Annual Report 2024

HARJU ELEKTER®

Electrifying **Tomorrow**

AS HARJU ELEKTER GROUP

Consolidated Annual Report 2024

Registry code: 10029524

Address: Paldiski mnt. 31/2, 76606 Keila, Estonia

Telephone: +372 674 7400

Auditor: AS PricewaterhouseCoopers

Beginning of financial year: 1 January 2024

End of financial year: 31 December 2024

Annexes:

- Independent auditor's report
- Independent Practitioner's Limited Assurance Report on Consolidated Sustainability Statement
- 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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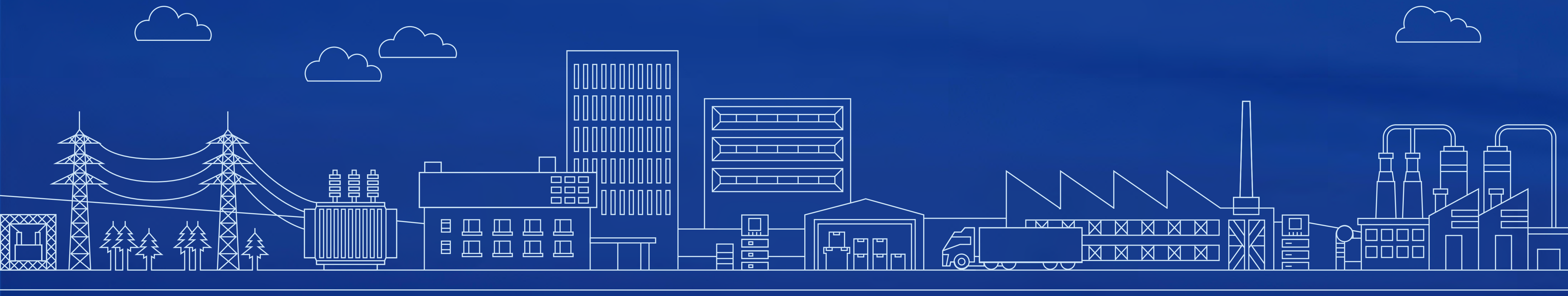


Contents

The New Strategic Plan Creates Opportunities for Growth in Results

TIIT ATSO
Chairman of the Management Board

The results of Harju Elekter for 2024 were affected by lower order volumes in the second half of the year, a decline was anticipated at the beginning of the year. The primary impact in the fourth quarter came from a larger-than-expected decline in orders, which significantly affected revenue. The decline in revenue presented a challenge in terms of covering overhead costs and maintaining profitability. However, further reductions in overhead costs, in particular staff costs, would have affected competence and limited opportunities for the sustainable growth of business volumes. Nevertheless, the group continues to operate in savings mode, carefully considering each expense and investment.

On the positive side, the volume of sales orders increased in the fourth quarter. As previously predicted, its impact will not be noticeable until the peak production season, which will be in the second and third quarters of 2025. Therefore, the low season in economic results is expected to continue in the first quarter.

Although the results of the preceding financial year fall short of expectations, it should be noted that the group has managed to exceed the revenue and operating profit of 2024 on only two occasions in the past. However, this is no reason to be satisfied.

It is the priority of the Management Board to improve performance results in the coming years. The new strategic plan approved by the Supervisory Board at the beginning of 2025 creates the necessary prerequisites for achieving this objective, taking into account both market trends and growth opportunities for electrification.

Key pillars of the 2025–2030 growth strategy:

- **„First billion is the hardest“** – we aim strong revenue growth in upcoming years
- The sustainable growth must be profitable – **10% EBIT margin is a must** not an option
- We will keep playing an active role in the electrification of society by providing **electrical power distribution solutions**
- We target **real estate** portfolio growth **two folds** in terms of revenue and EBIT
- We will continue to invest to our **own products** to **harvest higher margins** and improve our competitiveness
- Our growth journey can not only be organic therefore we will target company **M&A-s** and expand our home markets to **Central Europe**. We will focus on this after all the **existing subsidiaries are stable and profitable**
- **Resources constraint** – we use our funds and resources in utmost rational manner & we plan investments considering our financial capabilities
- Company with **attractive dividend** policy and shareholders base of **>20 000 investors**

During the reporting year, the Lithuanian factory made the largest contribution to the group's results. Although the number of employees decreased by 146 due to the reduction in order volumes, the company maintained strong profitability. In Lithuania, the order volume has grown the most in the new year, giving reason to be optimistic about 2025.

The Estonian production unit also achieved good financial results. The significant recognitions awarded to the company last year – Factory of the Year 2024 and Company of the Year – confirm that the decision made a few years ago to merge two Estonian factories into one synergistic subsidiary was strategically correct. The order volume of the Estonian company has also increased significantly since the beginning of 2025, providing confidence and positive prospects for future development.

