	**-5,277**
Income tax	19	-912	-290
Profit (loss) for the period		**5,160**	**-5,567**
Profit (loss) is attributable to:			
Owners of the parent company		5,160	-5,544
Non-controlling interests		0	-23
Earnings per share			
Basic earnings per share (EUR)	20	0.28	-0.31
Diluted earnings per share (EUR)	20	0.28	-0.30

Consolidated statement of comprehensive income

(EUR´000)	Note	2023	2022
Profit (loss) for the period		**5,160**	**-5,567**
Other comprehensive income (-loss)			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	-139	-208
Items that subsequently may not be reclassified to profit or loss:			
Gain on available-for-sale financial assets reclassified to profit or loss	6	0	320
Net proceeds from revaluation of financial assets	16	5,516	-726
Total other comprehensive income (-loss) for the period		**5,377**	**-614**
Total comprehensive income (loss) for the period		**10,537**	**-6,181**
Total comprehensive income (loss) for the period is attributable to:			
Owners of the parent company		10,537	-6,158
Non-controlling interests		0	-23

The notes on pages 94 to 129 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

(EUR´000)	Note	2023	2022
Cash flows from operating activities			
Profit (loss) for the period		5,160	-5,567
Adjustments			
Depreciation, amortization and impairment losses	7, 8, 9, 17, 18	4,366	4,764
Profit on sale of non-current assets		26	-37
Share-based payments	22	42	189
Finance income	18	-97	-78
Finance expenses	18	2,103	809
Income tax	19	912	290
Changes			
Changes in trade receivables		-6,680	3,054
Change in inventories	5	381	-9,983
Changes in trade payables		-2,266	14,631
Corporate income tax paid	21	-792	-286
Interest paid		-1,947	-602
Total cash flow (-outflow) from operating activities		**1,208**	**7,184**
Cash flows from investing activities			
Payments for investment properties	21	-4,933	-2,119
Payments for property, plant and equipment	21	-852	-12,715
Payments for intangible assets	21	-358	-468
Payments for financial assets	6	0	-227
Proceeds from sale of property, plant and equipment		58	50
Proceeds from sale of financial assets	6	0	1,315
Received interests		14	1
Dividends received		73	74
Total cash flow (-outflow) from investing activities		**-5,998**	**-14,089**

(EUR´000)	Note	2023	2022
Cash flows from financing activities			
Change in overdraft balance and current borrowings	11	-4,526	4,583
Proceeds from non-current borrowings	11	6,218	13,402
Repayments of non-current borrowings	11	-2,444	-1,788
Other loans received and repaid	11	-1,330	2,214
Payments of principal or leases	11	-799	-1,328
Proceeds from the share issue	22	898	1,049
Dividends paid	16	-914	-2,523
Income tax paid on dividends		-11	-55
Total cash flow (-outflow) from financing activities		**-2,908**	**15,554**
Total net cash flow (-outflow)		**-7,698**	**8,649**
Cash balance at the beginning of the period		**9,152**	**574**
Change in cash balances		-7,698	8,649
Effects of exchange rate differences		-73	-71
Cash balance at the end of the period	2	**1,381**	**9,152**

The notes on pages 94 to 129 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	Non-controlling interests	Total equity
Balance at 31 December 2021	**11,352**	**1,601**	**18,716**	**55,315**	**86,984**	**-138**	**86,846**
Comprehensive income 2022							
Profit for the period	0	0	0	-5,544	-5,544	-23	-5,567
Other comprehensive income	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**
Change in accounting principles	0	0	0	-6	-6	0	-6
Adjusted balance 01.01.2023	**11,523**	**2,509**	**17,768**	**47,765**	**79,565**	**-161**	**79,404**
Comprehensive income 2023							
Profit for the period	0	0	0	5,160	5,160	0	5,160
Other comprehensive income	0	0	5,377	0	5,377	0	5,377
Comprehensive income for the period	**0**	**0**	**5,377**	**5,160**	**10,537**	**0**	**10,537**
Transactions with owners recognised directly in equity							
Share capital contribution (Note 16)	132	797	0	0	929	0	929
Share-based payments (Note 22)	0	0	-90	132	42	0	42
Dividends	0	0	0	-914	-914	0	-914
Acquisition of non-controlling interests (Note 23)	0	0	0	-161	-161	161	0
Total transactions with owners	**132**	**797**	**-90**	**-943**	**-104**	**161**	**57**
Balance at 31 December 2023	**11,655**	**3,306**	**23,055**	**51,982**	**89,998**	**0**	**89,998**

Information about share capital and reserves is presented in Note 16.

The notes on pages 94 to 129 are an integral part of the consolidated financial statements.

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1 General information

AS Harju Elekter Group is listed on the Tallinn Stock Exchange since 30 September 1997. The annual financial statements prepared as at 31 December 2023 cover AS Harju Elekter Group (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 Group
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	On 17 May 2023, the new business name "AS Harju Elekter Group" was registered in the commercial register, replacing the previous name of AS Harju Elekter.
Domicile of entity	Estonia
Legal form of entity	Public limited company
Country of incorporation	Estonia
Address of entity's registered office	Paldiski mnt 31/2, 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 parent entity	AS Harju Elekter Group
Name of ultimate parent of group	AS Harju Elekter Group

On 22 March 2024, the Management Board signed the consolidated financial statements for the financial year ended at 31 December 2023. 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. Shareholders have the right not to approve the annual report prepared and presented by the Management Board approved by the Supervisory Board and require preparation of a new annual report.

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	31.12.2023	31.12.2022
Current accounts in banks		1,381	9,152
Total cash and cash equivalents	27.2	**1,381**	**9,152**

There are no restrictions on the use of bank accounts.

3 Trade and other receivables

EUR '000	Note	31.12.2023	31.12.2022
Trade receivables			
Accounts receivable		24,110	20,830
Loss allowance for trade receivables	27.2	-232	-358
Total trade receivables		**23,878**	**20,472**
Contract assets			
Contract assets		13,947	10,551
Loss allowance	27.2	-20	-19
Total contract assets		**13,927**	**10,532**
Other receivables			
Other current receivables		80	272
Other accrued income		952	336
Total other receivables		**1,032**	**608**
Total trade and other receivables		**38,837**	**31,612**

Changes in allowances for receivables

EUR '000	Trade receivables		Contractual assets	
	2023	2022	2023	2022
Opening balance at 1 January	**-358**	**-414**	**-19**	**-19**
Doubtful receivables written off	-16	-255	-1	0
Collection of doubtful invoices and receivables	140	10	0	0
Doubtful invoices deemed irrecoverable	2	301	0	0
Closing balance at 31 December	**-232**	**-358**	**-20**	**-19**

4 Prepayments

EUR '000	Note	31.12.2023	31.12.2022
Prepaid taxes	14	239	352
Prepaid expenses		380	457
Prepaid inventories		452	317
Total prepayments		**1,071**	**1,126**

5 Inventories

EUR '000	Note	31.12.2023	31.12.2022
Raw and other materials		29,025	28,421
Work in progress	18	6,410	4,824
Finished goods	18	1,386	3,410
Goods purchased for sale		1	413
Goods in transit		12	0
Total		**36,834**	**37,068**
Impairment losses of inventories during the reporting period		1,141	1,762
Reversal of inventory impairment made in prior period		-120	0
Reclassification from property, plant, and equipment to inventories	8	35	0

6 Financial investments

EUR '000	31.12.2023	31.12.2022
Listed securities (at fair value through other comprehensive income)	1,548	1,433
Other equity investments (at fair value through other comprehensive income)	27,687	22,287
Other financial assets through profit or loss	9	11
Total	**29,244**	**23,731**

Movements from 1 January to 31 December	Note	2023	2022
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period		23,719	25,213
Acquisitions		0	227
Sale of financial assets		0	-995
Change in fair value through other comprehensive income	16	5,516	-726
Carrying amount at the end of the period		**29,235**	**23,719**
2. Financial assets at fair value through profit or loss			
Carrying amount at the beginning of the period		12	9
Change in fair value through profit or loss		-3	3
Carrying amount at the end of the period		**9**	**12**
Total carrying amount at the end of the period		**29,244**	**23,731**

The fair value of listed securities increased by 0.1 million during the reporting year, while in 2022, it decreased by 0.7 million euros.

As of 31 December 2023, other equity investments include an investment in the shares of IGL-Technologies Oy in the amount of 0.5 (31.12.2022: 0.5) million euros and in the shares of OÜ Skeleton Technologies Group in the amount of 27.2 (31.12.2022: 21.8) million euros.