Finnish companies ended the year profitably, but the results were modest. The best result was achieved by the factory producing turnkey substations in Kurikka. In 2024, Harju Elekter Oy underwent management structure changes and thoroughly analyzed the effectiveness of business models. A new development plan has been approved for 2025, creating the conditions for achieving previous profitability in the coming years.

The Swedish factory remained the unit with the weakest performance in the group this year as well. Two years after the relocation and the merger of activities, it has not yet been possible to build a stable and profitable structure or business model. However, higher business volumes are forecasted for 2025, which will reduce the impact of negative economic results on the group's overall profitability compared to 2024. The Swedish company plays an important role in the activities of the Estonian factory and has a positive impact on the results by mediating the substation assemblies produced by the Estonian production unit to local network companies.

We will continue to work in 2025 to meet the expectations of our stakeholders. Our dedicated employees, loyal customers and partners, and supportive investors are key factors in developing a sustainable company. In implementing the growth strategy, we continuously promote a healthy and safe work environment and establish a management culture based on shared values. We will also continue to enhance the awareness of the Harju Elekter brand in the group's operating countries, which is one of the strategic tools for increasing our attractiveness as an employer and partner.

Tiit Atso
Chairman of the Management Board

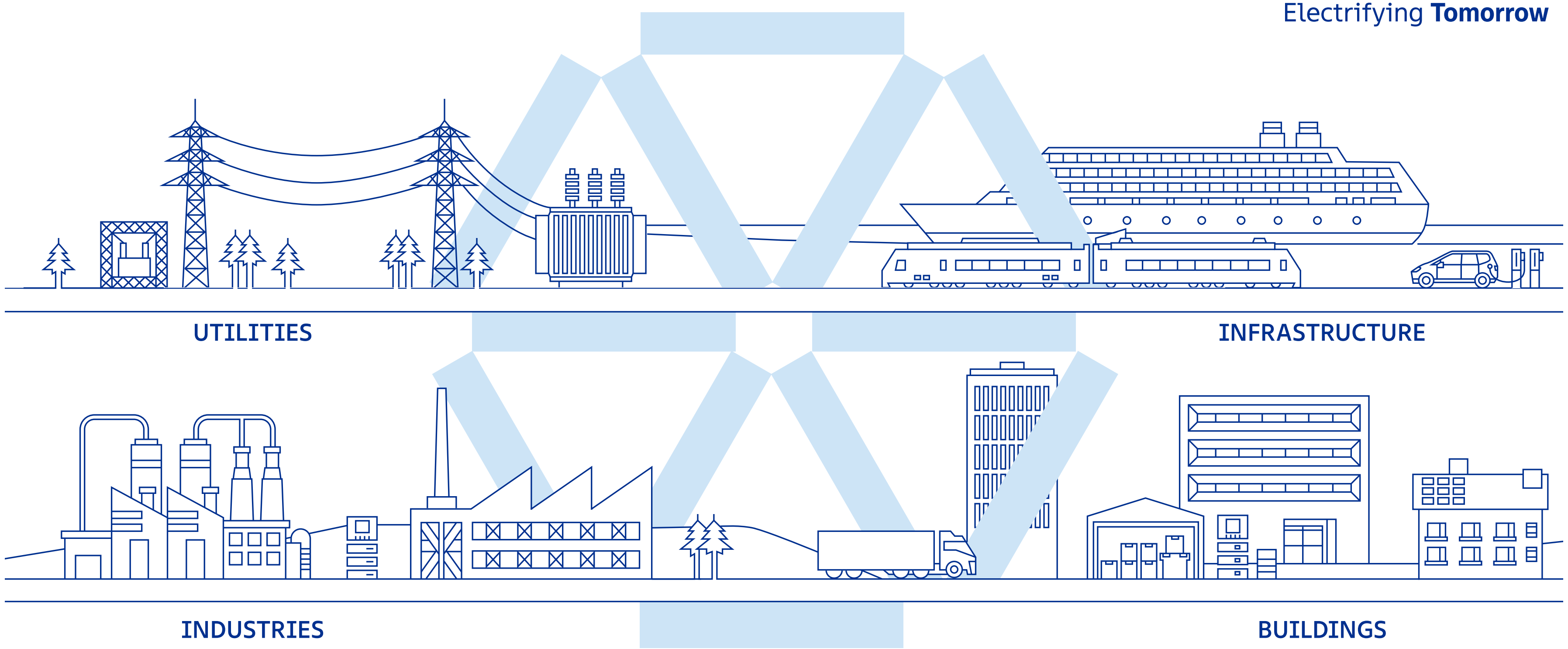
Management Report 2024

HARJU ELEKTER®

Electrifying **Tomorrow**

Harju Elekter in Brief

HARJU ELEKTER
Electrifying **Tomorrow**



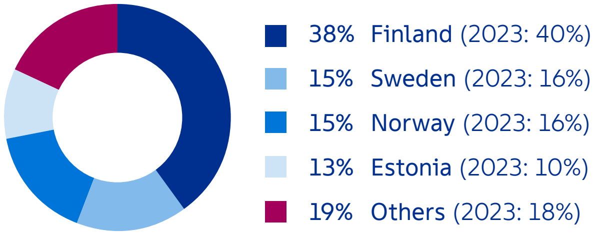
Turnover 2024

175 M€

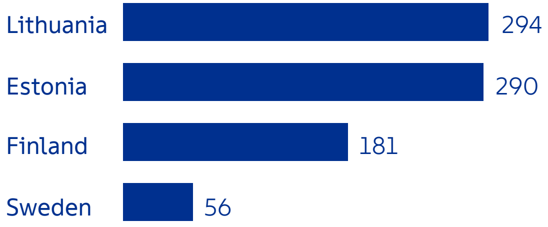
Employees in total
as at 31.12.24

821

Share of revenue by markets



Employees by country

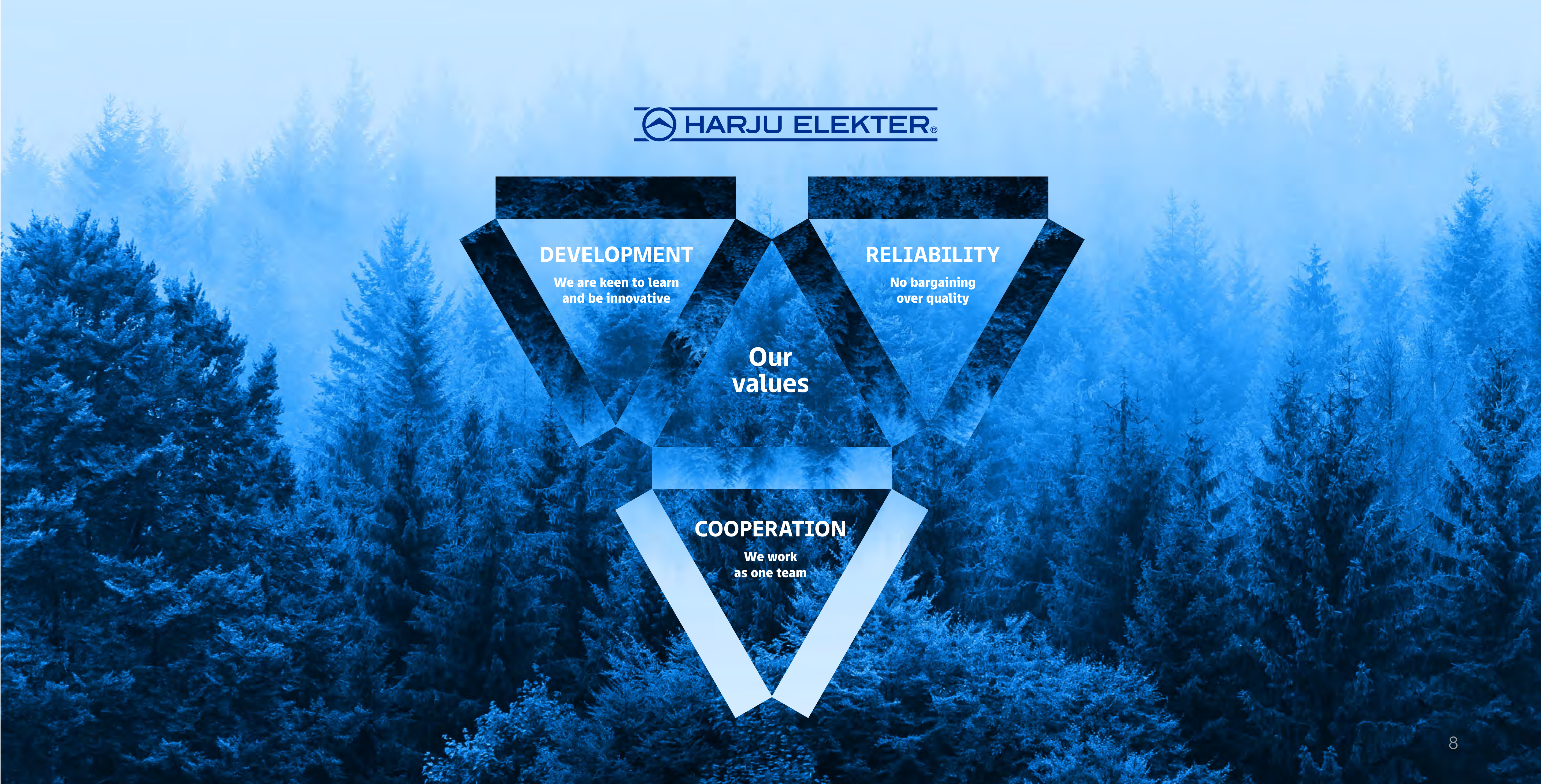


Who we are

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

Harju Elekter Group

As of 31 December 2024

AS HARJU ELEKTER GROUP

The Parent company of the Group coordinates co-operation within the Group's companies and manages industrial real estate holdings.