AS Harju Elekter Group didn't participate in OÜ Skeleton Technologies Group's funding rounds that took place during the reporting year. Based on the financial asset revaluation according to the funding round conditions, the estimated fair value of OÜ Skeleton Technologies Group's investment increased by 8.8 million euros in the second quarter. In the fourth quarter, we carried out further analysis of the conditions of the various financing rounds that occurred during the year and took a more conservative stance, also taking into account the general economic environment, i.e., the current high interest rates and the specificities of financing in the start-up sector, which led us to adjust the value of the investment by -3.4 million euros. In total, the value of the investment increased by 5.4 million euros during the year, amounting to 27.2 million euros at year-end. Related to the financial investment no costs nor revenues have been recognized in the income statement. As of the reporting date, the registered ownership stake in OÜ Skeleton Technologies Group is 5.45%. 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 investment, 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.

See Note 27 "Financial risk management".

7 Investment properties

EUR '000	Land	Buildings	Construction in progress	Total
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**
Additions (Note 21)	0	0	5,175	5,175
Depreciation charge	0	-1,075	0	-1,075
Reclassification	0	4,330	-4,330	0
Total movements in 2023	**0**	**3,255**	**845**	**4,100**
As at 31 December 2023				
Cost	4,854	33,368	1,202	39,424
Accumulated depreciation	0	-10,568	0	-10,568
Carrying amount	**4,854**	**22,800**	**1,202**	**28,856**

The Group's investment properties comprise of production and office buildings in Estonia: in Keila, in Saue municipality and in Haapsalu. At the end of the reporting year, a new nearly 6,000 m^2 production building rented out to Reimax Electronics OÜ was completed in Allika Tööstuspark.

According to the management's estimate, the fair value of investment property recognized at cost value at 31 December 2023 was 42.5 (31 December 2022: 38.5) million euros. 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 using from 9.75% to 11.5% (31.12.2022: 9.75%) as discount rate and exit yield in the range from 8.5% to 10% (31.12.2022; 8.25%) was applied. 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 2023, the direct maintenance and repair costs of the investment properties amounted to 0.6 (2022: 0.9) million euros. Information on lease income is provided in Note 9. As at 31 December 2023, the Group had liabilities for the acquisition of real estate investments in the amount of 0.3 million euros.

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 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
Residual value	**1,399**	**15,976**	**2,832**	**1,247**	**1,293**	**1,436**	**2,471**	**26,654**
Additions	861	10,014	36	513	553	0	940	12,917
Addition of right-of-use assets (Note 17)	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**
Additions (Note 21)	0	23	359	305	68	0	621	1,376
Addition of right-of-use assets and change of the contract	0	0	0	0	0	76	0	76
Disposals at book value	0	0	-30	-54	0	0	0	-84
Depreciation charge	0	-1,310	-775	-400	0	-231	-285	-3,001
Reclassification	0	37	0	49	-86	0	0	0
Reclassification to inventories (Note 5)	0	0	-35	0	0	0	0	-35
Change in exchange rates	2	22	-3	-27	0	1	0	-5
Total movements in 2023	**2**	**-1,228**	**-484**	**-127**	**-18**	**-154**	**336**	**-1,673**
As at 31 December 2023								
Acquisition cost	2,251	33,055	9,364	3,166	175	539	4,644	53,194
Accumulated depreciation	0	-9,095	-6,632	-1,862	0	-366	-1,172	-19,127
Carrying amount	**2,251**	**23,960**	**2,732**	**1,304**	**175**	**173**	**3,472**	**34,067**

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 acquisition cost of property, plant and equipment written off and sold during the reporting period totalled 0.3 (2022: 0.2) million euros, including machinery and equipment 0.1 (2022: 0.2) million euros, other non-current assets 0.2 (2022: 0.1) million euros. As at 31 December 2023, the acquisition cost of fully depreciated property, plant and equipment still in use was 3.9 (31.12.2022: 4.2) million euros.

9 Leases

The Group as the lessor

EUR '000	Note	2023	2022
Lease income			
- on investment properties		3,774	3,324
- other		2	2
Total lease income	18	**3,776**	**3,326**

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	2023	2022
Lease income		
< 1 year	4,594	3,200
1-5 years	14,801	5,027
> 5 years	5,584	0
Total lease income	**24,979**	**8,227**

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

EUR '000	2023	2022
Lease income from non-cancellable contracts		
< 1 year	4,458	2,487
1-5 years	2,005	805
Total lease income	**6,463**	**3,292**

The Group as the lessee

Lease liability

EUR '000	Note	Total
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**

EUR '000	Note	Total
2023		
New lease liabilities	11	647
Lease payments	11	-838
Impact of exchange rate changes		39
Carrying amount at 31 December 2023		**1,623**

Lease contracts are with specific validity, that can be prolonged between 1 to 3 years, if not notified regarding cancellation before up to 9 months of the end of the contract.

Expenses related to lease contracts

EUR '000	Note	2023	2022
Interest expense (included within finance expenses)		83	61
Depreciation charge (included within operating expenses)	8	516	929
The cost of current and low value lease agreements included within operating expenses		741	269
Total		**1,340**	**1,259**

In 2023, the cash outflow related to lease of cars, machines and equipment and premises totalled 1.3 (2022: 1.6) million euros.

10 Intangible assets

Movements in intangible assets

EUR '000	Goodwill	Development costs	Licences	Customer contracts	Total
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**
Additions (Note 21)	0	166	232	0	398
Amortization charge	0	-79	-211	0	-290
Currency translation differences	2	0	0	0	2
Reclassification	0	-2	2	0	0
Total movements in 2023	**2**	**85**	**23**	**0**	**110**
As at 31 December 2023					
Cost	5,691	1,154	2,779	0	9,624
Accumulated amortization	0	-439	-1,831	0	-2,270
Carrying amount	**5,691**	**715**	**948**	**0**	**7,354**

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.

As at 31 December 2023, the acquisition cost of fully amortized intangible assets still in use was 0.8 (31.12.2022: 0.8) million euros. The amortization expense of intangible assets is reflected in the statement of profit and loss under the cost of products sold, distribution and administration expenses.

Testing the recoverable amount of goodwill

Positive goodwill arose through the acquisition of holdings in subsidiaries. Goodwill in the amount of 5.7 million euros arose as follows:

- In 2014 when a 100% holding in production company Finnkumu Oy was acquired, goodwill of 4.9 million euros was created. 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, goodwill of 0.1 million euros was created.
- In 2018 when a 100% holding 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. The goodwill arising from the acquisition of the Swedish companies was 0.7 million euros.

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. Tests of the recoverable amount of goodwill were carried out as of 31 December 2023

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 2024-2029 (2022: 2023-2026) plus a terminal year;
- The range of discount rates in the range of 8-9% (2022: 7-8%) were used to calculate discounted cash flows; The respective rates are based on expected return on equity, that are specific to our business sector and to the countries of location (according to Damodaran Online database).
- Terminal growth rate of 2-2.2% (2022: 2%) was used;
- Annual revenue growth of 0-20% (2022: 5-20%) on average was used.
- Annual EBIT growth of 14-80% (2022: 3-35%) 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. The need for a goodwill write-down for the Group will arise if the projected future operating profits would decrease between -15% and -80%.