AS HARJU ELEKTER GROUP'S SHARE IN ITS SUBSIDIARIES IS 100%

ESTONIA

AS HARJU ELEKTER
An electrical equipment manufacturer based in Keila for the energy distribution, industrial, and construction sectors

ENERGO VERITAS OÜ
Company's active economic activity paused.

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/LVpower 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 Swede

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 supercapacitors

FINLAND

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

In January 2024, the merger of Harju Elekter Group's Swedish subsidiary, LC Development Fastigheter 17 AB with Harju Elekter Services AB was registered in the business register.

The detailed information about the activities of companies in 2024 can be found in the "Business Segments" chapter on page 77.
A more detailed overview of the Group's structural changes can be found on page 127.

Main Events

Customer agreements

Harju Elekter AB signed a new 3-year framework agreement with on the largest Swedish distribution network company E.ON Energidistribution AB, for the supply of approximately 2000 substations.

Changes in the management bodies of companies

As of January 2, 2024, **Jari Jylli** started as the Managing Director of **Harju Elekter OY**, taking over responsibilities from the previous Managing Director, Jan Osa.

In December, the Supervisory Board of **AS Harju Elekter Group** decided, in line with the approval of the Group's new development strategy, to expand the members of the Management Board from three to five members. Starting January 1, 2025, the board of AS Harju Elekter Group consist of the following members: **Tiit Atso** – Chairman of the Management Board, **Priit Treial** – financial management, **Aron Kuhi-Thalfeldt** – real estate, **Erko Lepa** – manufacturing and supply chain, and **Tiit Luman** – sales, marketing and product management.

New head office

In November, **AS Harju Elekter Group** head office moved from Keila to Tallinn, to the Park Tondi business district. This is a historically significant step, as the head office had been located in Keila since the company's founding.

Recognitions

AS Harju Elekter

Photo: Rene Riisalu

AS Harju Elekter Managing Director Alvar Sass receiving the Company of the Year award from Alar Karis, the President of the Republic of Estonia.

Company of the Year 2024 – the Company of the Year was selected from the best participants of the "Enterprise Award" competition organized by the Estonian Business and Innovation Agency and the Estonian Employers' Confederation, as well as the "Competitiveness Ranking" by the Estonian Chamber of Commerce and Industry.

Industry digitiser of the Year 2024 – the competition organized by the Estonian Business and Innovation Agency and the Estonian Employers' Confederation aims to recognize Estonian companies that have accomplished significant process and organisational innovation, technological capacity, productivity, sustainability and competitive advantage through automation and digitalization.

Industrialist of the Year 2024 – The Industrialist of the Year competition is organized by Äripäev, Tööstusuudised.ee, and ABB Estonia. The aim of the competition is to recognize the leaders and owners of industrial companies and their efforts in developing their company and sector. AS Harju Elekter Managing Director Alvar Sass made it to the top 3 finalists.

Factory of the Year 2024 (large enterprise category) – The competition organized by Äripäev and Tööstusuudised.ee aims to recognize factories that are increasingly moving towards smart production and focusing on efficiency and technological development.

Recognitions

Harju Elekter UAB

Harju Elekter UAB was awarded the title of Lithuanian Export Award 2024


Rolandas Dundulis, Production Manager of Harju Elekter UAB, receiving the Bronze "Labor Star"


Tomas Prūsas, Managing Director of Harju Elekter UAB, receiving the Top Corporate Taxpayer 2024 award

Panevėžys Chamber of Commerce, Industry, and Crafts awarded the following prizes:

Lithuanian Export Award 2024 – this honor highlights the company's exceptional contributions to international markets through innovative and sustainable electrification solutions. Harju Elekter UAB's ability to meet global demands while adhering to environmentally conscious practices places it among the leaders in its field.

Bronze "Labor Star" – this award was bestowed upon **Rolandas Dundulis**, the company's production manager, recognizing his exemplary leadership and his role in achieving remarkable milestones within the organization.

Top Corporate Taxpayer – Acknowledged by the State Tax Inspectorate, this award emphasizes Harju Elekter UAB's dedication to responsible business practices, with significant contributions to public welfare and community development.

4th spot among TOP 30 most sustainable companies in Lithuania. The Sustainability Index provides companies with an opportunity to showcase their sustainability initiatives to partners and the public. The Sustainability Index was created by 'Verslo žinios' and Swedbank

Consolidated Sustainability Statement 2024

HARJU ELEKTER

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ESRS 2 General Information

Basis for preparation

The consolidated sustainability statement of AS Harju Elekter Group and its subsidiaries (together the 'Group') has been prepared in accordance with the EU Corporate Sustainability Reporting Directive 2022/2464 (CSRD) and the European Sustainability Reporting Standards (ESRS) from the financial year of 2024. The scope of consolidation is the same as in the consolidated financial statements. Financial investments are not included in this sustainability statement.

Upstream and downstream value chain coverage (BP-1)

Harju Elekter has taken into account the upstream (inflow) and downstream (outflow) value chain when identifying potential impacts, risks, and opportunities. Most of the Group's environmental impacts, and around 80% of greenhouse gas emissions, are related to the value chain. Therefore, the sustainability statement reflects significantly more than jusgt first-line business relationship information. Outsourced materials and suppliers' environmental and social practices have been mapped, based on their self-assessment. All policies, activities, and objectives related to the value chain are disclosed in the relevant sections of the sustainability statement.

In the case of the data disclosed in the sustainability statemenFt, the upstream and downstream value chain data are included in certain cases, such as indirect greenhouse gas emissions related to the Group's customers and suppliers, and the number of suppliers that have signed or have an equivalent standard to the Code of Conduct of Harju Elekter. In addition, the impacts of the Group's input resources relate mainly to the upstream value chain, which is discussed in chapter E5, that covers resource use and the circular economy.

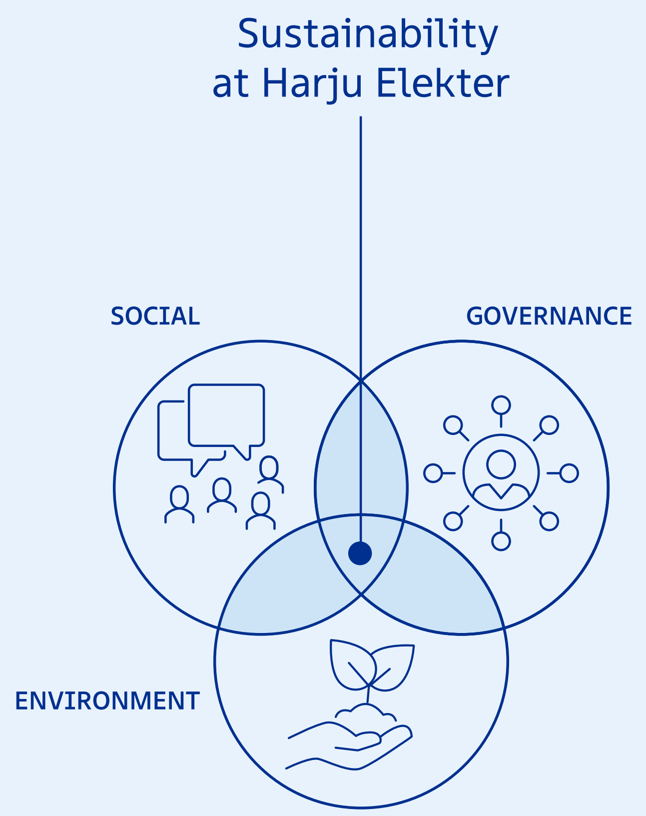
The sustainability statement does not include confidential information on the Group's strategy, plans, and actions to the extent that it ensures the protection of trade secrets and intellectual property.

Disclosures in relation to specific circumstances (BP-2)

The sustainability statement has been prepared using short-term, medium-term, and long-term definitions in accordance with the ESRS 1 standard. For the short-term, the period is 1 year, for the medium-term up to 5 years, and for the long-term, more than 5 years.

Greenhouse gas scope 3 emissions include data from the value chain that cannot be directly measured and can only be estimated. Therefore, indirect sources were used to assess emissions, including publicly available industry averages, databases, and data from the Environmental Product Declarations (EPDs) certified by third parties.

The level of uncertainty surrounding the scope 3 data is generally considered to be medium, with systematic and statistical uncertainty estimated to be low. Although it is not possible to



measure scope 3 emissions directly, maximum use was made of product-specific information from the EPD declarations and additional relevant sector-specific databases.

For more information on greenhouse gas emissions, see total GHG emissions (E1-6).

Management

Management and supervisory bodies (GOV-1)

The Management Board is the governing body of the public limited company, which represents and manages the daily activities of the company. As of 31 December 2024, the Management Board of AS Harju Elekter Group had three male members. Tiit Atso, the Chairman of the Management Board, is engaged in the general and strategic management of the Group, while Priit Treial and Aron Kuhi-Thalfeldt are responsible for the Group's real estate and energy topics. Tiit Atso has been at Harju Elekter since 2014, Aron Kuhi-Thalfeldt since 2003, and Priit Treial since 2022. The Management Board does not include non-executive directors and employee representatives.

As of 1 January 2025, the Supervisory Board of AS Harju Elekter Group decided to extend the composition of the Management Board of the company to five members. See Financial Statements Annex 29 'Events after the reporting date'.