11 Borrowings

Balances and changes in borrowings

EUR '000	Note	31.12.2023	31.12.2022
Current borrowings			
Current bank loans		14,209	18,735
Repayment of non-current bank loans in the next period		3,600	2,630
Factoring		884	2,214
Other current loans		0	14
Current lease liabilities	9	694	792
Total current borrowings		**19,387**	**24,385**
Non-current borrowings			
Non-current bank loans		22,552	19,640
Other non-current loans		0	109
Non-current lease liabilities	9	929	983
Total non-current borrowings		**23,481**	**20,732**
Total borrowings		**42,868**	**45,117**

Changes in borrowings	Note	2023	2022
Opening balance		**45,117**	**28,338**
Change in current borrowings		-4,526	4,583
Received non-current loans through acquisition of company		0	109
Non-current loans		6,218	13,402
Repayments of non-current loans		-2,444	-1,788
Other loans		-1,330	2,214
New lease liabilities	9	647	251
Repayment of non-current lease liabilities	9	-838	-1,328
Other changes		-14	0
Impact of exchange rate changes	9	38	-664
Closing balance		**42,868**	**45,117**

Reflected under factoring is the obligation of a Swedish subsidiary to a factoring contract with a limit of 2.2 million 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	
	2023	2022	2023	2022	2023	2022
SEK	235	487	901	899	3.90%	3.10%
EUR	351	611	1,000	1,000	3M euribor+0.75%+0.4%*	3-month euribor+0.75%+0.4%*
EUR	2,380	2,378	2,500	2,500	3M euribor+0.65%+0.25%*	3-month euribor+0.65%+0.25%*
EUR	135	2,467	2,500	2,500	3M euribor+2.25%	3-month euribor+2.25%
EUR	4,850	4,911	5,000	5,000	€STR+1.7%+0.35%*	€STR+1.85%
EUR	2,006	-	4,000	-	3M euribor+1.60%+0.3%*	-
EUR	312	-	3,500	-	€STR+1.85%	-
EUR	3,940	-	4,000	-	4.30%+0.75%*	-
EUR	-	1,649	-	3,500	-	6-month euribor+1.40%
EUR	-	2,996	-	3,000	-	3-month euribor+1.00%
EUR	-	2,736	-	4,000	-	3-month euribor+1.60%
TOTAL	**14,209**	**18,235**	**23,401**	**22,399**		

* Commitment fee

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
	2023	2022	2023	2022	2023	
EUR	457	500	500	500	12M euribor+2.25%	19.12.2024
EUR	2,605	3,085	4,200	4,200	12M euribor+1.75%	28.04.2025
EUR	1,367	1,767	2,000	2,000	12M euribor+0.75%	03.05.2025
EUR	4,249	5,124	6,051	6,051	6M euribor+1.35%	11.08.2026
EUR	175	235	300	300	12M euribor+1.50%	05.11.2026
EUR	2,813	-	3,000	-	6.93%	28.06.2027
EUR	9,565	10,000	10,000	10,000	6M euribor+2.75%	20.12.2027
EUR	3,140	-	3,140	-	6.08%	27.11.2028
EUR	1,474	1,771	2,800	2,800	3M euribor+1.85%	30.11.2028
EUR	307	288	1,000	1,000	6M euribor+0.75%+0.3%	Termless
TOTAL	**26,152**	**22,770**	**32,991**	**26,851**		

The loan balance of non-current bank loans is divided into current and non-current parts, respectively – 3.6 and 22.6 million euros. 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	31.12.2023	31.12.2022
Commercial pledge for movable property	3,416	7,638
Investment properties	23,419	19,945
Land and buildings	10,911	12,973

The Group has investment loans from Swedbank AS, secured by commercial pledge on the parent company's real estate assets and mortgages on real estate investments, totaling 10.4 million euros. The pledged assets allow the Group to use a loan of up to 6.1 million euros. As of 31 December 2023, non-current loans amounting to 4.2 million euros were in use.

The interest rate of the five-year investment loan taken from Coop Pank AS at the end of 2022 is based on Euribor. The loan was used to finance the construction costs of the Västerås plant in Sweden and a new real estate project, as well as to reduce short-term financial liabilities. A mortgage on the property and buildings of the parent company, totaling 18.5 million euros, has been set as collateral. As of 31 December 2023, a non-current loan of 9.6 million euros was in use.

The non-current investment loan agreement concluded with AB SEB bankas has a pledge for real estate and movable property in Lithuania, totalling 15.2 million euros. Pledged assets partly guarantee a long-term loan of up to 7.0 million euros. As of 31 December 2023, a non-current loan of 4.1 million euros was in use.

In favor of Nordea Bank, a mortgage for the Kerava real estate in the amount of 0.4 million euros has been set up to cover a current loan. Pledged assets enable the group to use a short-term loan of up to 1.0 million euros. As of 31 December 2023, a current loan of 0.4 million euros was in use.

The group has a loan agreement with OP Yrituspannki OY for the purchase of real estate in Finland for 0.3 million euros. A mortgage for Ulvila Peltotie's real estate in the amount of 0.5 million euros has been set as collateral. The balance of the non-current loan as of 31 December 2023 was 0.2 million euros.

Current and non-current loan agreements concluded with Nordea Bank Oy are secured by a commercial pledges, totaling 2.5 million euros. The group can use a loan up to 2.5 million euros due to the guarantee of pledged assets. As of 31 December 2023, a non-current loan of 1.8 million euros was in use.

The liability arising from the factoring agreement of the Swedish subsidiary is 0.9 million euros. In the event of non-receipt of factoring claims, the company is obliged to pay repayments to the factoring provider in the same amount.

A 3.9 million euros mortgage on the Ulvila Sammontie real estate has been set as security for the non-current loan concluded with OP Corporate Bank PLC. The Group can use a loan of up to 3.0 million euros as collateral for assets. As of 31 December 2023, the balance of the non-current loan was 2.8 million euros.

13 Prepayments from customers and trade and other payables

EUR '000	Note	31.12.2023	31.12.2022
Advances received for goods and services		15,385	15,020
Due to customers for contract work		3,485	1,807
Prepayments from customers		**18,870**	**16,827**
Payable for goods and services		16,735	20,022
Payable for property, plant and equipment	21	13	10
Payable for investment property	21	257	15
Payable for intangible asset	21	43	0
Total trade payables	27	**17,048**	**20,047**
Payables to employees		5,186	3,807
Payable interest	27	204	47
Other accrued expenses	27	587	541
Deferred income	27	0	23
Other liabilities	27	134	37
Total other current liabilities		**6,111**	**4,455**
Total trade and other payables		**42,029**	**41,329**

Advances received from customers arising from customer contracts will realise as revenue in 2024. Prior year balances was recognized as revenue during the reporting period.

14 Taxes

EUR '000	Note	31.12.2023	31.12.2022
Value added tax		104	267
Corporate income tax	21	124	85
Other taxes		11	0
Total prepayment	4	**239**	**352**
Value added tax		1,648	1,713
Corporate income tax	21	55	216
Personal income tax		589	558
Social security tax		939	703
Other taxes		77	288
Total taxes payable		**3,308**	**3,478**

15 Provisions

EUR '000	Warranty provision	Unprofitable contracts	Other provisions	TOTAL
Balance at 31 December 2022	**31**	**1,950**	**122**	**2,103**
Provisions made during the year	120	0	20	140
Provisions used during the year	-31	-319	-122	-472
Reversal of provision created in the previous period	0	-1,631	0	-1,631
Balance at 31 December 2023	**120**	**0**	**20**	**140**

Warranty 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.

During the reporting year Energo Veritas OÜ and Enefit Connect OÜ reached an agreement to resolve the dispute of the framework contract for the supply of hermetic distribution transformers, that enabled the Group to reverse a provision of 1.63 million euros created in 2022. The reduction of cost is recognized under cost of goods sold (Note 18).

16 Share capital and reserves

Share capital and share premium

	Unit	31.12.2023	31.12.2022
Share capital	EUR '000	11,655	11,523
Number of shares (fully paid)	Pcs '000	18,498	18,290
Share premium	EUR '000	3,306	2,509

AS Harju Elekter Group increased the share capital of the company by 131,835 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The subscription term was 14 July 2023, and the issue price was 4.44 euros per share. A total of 209,262 ordinary shares were subscribed for at a book value of 0.63 euros per share. The total proceeds from the share issue amounted to 929 thousand euros of which the share premium was 797 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter Group amounts to 11,654 thousand euros divided into 18.5 million ordinary shares without a nominal value. The shares issued will give entitlement to dividends from 2023. 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

According to the decision made regarding distribution of profit at the Annual General Meeting of shareholders of AS Harju Elekter Group held on April 28, 2023, dividends of 0.05 euros per share were paid to shareholders for the year 2022, totaling 914 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. 17 May 2023 and dividends were transferred to shareholder bank accounts on 24 May 2023. In the comparable period, dividends of 0.14 euros per share in the total amount of 2.5 million euros were paid for 2021.

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

		Number of shares	Direct share-holdings	Indirect share-holding
Tombak, Triinu	Chairman of the Supervisory Board	30,000	0.16%	0.00%
Kirsme, Aare	Member of the Supervisory Board	235,750	1.27%	0.20%
Toome, Andres	Member of the Supervisory Board	50,000	0.27%	0.32%
Märt Luuk	Member of the Supervisory Board	80,509	0.44%	1.21%
Hamburg, Arvi	Member of the Supervisory Board	25,500	0.14%	0.00%
Vahimets, Risto	Member of the Supervisory Board	0	0.00%	0.01%
Atso, Tiit	Chairman of the Management Board	29,500	0.16%	0.00%
Kuhi-Thalfeldt, Aron	Member of the Management Board	25,529	0.14%	0.00%
Treial, Priit	Member of the Management Board	400	0.002%	0.00%
Total		**477,188**	**2.58%**	**1.74%**

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 2023. 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

%	31.12.2023	31.12.2022
AS Harju KEK	30,10	30,44
ING Luxembourg S.A.	10,02	10,39
Endel Palla	7,43	7,46
Shareholders holding under 5%	52,45	51,71
Total	**100,00**	**100,00**

Reserves

EUR '000	Note	Man-datory reserve	Share option	Revalu-ation reserve	Currency translation differences	Total reserves
Balance at 31 December 2021		**1,242**	**344**	**17,293**	**-163**	**18,716**
Gain 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**
Gain on revaluation of financial assets (+)	6	0	0	5,516	0	5,516
Share-based payments	18	0	42	0	0	42
Exercise of stock options		0	-132	0	0	-132
Currency translation differences		0	0	0	-139	-139
Balance at 31 December 2023		**1,242**	**240**	**22,083**	**-510**	**23,055**

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 Skeleton Technologies Group OÜ 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 0.1 (2022: 0.2) million euros.

17 Segment information

In the consolidated financial statements, two main segments are distinguished: 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. Following the intra-group restructuring that started in 2020, management of the majority of real estate objects has been transferred to separate property management companies. Starting from the accounting year, the Group's management monitors all real estate companies under the real estate sector, including those that manage the Group's production facilities, and which were previously included in the production segment.
In the report reference period data was adjusted to ensure comparability.

Production – manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter, Harju Elekter Oy, Harju Elekter UAB and Harju Elekter AB. From 1 January 2023, Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB belong to the Real estate segment.

Real estate – real estate development, maintenance and leasing, services related to the maintenance of real estate and production capacity and intermediation of services. This business line includes the parent company and, as of 1 January 2023, also Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB.

Other activities – sales of the products of the Group and its related companies as well as products needed for electrical installation works; 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.

	Production			Real estate		
	2022	reclassifycation	2022 (corrected)	2022	reclassifycation	2022 (corrected)
Revenue from external customers	157,558	-2	157,556	4,363	2	4,365
Inter-segment revenue	1,042	7	1,049	1,704	523	2,227
Segment revenue	**158,600**	**5**	**158,605**	**6,067**	**525**	**6,592**
Operating profit	**-2,002**	**-243**	**-2,245**	**2,344**	**243**	**2,587**
Segment assets	111,601	-14,739	96,862	34,422	14,739	49,161
Liabilities of the segment	89,873	-12,091	77,782	163	12,091	12,254
Capital expenditure	13,137	-11,684	1,453	1,858	11,684	13,542
Depreciation and amortization	2,651	-333	2,318	983	333	1,316

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	Production	Real estate	Other activities	Elimination	Consolidated
2022						
Revenue from external customers	18	157,556	4,365	13,372	0	175,293
Revenue from other segments		1,049	2,227	259	-3,535	0
Total segment revenue		**158,605**	**6,592**	**13,631**	**-3,535**	**175,293**
Operating profit		**-2,245**	**2,587**	**-4,697**	**-191**	**-4,546**
Assets of the segment		96,862	49,161	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		77,782	12,254	8,993	-32,710	66,319
Unallocated liabilities						25,708
incl. borrowings						*25,239*
incl. accrued expenses						*250*
incl. other						*219*
Total liabilities						**92,027**
Investments to non-current assets	7, 8, 10	1,453	13,542	248	0	15,243
Right-of-use assets	8	0	0	251	0	251
Depreciation and amortization	7, 8, 10	2,318	1,316	1,156	-26	4,764

EUR '000	Note	Production	Property	Other activities	Elimination	Consolidated
2023						
Revenue from external customers	18	197,863	4,477	6,674	0	209,014
Revenue from other segments		350	2,426	2,967	-5,743	0
Total segment revenue		**198,213**	**6,903**	**9,641**	**-5,743**	**209,014**
Operating profit		**3,803**	**3,174**	**1,170**	**-69**	**8,078**
Assets of the segment		101,828	34,382	45,469	-32,119	149,560
Unallocated assets						28,815
incl. financial investments						*28,749*
incl. other receivables and prepayments						*66*
Total assets						**178,375**
Liabilities of the segment		82,774	674	5,445	-32,119	56,774
Unallocated liabilities						31,603
incl. borrowings						*30,698*
incl. accrued expenses						*700*
incl. other						*205*
Total liabilities						**88,377**
Investments to non-current assets	7, 8, 10	1,446	5,294	209	0	6,949
Right-of-use assets		76	0	0	0	76
Depreciation and amortization	7, 8, 10	2,189	1,627	578	-28	4,366

18 Further information on statement of profit or loss line items

Revenue by business activities

EUR´000	Note	2023	*At a point in time 2023*	*Over time 2023*	2022	*At a point in time 2022*	*Over time 2022*
Revenue from customer contracts		205,238	*109,904*	*95,334*	171,967	*125,285*	*46,682*
incl Electrical equipment		*190,127*	*105,289*	*84,838*	*148,223*	*109,578*	*38,645*
incl Retail and project-based sale of electrical products		*1,825*	*1,825*	*0*	*9,754*	*9,754*	*0*
incl Other products		*2,790*	*2,790*	*0*	*5,953*	*5,953*	*0*
incl Electrical works		*6,419*	*0*	*6,419*	*5,445*	*0*	*5,445*
incl Other services		*4,077*	*0*	*4,077*	*2,592*	*0*	*2,592*
Lease income	9	3,776			3,326		
Total revenue	17	**209,014**			**175,293**		

The decrease in sales of electrical products was significantly impacted by the closure of this business activity in Estonia.

Revenue by geographical regions (location of customer)

EUR´000	Note	2023	2022
Estonia		20,865	30,296
Finland		83,291	81,829
Sweden		32,492	22,844
Norway		33,828	21,821
Germany		12,681	5,787
Netherlands		7,701	6,732
Other countries		18,156	5,984
Total revenue	17, 18	**209,014**	**175,293**

Operating expenses

EUR´000	Note	2023	2022
Cost of sales			
Goods and materials		-132,830	-118,967
Services purchased		-16,314	-11,762
Personnel expenses	18	-30,199	-23,793
Depreciation and amortization		-3,525	-3,491
Other expenses		-2,996	-5,120
- including provision for unprofitable agreements		*1,630*	*-1,950*
Increase in inventories of work in progress and finished goods	5	438	109
Total		**-185,426**	**-163,024**
Distribution costs			
Services purchased		-1,372	-1,475
Personnel expenses	18	-3,523	-3,790
Depreciation and amortization		-84	-341
Other expenses		-341	28
Total		**-5,320**	**-5,578**
Administrative expenses			
Services purchased		-2,289	-2,874
Personnel expenses	18	-6,206	-6,850
Depreciation and amortization		-757	-932
Other expenses		-860	-538
Total		**-10,112**	**-11,194**
- including development costs		*-141*	*-2,312*

Personnel expenses

EUR´000	Note	2023	2022
Personnel expenses allocated to cost of sales, distribution costs and administrative expenses:			
Salaries		-31,802	-27,124
Social security and other payroll taxes		-7,114	-6,532
Share-based payments	16, 22	-42	-189
Capitalized personnel expenses		122	22
Change in accrued personnel expenses		-1,092	-610
Total		**-39,928**	**-34,433**
Incl average number of employees:			
A person employed under the employment contract;		945	866
A person providing service under the law of obligations, except for a self-employed person		3	3
A member of a management or controlling body of a legal person;		9	9
Total		**957**	**878**

Other income and expenses

EUR´000	Note	2023	2022
Other income			
Gains on sale of property, plant and equipment		11	58
Interest income		8	17
Net gain from foreign exchange differences		169	0
Other income		237	159
Total		**425**	**234**
Other expenses			
Loss on sale of property, plant and equipment		-39	-21
Interest expenses		-61	-27
Net loss from foreign exchange differences		0	-186
Other costs		-403	-43
Total		**-503**	**-277**

Finance income and finance costs

EUR´000	Note	2023	2022
Finance income			
Interest income		15	1
Dividend income		73	74
Net gain from foreign exchange differences		9	0
Net gain from fair value of financial investments	6	0	3
Total		**97**	**78**
Finance expenses			
Interest expenses		-2,101	-625
Net loss from foreign exchange differences		0	-184
Other finance expenses		-2	0
Total		**-2,103**	**-809**

Fees paid to audit companies

According to the resolution of the general meeting of shareholders of 29 April 2021, AS Harju Elekter Group and its subsidiaries are audited by AS PricewaterhouseCoopers from 2021-2023, except for Telesilta Oy and Harju Elekter Kiinteistöt Oy, which is audited by KPMG Oy.