The Supervisory Board plans the activities of the public limited company, organises its management, and supervises the activities of the Management Board. The six-member Supervisory Board of AS Harju Elekter Group consists of Chairman Triinu Tombak and members Risto Vahimets, Märt Luuk, Arvi Hamburg, Aare Kirsme, and Andres Toome. Triinu Tombak has served as a Member of the Supervisory Board of AS Harju Elekter Group from 1997 to 2007, and from 2012 to the present. Andres Toome from 2007, Aare Kirsme from 2014, Arvi Hamburg from 2017, and Risto Vahimets and Märt Luuk from 2022. The Supervisory Board does not include non-executives and employee representatives.

For more information on the education, experience, and professional career of the members of the Management Board and Supervisory Board, see the Corporate Governance Report.

The Supervisory Board consists of 1 woman (17%) and 5 men (83%), and the diversity ratio of the Supervisory Board by gender is 0.2. The independent members of the Supervisory Board are Risto Vahimets and Arvi Hamburg.

The Chairman of the Management Board is responsible for supervising impacts, risks, and opportunities. The Management Board is supervised by the Supervisory Board. The Management Board's mandates and policies do not currently reflect individual commitments on impacts, risks, and opportunities. The rights and obligations of the Management Board and the Supervisory Board are defined in the Articles of Association of Harju Elekter and the Commercial Code.

The Management Board and the Supervisory Board play a central role in guiding and ensuring business conduct. Their responsibilities include ensuring compliance with both strategic management and the company's values and ethical behaviour. The Management Board is responsible for establishing high-level business practices that support transparency, accountability, and sustainability.

The Management Board is primarily responsible for the management of daily activities, ensuring that business conduct complies with laws, regulations, and internal rules established within the company. It is also the responsibility of the Management Board to align the company's strategy with ethical business principles and make sure that employees, customers, and partners follow them.

The Management Board has appointed the day-to-day monitoring and management of sustainability issues to the Group's Sustainability Manager. This role includes the implementation of the Group's sustainability strategy and the development of detailed action plans. The Management Board is regularly kept informed of sector-specific updates, ensuring transparency and accountability in the implementation of the plans.
The Management Board approves the strategy, policies, actions, and targets set in terms of impacts, risks, and opportunities. Proposals for these are made to the Management Board by the Group's Sustainability Manager.

The members of the Management Board and of the Supervisory Board have the relevant knowledge arising from their education and work experience, which is necessary to manage the legal risks of the company and ensure responsible and sustainable activities. They understand international business practices, including respect for human rights and sustainability. They are able to identify and mitigate risks that may result from unfair or opaque business conduct and assess the long-term impact of decisions on sustainability and the company's values. The members of the Management Board and of the Supervisory Board support the formation of an ethical organisational culture and the involvement of employees in the implementation of the company's values. If members have limited knowledge or do not have the necessary knowledge in a specific area (e.g. laws, regulations, occupational health, safety, resource efficiency or greenhouse gas emissions), the necessary competence will be ensured through the assistance of internal or external experts or, if necessary, through training of members.

The Supervisory Board supervises the activities of the Management Board, assessing whether the strategies and decisions are in line with the values of the company and the interests of shareholders. The role of the Supervisory Board is to ensure that the company's business conduct supports long-term sustainability and reputation. This will ensure additional oversight and accountability, ensuring that all actions are consistent with the Sustainable Development Goals and risk management.

All manufacturing companies of the Group have been issued Quality and Environmental Management Systems (ISO 9001; ISO 14001) certificates. Occupational Health and Safety (ISO 45001) Management System certificates are held by AS Harju Elekter, Harju Elekter UAB, and Telesilta Oy. The certificates confirm that internal audits and management procedures have been implemented, ensuring the effective management of material impacts, risks, and opportunities in environmental, social, and governance topics.

Sustainability management (GOV-2)

The Group's Management Board meets with the managers, incl. the Group's Sustainability Manager, once a month. Regular meetings provide an overview of environmental, social, and governance issues, propose changes and present to the Management Board the results of policies, actions, metrics, and targets, as well as the effectiveness of the measures implemented. The Management Board and the Supervisory Board systematically assess the impacts, risks, and opportunities when making decisions related to the Group's strategy and significant transactions, considering both short-term and long-term factors. Issues related to occupational health and safety, employee well-being, and energy-related topics are directly the responsibility of the Management Board. Particular attention will be paid to energy and resource efficiency, which are central issues in the assessment of new investments. The Management Board and the Supervisory Board meet as necessary, but at least once every three months, to provide an overview of material sustainability topics through the approved strategy.

The Management Board approved the significant impacts, risks, and opportunities (IRO) identified in the Double Materiality Assessment (DMA) and participated in the preparation of the Group Sustainability Strategy. The strategy considers the identified IRO-s. There is currently no separate system integrated for managing sustainability risks.

Integration of sustainability-related performance in incentive schemes (GOV-3)

The remuneration and compensation policies set out in the Group are not directly related to sustainability issues.