EUR´000	2023	2022
Audit fees	**170**	**128**
Incl PricewaterhouseCoopers	*164*	*125*
Fees for other assurance services	6	9
Fees for other business activities, including fees for tax advisory services	8	10
Total	**184**	**147**

19 Income tax and deferred tax

Income tax expenses

EUR´000	2023	2022
Current income tax expense	585	531
Deferred income tax income (-)/ expense	327	-241
Income tax expense in the statement of profit and loss	**912**	**290**

Income tax expense calculated on the Group's profit differs from actual income tax expense for the reasons explained in the following table. In 2023, the average effective tax rate was 15% (2022: -5.5%).

EUR´000	2023	2022
Total calculated income tax (Finland 20%, Lithuania 15%, Sweden 20.6%)	1 067	481
Adjustments for calculated income tax	-166	-246
Income tax on dividends (Note 21)	11	55
Total income tax expense (Note 21)	**912**	**290**

Deferred income tax assets

EUR´000	31.12.2023	31.12.2022
Deferred income tax assets	731	1 008
Deferred income tax liability	32	0

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. The deferred income tax asset recognized off the balance sheet was 2.3 million euros as of the reporting date.

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 2023, the Group had 153,500 (31 December 2022: 500,568) 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. A total of 758,890 shares were realized from the 2018, 2019 and 2020 rounds, of which 209,262 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 Group 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 3.55 euros in the 2021 and 1.52 euros in the 2022. 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 2023, the average market price of the shares was 5.04 (2022: 6.02) euros.

	Unit	2023	2022
Profit attributable to owners of the parent company	EUR ‘000	5,160	-5,544
Average number of shares in the period	Pcs ‘000	18,356	18,134
Basic earnings per share	EUR	0.28	-0.31
Adjusted average number of shares in the period	Pcs ‘000	18,395	18,216
Diluted earnings per share	EUR	0.28	-0.30

21 Information about line items in the statement of cash flows

EUR´000	Note	2023	2022
Corporate income tax			
Income tax expense in the statement of profit or loss	19	-912	-290
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability	14	-200	243
Income tax expense on dividends	19	11	55
Deferred income tax expense/income	19	327	-318
Currency translation differences		-18	24
Corporate income tax paid		**-792**	**-286**
Paid for investment properties			
Acquisitions of investment properties	7	-5,175	-1,858
Decrease (-)/ increase (+) of liability related to acquisition	13	242	-261
Paid for investment properties		**-4,933**	**-2,119**
Paid for property, plant and equipment			
Additions of property, plant and equipment	8	-1,376	-12,917
Decrease (-)/ increase (+) of liability related to additions of property, plant and equipment	13	3	202
Addition of the right to use the asset		524	0
Other proceeds from investing activities		-3	0
Paid for property, plant and equipment		**-852**	**-12,715**
Paid for intangible assets			
Additions of intangible assets	10	-398	-468
Decrease (-)/ increase (+) of liability related to additions of intangible assets	13	43	0
Currency translation differences		-3	0
Paid for intangible assets		**-358**	**-468**

22 Related parties

The related parties of AS Harju Elekter Group 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 30.10% of the shares of AS Harju Elekter Group.
The Group's management comprises members of the Parent company's Supervisory and Management Boards.

Transaction with related parties

EUR´000	31.12.2023	31.12.2022
Balances with related parties:		
- Payables for goods and services	136	106
- Payables to Management and Supervisory Boards	66	66
- Bonus reserve for Management board members	98	0

	2023	2022
Purchase of goods and services from related parties:		
- Lease of property plant and equipment from AS Harju KEK	111	68
- Other services from AS Entek and Ellex Raidla Advokaadibüroo OÜ	1,010	731
Sale of goods and services to related parties:		
- Sale of other services to AS Harju KEK	1	2
- Sale of goods and services to AS Entek	4	2
- Lease service for HeBA Clinic OÜ	1	0
Remuneration of the members of the Supervisory and Management Boards:		
- salary, bonuses, benefits and other remuneration	556	446
- social security tax	183	147

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 Group 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 Group issues stock options each year up to two percent (2%) of the total number of the shares of AS Harju Elekter Group.

During the financial year, options granted in June 2020 were exercised. A total of 41 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 209,262 shares for 929,123.28 euros. A total of 82,306 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 Group 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.

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 (labour 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 2023, the amount of share-based payments recognized as personnel expenses was 42 (2022: 189) 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 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)	4.5	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)	4.5	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**
Quantity canceled during the period (2020)					-12	-101,806
Quantity canceled during the period (2021)					-5	-36,000
Quantity realised during the period (2020)					-41	-209,262
As at 31 December 2023					**21**	**153,500**
				Including the issued balance from the 2021 program		*99,500*
				Including the issued balance from the 2022 program		*54,000*

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)	
	31.12.2023	31.12.2022				31.12.2023	31.12.2022
AS Harju Elekter	100%	100%	Estonia	Production	Production	10,144	6,286
AS Harju Elekter Teletehnika	-	100%	Estonia	Production	Production	-	475
Energo Veritas OÜ	100%	80.52%	Estonia	Retail and wholesale	Other activities	-1,694	-38
Harju Elekter Oy	100%	100%	Finland	Production	Production	8,910	8,538
Harju Elekter Kiinteistöt Oy	100%	100%	Finland	Management of industrial real estate	Real estate	3,068	3,050
Telesilta Oy	100%	100%	Finland	Electrical engineering works	Other activities	1,232	1,096
Harju Elekter UAB	100%	100%	Lithuania	Production	Production	5,282	1,409
Harju Elekter AB	100%	100%	Sweden	Production	Production	-2,264	508
Harju Elekter Services AB*	100%	100%	Sweden	Management of industrial real estate	Real estate	-607	35

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

On March 13, 2023, the merger of AS Harju Elekter Elektrotehnika (new name AS Harju Elekter) and AS Harju Elekter Teletehnika was entered into the commercial register. According to the merger agreement, AS Harju Elekter Elektrotehnika is the legal successor of AS Harju Elekter Teletehnika, and all assets of AS Harju Elekter Teletehnika were transferred to AS Harju Elekter Elektrotehnika. Due to the merger, AS Harju Elekter Teletehnika was deleted from the commercial register.

As of the reporting date, the Group has no subsidiaries with a non-controlling interest. On 29 September 2023, AS Harju Elekter Group and Reinvent OÜ concluded a contract of sale of a share in a private limited company in which AS Harju Elekter Group acquires a 19.48% share in Energo Veritas OÜ. As a result of the transaction, AS Harju Elekter Group became the sole shareholder of Energo Veritas OÜ, holding the sole share of Energo Veritas OÜ with a nominal value of EUR 2,500.

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

EUR´000	31.12.2023	31.12.2022
Estonia	39,416	35,493
Finland	7,857	7,996
Sweden	12,820	13,341
Lithuania	10,184	10,910
Total	**70,277**	**67,740**

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	31.12.2023	31.12.2022
Cash and cash equivalents	59	8,055
Trade receivables	574	363
Receivables from Group companies	20,702	14,532
Other current receivables and prepayments	67	91
Total current assets	**21,402**	**23,041**
Investments in subsidiaries	14,794	14,794
Non-current receivables from subsidiaries	22,272	16,149
Other non-current financial investments	28,749	23,233
Investment properties	32,409	28,616
Property, plant and equipment	1,731	1,763
Intangible assets	190	120
Total non-current assets	**100,145**	**84,675**
TOTAL ASSETS	**121,547**	**107,716**
Borrowings	12,789	11,444
Trade payables	449	206
Payables to Group companies	813	2,018
Tax liabilities	206	218
Other liabilities and prepayments from customers	885	454
Total current liabilities	**15,142**	**14,340**
Borrowings	17,909	13,795
Total non-current liabilities	**17,909**	**13,795**
Total liabilities	**33,051**	**28,135**
Share capital	11,655	11,523
Share premium	3,306	2,509
Reserves	23,325	17,809
Retained earnings	50,210	47,740
Total equity	**88,496**	**79,581**
TOTAL LIABILITIES AND EQUITY	**121,547**	**107,716**

Statement of comprehensive income

EUR´000	2023	2022
Revenue	8,921	6,067
Cost of sales	-3,098	-3,186
Gross profit	**5,823**	**2,881**
Other income	113	111
Administrative expenses	-3,614	-2,390
Other expenses	-33	-31
Operating profit	**2,289**	**571**
Revenue from subsidiaries	920	2,523
Dividend income from available-for-sale financial assets	73	74
Interest income	1,316	332
Write-off of subsidiary's investment	0	-430
Interest expenses	-1,227	-139
Loss from change of foreign exchange rates	24	-181
Profit from operating activities	**3,395**	**2,750**
Income tax	-11	-11
Profit for the period	**3,384**	**2,739**
Other comprehensive income/loss		
Gain/-loss from revaluation of financial assets	5,516	-406
Total other comprehensive income/loss for the period	**5,516**	**-406**
Comprehensive income/expense for the period	**8,900**	**2,333**

Statement of cash flows

EUR´000	2023	2022
Cash flows from operating activities		
Profit	3,384	2,739
Adjustments		
Depreciation, amortization and impairment losses	1,551	1,445
Profit on sale of non-current assets	0	-1
Finance income	-2,309	-2,929
Finance expenses	1,203	750
Income tax	11	11
Changes		
Changes in trade receivables	-2,387	885
Changes in trade payables	443	173
Interest paid	-1,165	-114
Total cash flow (-outflow) from operating activities	**731**	**2,959**
Cash flows from investing activities		
Payments for investment properties	-4,933	-2,367
Payments for property, plant and equipment	-69	-6
Payments for intangible assets	-147	-15
Proceeds from sale of financial investments	0	1,315
Repayments of loans granted	8,945	7,777
Loans granted	-18,455	-18,625
Interest received	757	354
Dividends received	993	2,597
Total cash flow (-outflow) from investing activities	**-12,909**	**-8,970**

EUR´000	2023	2022
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	898	1,047
Change in overdraft balance	818	2,887
Proceeds from borrowings	6,141	13,490
Repayments of borrowings	-2,748	-769
Dividends paid	-914	-2,523
Dividend income tax paid	-11	-11
Total cash flow (-outflow) from financing activities	**4,184**	**14,121**
Total cash flows	**-7,994**	**8,110**
Cash and cash equivalents at the beginning of the period	**8,055**	**126**
Change in cash and bank accounts	-7,994	8,110
Effects of exchange rate differences	-2	-181
Cash and cash equivalents at the end of the period	**59**	**8,055**

Statement of changes in equity

EUR´000	Share capital	Share premium	Mandatory reserve	Revaluation reserve	Retained earnings	Total
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**
Profit for 2023	0	0	0	0	3,384	3,384
Other comprehensive income /-loss for 2023	0	0	0	5,516	0	5,516
Total comprehensive income/-loss	**0**	**0**	**0**	**5,516**	**3,384**	**8,900**
Transactions with the owners of Parent recognized directly in equity						
Share capital contribution	132	797	0	0	0	929
Dividends paid	0	0	0	0	-914	-914
Total transactions with the owners of Parent	**132**	**797**	**0**	**0**	**-914**	**15**
Balance at 31 December 2023	**11,655**	**3,306**	**1,242**	**22,083**	**50,210**	**88,496**

EUR´000	2023	2022
Unconsolidated equity at 31 December	**88,496**	**79,581**
Interests under control and significant influence:		
-Carrying amount	-14,794	-14,794
-Carrying amount under the equity method	16,296	14,784
Adjusted unconsolidated equity as at 31 December	**89,998**	**79,571**

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 Group 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 following new or revised standards and interpretations became effective for the Group from 1 January 2023.

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 changes in the accounting principles have been applied without correcting the comparative data, the effects of the implementation have been reflected in the opening balance sheet as of January 1, 2023. The implementation of the new accounting principle had no impact on the consolidated income statement.

	Originally submitted 31.12.2022	Effect of amendments from IAS 12	Corrected 01.01.2023
Deferred tax assets	1,008	51	1,059
Deferred tax liability	0	45	45
Retained earnings	47,771	-6	47,765

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 2023 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 2024, and which the Group has not early adopted.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2024

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

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)

Information regarding the subsidiaries of AS Harju Elekter Group and their ownership and voting rights is provided in Note 23.

25.6 Recognition of foreign currency transactions and balances

Consolidated financial statements are provided in thousands of euros (,000 euros), unless indicated otherwise.

Consolidated financial statements are presented in euros, which is the reporting and presentation currency of the parent company. All figures are rounded to the nearest thousand, unless indicated otherwise. Estonian, Lithuanian and Finnish subsidiaries employ the Euro (EUR) as accounting currency. Swedish companies use a different accounting currency (SEK) from the rest of the Group, and therefore this subsidiary's assets and liabilities are translated into euros based on the official exchange rates of the European Central Bank prevailing on the balance sheet date. Revenue and costs are translated into euros based on the average exchange rate for the period, and other changes in equity are translated based on the exchange rate prevailing on the date they are incurred.

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.

25.8 Financial instruments (IFRS 9, IAS 32)

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 financial assets in the following measurement categories:

- financial assets to be measured at amortised cost; and
- financial assets to be measured at fair value (either through statement of comprehensive income or through income statement).

Financial assets are classified when initially recognised, and classification depends on the Group's business model regarding financial asset management and the contractual terms regarding cash flows.

Recognition, measurement and derecognition
According to IFRS 15, regular way purchases or sales of financial assets are recognised on the trade date, or the date on which the Group commits to the purchase or sale. Financial assets are derecognised when the Group relinquishes interest in the cash flows from the financial interest and essentially transfers all risks and gains arising from the asset.

Financial assets are recognised at their fair value upon initial recognition, to which are added transaction costs directly related to the acquisition of the financial asset, 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.

Debt instruments
All of the Group's debt instruments (cash and cash equivalents, receivables, loans) are classified in the adjusted cost category. Assets held only for receiving contractual cash flows, constituting only principal repayments and interest on unpaid principal, are recognised at adjusted cost.

Equity instruments
The Group recognises equity instruments (investments in stocks, shares and securities) at fair value. When the Group has made an irrevocable decision to recognise 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 recognised 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, 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.

Impairment of financial assets
For debt instruments carried at adjusted cost, the Group estimates expected credit losses based on future information. The impairment methodology applied depends on whether there is a significant increase in credit risk. 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 past events, current conditions and projected 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 write-down is calculated on the basis of requirements for different maturity periods ("Creditworthiness of financial assets").

Financial liabilities
The Group's financial liabilities (prepayments from customers, trade payables, accrued expenses, other current and non-current liabilities, received loans and other liabilities) are initially recognised at fair value less direct transaction costs. Financial liabilities are thereafter carried at amortised cost using the effective interest rate method.

25.9 Inventories (IAS 2, IAS 23)

Inventories are carried at cost or net realisable value, whichever is lowest. The cost of finished goods and work-in-progress includes design costs, raw materials, direct labour 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.

25.10 Investment properties (IAS 40)

Investment properties are recognised at 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 these financial statements.

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

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.

25.11 Property, plant and equipment (IAS 16)

Recognition and measurement
Items of property, plant and equipment are recognised at an acquisition cost less any accumulated depreciation and any impairment losses. The acquisition cost of an item of property made for own use consists of material costs, direct labour costs and a proportional share of manufacturing overheads and borrowing costs which are related to the acquisition, construction or production of the item.

Depreciation
Depreciation is recognised 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.

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

25.12 Intangible assets (IAS 38, IAS 36)

Intangible assets (other than goodwill) are amortised on a straight-line basis over their estimated useful lives.

Other intangible assets
Other intangible assets include licenses and computer software. Acquired licenses are recognised at acquisition cost. Acquired computer software licenses are capitalised 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 less any accumulated depreciation and any impairment losses.

25.13 Leases (IFRS 16)

When a contract is entered into, the Group assesses whether it is a lease contract or contains lease relations. 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".

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

Group as 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 lease, which includes periods of potential renewal of lease if the lessee is reasonably certain to exercise the option, and periods of potential termination of 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".