Statement on due diligence (GOV-4)

Due diligence element	Chapters in the sustainability statement	
Identifying and assessing negative impacts on people and the environment	ESRS 2 IRO-1 (incl. E1 and E5) ESRS 2 SBM-3	
Addressing negative impacts on people and the environment	ESRS 2 MDR-A ESRS E1-1 ESRS E1-3	ESRS S1-4 ESRS E5-2
Tracking the effectiveness of these efforts	ESRS 2 MDR-M ESRS 2 MDR-T ESRS E1-4 ESRS E1-5 ESRS E1-6, ESRS E5-3 ESRS E5-4	ESRS E5-5 ESRS S1-5 ESRS S1-6 ESRS S1-7 ESRS S1-13 ESRS S1-15 ESRS S1-16
Engaging with affected stakeholders	ESRS 2 GOV-2 ESRS 2 SBM-2 ESRS 2 IRO-1	ESRS 2 MDR-P ESRS E1 ESRS S1-2

Risk management and internal controls over sustainability reporting (GOV-5)

The Group's Sustainability Manager is responsible for preparing the qualitative information on the sustainability statement and submitting it to the Management Board for review. Quantitative data will be collected at the Group level. The Sustainability Manager is responsible for verifying the data, identifying inconsistencies, and performing the necessary calculations and conversions.

The Management Board is responsible for identifying and managing the risks. The risks are assessed in relation to their potential to cause material errors in sustainability reporting. In the first reporting year, the Group's sustainability reporting risks are identified and monitored by the Sustainability Manager, who is provided with the necessary resources and inputs. The reporting system based on the European Union's sustainability reporting standards is still in the process; therefore, internal control systems have been partially established and their development will continue in the coming years.

The Management Board of Harju Elekter ensures that risk management is part of strategic and operational management. The audit committee and the internal auditor are responsible for overseeing the risk management process and its functioning. Within the Group, risks are identified, managed, and mitigated to achieve the set targets and prevent the unexpected events. The risk level score in the risk analysis framework is formed by the severity of the impact and the likelihood of the risk materialising. The Management Board periodically reviews risk levels and activities to identify and mitigate risks in a timely manner. The risk analysis covers the Group's social, environmental, and governance risks.

Harju Elekter's risks are divided into

- Environment
- Employees
- Business ethics
- Regulations and legislation
- Information technology
- Emergencies
- Supply chain
- Financial risks
- Corporate governance

In terms of environmental risks, the Group is mainly affected by international and European Union requirements, such as the Corporate Sustainability Reporting Directive (CSRD), Sustainability Reporting Standards (ESRS), EU Taxonomy, the Paris Agreement on climate change, and the European Green Deal. These regulations affect the company's competitiveness, which is why we contribute to compliance and transparent reporting of sustainability information.

Of the risks associated with employees, the company is mainly affected by the employees' increased expectations for working conditions (including flexibility, development, and remuneration), which complicates the recruitment process and increases employee turnover. To mitigate the risk, the Group has created a motivation package with a transparent remuneration system for employees and modern working conditions. From the point of view of occupational safety, the guiding principles of occupational health and safety are followed.

Management-related risks are mitigated by the group-wide training on the Code of Conduct of Harju Elekter and guiding principles. These principles are also agreed with key suppliers. To mitigate cybersecurity risks, an emphasis has been placed on various prevention and regular training activities. Additional information on the Group's financial risks is disclosed in the Financial Statements (see Financial risk management).

The main risks identified in the sustainability reporting process include data collection and its quality, as well as human resources and expertise. Since 2018, Harju Elekter has collected sustainability data and followed procedures in line with the Global Reporting Initiative (GRI) reporting requirements. In 2024, the processes for ensuring compliance with the EU Corporate Sustainability Reporting Directive and Sustainability Reporting Standards were enhanced. The main risks related to data collection/data quality are due to errors in the manual entry of data, problems with the origin of the data, and difficulties in obtaining the relevant data. Actions to manage these risks comprise in-house sustainability training, consulting external experts, and documenting the entire process. The group may also be affected by changes in political decisions, which could result in uncertainty in its area of operation, limiting business opportunities.

Possible risks to human resources and sectoral knowledge related to sustainability reporting are due to the limited number of employees on the sustainability team. The Sustainability Manager is responsible for implementing sustainability reporting and strategies, and has expertise in reporting requirements, processes, and sustainability information. The report is prepared with the involvement of managers, specialists, and external experts. The departure of an employee or key partner during the preparation of sustainability report can affect the company, as replacing the specific knowledge and skills promptly can be challenging. Risk mitigation measures include company-wide sustainability training, consulting external experts, and documenting procedures.

Strategy and business model

Strategy, business model, and value chain (SBM-1)

Harju Elekter focuses primarily on providing sustainable electricity distribution equipment. We design, manufacture, and install electrical equipment for energy, industrial, and infrastructure companies, as well as public and commercial buildings.