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, or if the Group changes its estimate of whether to exercise its options to extend or terminate the lease.

The Group has chosen not to apply the requirements of IFRS 16 to lease contracts with a term up to 12 months and such lease contracts that have a low underlying value These payments are recognised as an expense in the income statement on a straight-line basis. 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 recognises 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, corporate income tax liability arises upon distribution of profits and is recognised as an expense when dividends are declared. Furthermore, income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, payments not attributable to business, and transfer price adjustments. Corporate income tax rate is 20/80. A more favourable tax rate of 14/86 applies to dividends paid on a regular basis. If these favourable tax-rate dividends are paid to an individual, an additional 7% income tax is to be withheld.

Corporate income tax in other countries
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 income 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 income tax, which is adjusted in income tax declarations by applying temporary or permanent differences based on local income tax law requirements.

Deferred income tax
Deferred income tax liability is recognised in the consolidated statement of financial position if the parent company foresees dividend payment by the subsidiary in the foreseeable future, and is measured as the planned dividend payment amount, contingent on the subsidiary having sufficient equity on the reporting date to pay the dividend in the foreseeable future. The deferred income tax amount is determined based on tax rates in force or provided in law on the reporting date, and which will presumably be applied at the time of disposing of the deferred income tax asset or paying the income tax obligation.

25.15 Employee benefits (IAS 19)

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

Share-based transactions (IFRS 2)
The Group operates option programmes with share-based payments (Note 22). For services provided, employees are granted options to acquire shares in AS Harju Elekter. 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 granting of the option until the start of the period during 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. When options are exercised, the Group issues 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 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 recognised when the Group has a legal or constructive obligation arising from past events and it is likely that a resource outflow is required to settle this obligation and the amount is reliably measurable. Provisions are not recognised for future operating losses. Provision for onerous contracts is recognised if the Group has entered into contracts where the unavoidable costs of performing the contract exceed the estimated economic benefit from the contract.

25.17 Revenue from contracts with customers (IFRS 15)

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 is considered to have transferred the goods or services to the client at the time the client acquires control of the goods or services. Control may be transferred at a specific time or over a period.

Sale of goods
The Group manufactures and sells electrical distribution equipment and control panels and various metal products. Sales are recognised at the time of transfer of control, i.e. when the products are delivered to the customers, the customer gains 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.

Revenue is recognised over the manufacturing period if the electrical equipment is manufactured according to customer's specifications and there is no alternative use for the specific asset (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 determined based on the share of actual costs incurred compared to the total expected costs. If, by the balance sheet date, the customer has been invoiced less than the revenue recognised during the manufacturing period, the contract asset is recognised in the statement of financial position as "Trade and other receivables" (Note 3). If invoices exceed manufacturing capacity, the contractual obligation is carried in the statement of financial position as "Trade prepayments".

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

Electrical works and other services
Revenue for services provided is recognised for the period of service provision. For fixed-price contracts, revenue is recognised 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 of the service simultaneously with service provision. Revenue is determined based on the share of actual costs incurred compared to the total expected costs.

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

25.18 Related parties (IAS 24)

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

- AS Harju KEK, holding 30.10% of AS Harju Elekter shares;
- 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 household with a member; and
- companies controlled by members of the Management Board and Supervisory Board of the Parent company.

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

- Testing the recoverable amount of goodwill (Note 10)
- Fair value of financial investments (Note 6)
- Useful lives of investment property and property, plant and equipment (Notes 7, 8, 25)
- 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. 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.

EUR´000	31.12.2023		31.12.2022	
	EUR	SEK	EUR	SEK
Assets	518	17,077	0	12,698
Liabilities	-322	-18,859	0	-11,420
Open currency position	**196**	**-1,782**	**0**	**1,278**
Revenue	1,738	30,907	0	25,733
Expenses	-7,436	-34,000	0	-30,624
Open currency position	**-5,698**	**-3,093**	**0**	**-4,891**

The potential impact of foreign currency fluctuations on comprehensive income is calculated based on the maximum foreign currency fluctuation during the reporting period that has been used in the table below to assess the effect of a potential change in the exchange rate. For the purposes of sensitivity analysis of the Group's net open foreign currency position, all other inputs were held constant.

Possible impact on total comprehensive income:

EUR´000	2023	2022
Impact of SEK exchange rate +8.94% (2022: +9.07%)	42	195
Impact of SEK exchange rate -8.94% (2022: -9.07%)	-1,427	-160

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 5.45% holding of OÜ Skeleton Technologies Group, recognised as other non-current 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 10% 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 current and non-current 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).

The Group's non-current and current borrowings as at 31 December 2023 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	31.12.2023	31.12.2022
Fixed rate financial liabilities	11	6,375	2,715
Variable rate financial liabilities	11	36,493	42,402
Total	11	**42,868**	**45,117**

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 365 (31.12.2022: +/- 424) 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 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	31.12.2023	31.12.2022
a3		29	190
aa2		0	67
aa3		168	24
ba1		0	7,980
baa1		964	571
baa3		220	320
Total	11	**1,381**	**9,152**

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. To reduce the credit risk, customers' payment discipline and their ability to meet their commitments are monitored daily. In the case of long-term projects or new customers, financing is also partially done with advance payments from customers, depending on the content of the agreement and the work. Based on internal and external ratings, individual credit limits are set for customers. There is regular monitoring of the use of credit limits.

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	31.12.2023	31.12.2022
Cash and cash equivalents	2	1,381	9,152
Trade receivables, contract assets and other receivables	3	38,837	31,612
Total		**40,218**	**40,764**

As at 31 December 2023, the Group's exposure to credit risk was 40.2 million euros and as 31 December 2022 it was 40.8 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 2023, 1.7 (31 December 2022: 1.3) million euros had not been collected by 15 March 2024.

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..

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 2023, 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 2023 and 31 December 2022 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 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**	**377**
31 December 2023							
Expected loss rate		0.01%	0.01%	0.01%	0.01%	41.34%	
Trade receivables	3	18,360	4,208	560	380	602	24,110
Contract assets	3	13,947	0	0	0	0	13,947
Other receivables	3	80	0	0	0	0	80
Total loss allowance		**2**	**0**	**0**	**0**	**249**	**251**

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. An overdraft account is used 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 1.4 (31.12.2022: 9.2) million euros and total liabilities to 88.4 (31.12.2022: 92.0) million euros. The current ratio and liquidity ratio of the Group were 1.2 and 0.6 in 2023 and 1.1 and 0.6 in 2022, respectively.

Analysis of the Group's financial liabilities by maturity:

EUR '000	Note	<3 months	3-12 months	1-5 years	Total
31 December 2022					
Borrowings		6,100	18,301	20,449	44,850
Lease payables		201	601	1,006	1,808
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**

EUR '000	Note	<3 months	3-12 months	1-5 years	Total
31 December 2023					
Borrowings		5,297	15,890	26,469	47,656
Lease payables		182	547	1,025	1,754
Trade payables	13	17,048	0	0	17,048
Other liabilities	13	925	0	0	925
Total		**23,452**	**16,437**	**27,494**	**67,383**

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	31.12.2023	31.12.2022
Interest-bearing borrowings	11	42,868	45,117
Cash and cash equivalents	2, 27.2	-1,381	-9,152
Net debt		**41,487**	**35,965**
Total equity		89,998	79,410
Total capital		**131,485**	**115,375**
Debt to capital ratio		31.6%	31.2%
Total assets		178,375	171,437
Equity ratio		50.5%	46.3%

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 2023 and 2022, 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. Loans with a fixed interest rate were taken out in the reporting year, and their loan interest rates are close to market conditions on the balance sheet date. 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	31.12.2023	31.12.2022
Retained earnings	51,982	47,771
Maximum possible dividend distributable to owners	42,000	37,482
Potential income tax expense on dividend distribution	**9,982**	**10,289**

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 2023.

The contingent income tax liability is calculated based on the maximum tax rate of 20/80. Upon the payment of dividends in 2023, the Group is able to use the reduced 14% tax rate on 82 (2022: 89) thousand euros.

29 Events after the reporting date

Starting from January 2, 2024, Jari Jylli, the Managing Director of Harju Elekter Oy, took over the duties of the Managing Director of Harju Elekter Group's Finnish subsidiary Harju Elekter Kiinteistöt Oy. The former Managing Director of Harju Elekter Kiinteistöt Oy, Simo Puustelli, was retiring.

On January 9, 2024, the merger of AS Harju Elekter Group's Swedish subsidiaries AS Harju Elekter Group LC Development Fastigheter 17 AB with Harju Elekter Services AB was entered into the commercial register.

Management board's confirmation of the consolidated annual report

The Management Board confirms that the 2023 consolidated annual report and financial statements of AS Harju Elekter Group gives a true and fair view of the financial position and financial performance of the Group consisting of the parent company and other consolidated entities as a whole in accordance with International Financial Reporting Standards as adopted by the European Union. AS Harju Elekter Group and its subsidiaries continue to operate

Tiit Atso Chairman of the Management Board	/ Signed digitally /	22 March 2024
Aron Kuhi-Thalfeldt Member of the Management Board	/ Signed digitally /	22 March 2024
Priit Treial Member of the Management Board	/ Signed digitally /	22 March 2024

Independent auditor's report

To the Shareholders of AS Harju Elekter Group (previous name 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 AS Harju Elekter Group (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, 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 22 March 2024.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100004250/reports).

Independence

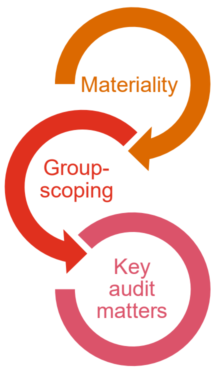
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance 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 2023 to 31 December 2023 we have provided trainings to the Company and its subsidiaires.

Our audit approach

Overview



- Overall group audit materiality is EUR 1,730 thousand, which represents approximately 0.9% 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 91% of the Group's assets and 97% 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 1,730 thousand.
How we determined it	Overall Group materiality represents approximately 0.9% 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 2023, the Group has recognised revenue of EUR 209 million. Revenue consists mainly of sales of electrical equipment and products in the amount of EUR 195 million and revenue from electrical works and other services in the amount of EUR 10 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.

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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 91% of the Group's assets and 97% 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, the Remuneration Report, Management board’s confirmation of the consolidated annual report, Profit allocation proposal, 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 of the Republic of Estonia 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 of the Republic of Estonia.

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 AS Harju Elekter Group for the year ended 31 December 2023 (the "Presentation of the Consolidated Financial Statements").

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 management 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 AS Harju Elekter Group 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 AS Harju Elekter Group of 6 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 AS Harju Elekter Group can be extended for up to the financial year ending 31 December 2038.

AS PricewaterhouseCoopers

Eva Jansen-Diener
Certified auditor in charge, auditor’s certificate no. 501

Kristiina Veermäe
Auditor’s certificate no. 596

22 March 2024
Tallinn, Estonia

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Profit allocation proposal

Retained earnings attributable to equity holders of AS Harju Elekter Group:

	EUR
Retained earnings for prior periods as at 31 December 2023	46,822,252
Net profit for 2023	5,159,811
Total distributable profit as at 31 December 2023	51,982,063

The Management Board proposes to distribute profit as follows:

	EUR
As dividends (0.13 euros per share)	2,404,840
Balance of retained earnings after profit distribution	49,577,223

Tiit Atso
Chairman of the Management Board

/ Signed digitally /

22 March 2024

Supplementary annexes

Formulas to calculate ratios

Formulas used to calculate the ratios set out on pages 51 and 73:

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). The Group is reporting with referentce to GRI. 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 f stakeholders. The table with GRI content presented below includes data on the activities of the Parent company and its subsidiaries AS Harju Elekter Group, AS Harju Elekter, Harju Elekter Oy, Telesilta Oy, Harju Elekter UAB, Harju Elekter AB, unless otherwise noted. 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
GRI 2: GENERAL DISCLOSURES 2021				
1. The organization and its reporting practices				
	2-1	Organizational details	p. 1 p. 2 p. 7 p. 73-75	Headquarters located in Keila (Estonia)
	2-2	Entities included in the organization's sustainability reporting	p. 10, 61-69	
	2-3	Reporting period, frequency and contact point	p. 1 p. 2	Contact point for questions regarding the report: "Merili Pärnpuu, merili.parnpuu@harjuelekter.com"
	2-4	Restatements of information		No restatements
	2-5	External assurance		The GRI report has not been certified by any third parties

GRI STANDARD	DISCLOSURE NO	DISCLOSURE TITLE	PAGE NO	KEY EXPLANATIONS
2. Activities and workers	2-6	Activities, value chain, and other business relationships	p. 4-5, 7-12, 25, 46, 52, 54-75	"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." Supply chain: 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."
	2-7	Employees	p. 10, 29-35, 52, 54-61	
	2-8	Workers who are not employees	p. 29-35	
3. Governance	2-9	Governance structure and composition	p. 22	
4. Strategy, policies and practices	2-22	Statement on sustainable development strategy	p. 4-5	
	2-23	Policy commitments	p. 7, 22, 13-18, 36-42, 45	
	2-27	Compliance with laws and regulations	p. 38, 45	
	2-28	Membership associations	p. 20	
5. Stakeholder engagement	2-29	Approach to stakeholder engagement	p. 19 p. 14-15, 19, 28-35, 73, 52	
	2-30	Collective bargaining agreements	p. 35	

GRI STANDARD	DISCLOSURE NO	DISCLOSURE TITLE	PAGE NO	KEY EXPLANATIONS
GRI 3: MATERIAL TOPICS 2021				
2. Disclosures on material topics	3-1	Process to determine material topics	p. 14	
	3-2	List of material topics	p. 14-17	No changes in reporting
	3-3	Management of material topics	p. 13-14, 18-21, 24-27, 29, 30-42, 45, 46, 78, 84	
SUSTAINABILITY FOCUS TOPICS				
Product quality	non-GRI	Customer complaints	p. 27	
	non-GRI	Products delivered to customers on time in accordance with required specifications	p. 25-26	
Customer experience	non-GRI	Customer satisfaction	p. 25-26	
Environmental impact of products	non-GRI	Renewable energy production	p. 40	
Economic performance (GRI 201: 2016)	201-1	Direct economic value generated and distributed	p. 52, 54-60, 81-85, 52-54	
Anti-corruption activities (GRI 205: 2016)	205-3	Confirmed incidents of corruption and actions taken	p. 45	
Energy consumption (GRI 302: 2016)	302-1	Energy consumption within the organization	p. 41-42	
Emissions (GRI 305: 2016)	305-1	Direct (Scope 1) GHG emissions	p. 38	
	305-2	Energy indirect (scope 2) GHG emissions	p. 38	
Waste (GRI 306: 2020)	306-3	Waste amount and types	p. 42	
	306-4	Amount of recycled and reused waste and types	p. 42	
Water and Effluents (GRI 303: 2018)	303-5	Water consumption	p. 42	
Supplier environmental assessment (GRI 308: 2016)	308-2	Negative environmental impacts in the supply chain and corrective measures	p. 46	
Employment (GRI 401: 2016)	401-1	New employee hires and employee turnover	p. 30, 34	
	401-2	Employee benefits and incentives	p. 34-35	Presented by the description of the motivation system of employees. Benefits and incentives are for contract employees.
	mitte-GRI	Interns	p. 19-20	
	mitte-GRI	Employee level of education	p. 32-33	
	mitte-GRI	Employee satisfaction and feedback	p. 33-34	

GRI STANDARD	DISCLOSURE NO	DISCLOSURE TITLE	PAGE NO	KEY EXPLANATIONS
Occupational health and safety (GRI 403: 2018)	403-1	Occupational health and safety management system	p. 31	
	403-2	Hazard identification, risk assessment, and incident investigation	p. 31	
	403-9	Injuries at work	p. 31	
Training and education (GRI 404: 2016)	404-1	Average hours of training per year per employee	p. 29, 32	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. 32-33	Data is provided with a detail that the Group companies have considered important.
	non-GRI	Employee participation in training courses	p. 32-33	
Diversity and equal opportunities (GRI 405: 2016)	405-1	Diversity of governance bodies and the entire staff	p. 30, 35, 79-84	Data is provided with a detail that the Group companies have considered important.
Non-discrimination (GRI 406: 2016)	406-1	Incidents of discrimination and corrective actions taken	p. 35, 45	
Local communities (GRI 413: 2016)	413-1	Activities with local community engagement, impact assessments, and development programs	p. 19-21	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)	414-1	Negative social impacts in the supply chain and actions taken	p. 46	
Public policy (GRI 415: 2016)	415-1	Political contributions	p. 45	
Customer health and safety (GRI 416: 2016)	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 26-27	

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