The main activity of Harju Elekter is providing electricity distribution solutions, where part of the semi-finished products and components used in the products are determined by our customers. It also affects the extent to which we can take measures to address the impacts, risks, and opportunities.

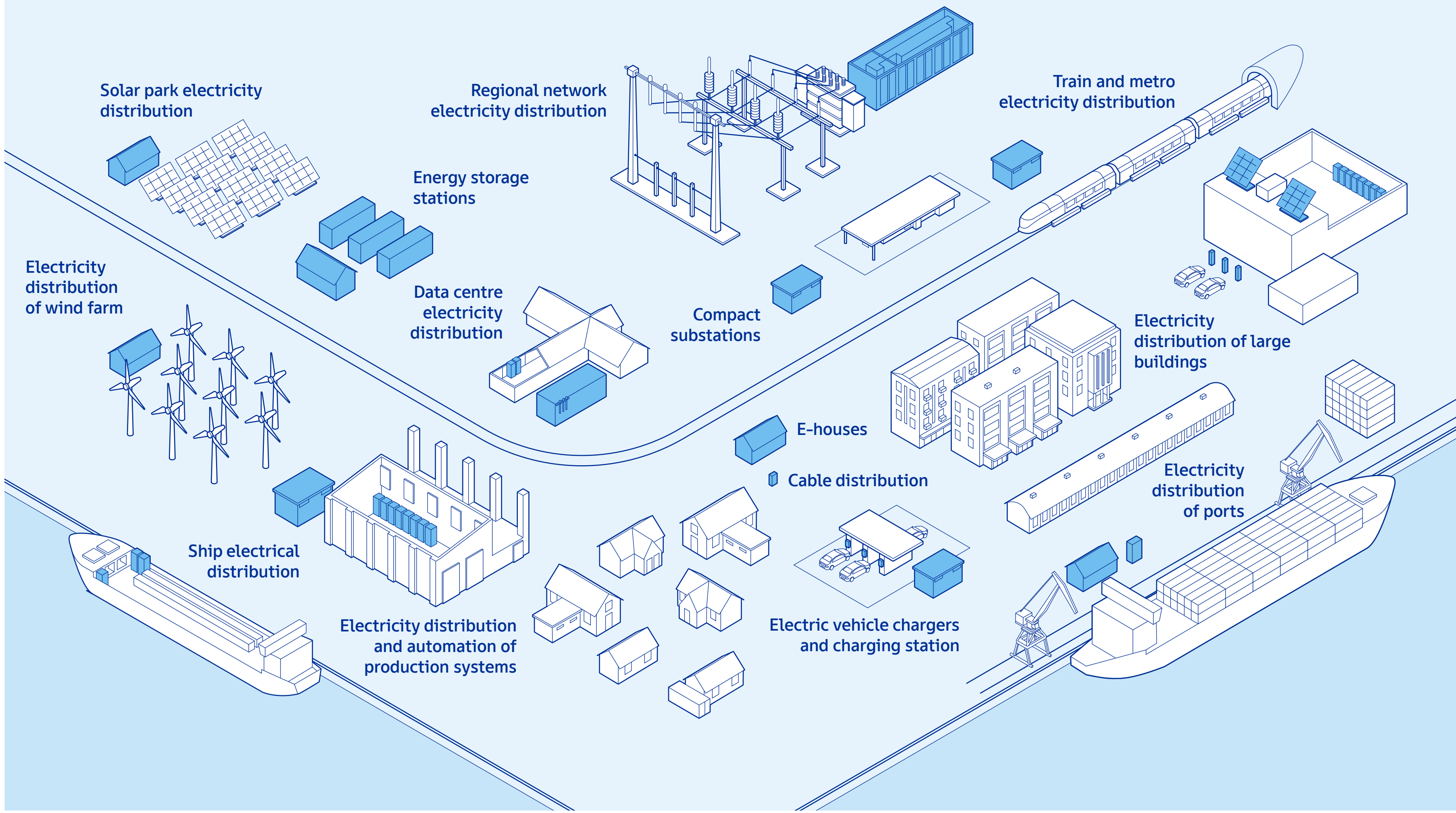
In addition to the above, the fields of activity of Harju Elekter include the development of industrial real estate, project management, rental, and related services for rental partners and the Group's companies. This segment produces 3% of the Group's revenue.

Harju Elekter offers products and services related to business customers. The Group does not offer products or services that are prohibited in certain markets.

Harju Elekter has its roots and Head Office in Estonia. Production units are in four countries: Estonia, Finland, Sweden, and Lithuania. Information on the number of employees by geographical area, see S1.

The sustainability strategy of Harju Elekter was updated in 2024. The strategy will be approved in 2025 once the Group's

Our solutions include the following:



2024 sustainability-related data is available. The sustainability strategy considers the material impacts, risks, and opportunities identified in the Double Materiality Assessment, but does not include sustainability targets for key product and service groups, customer categories, geographical areas, and relations with stakeholders.

Our strategic objectives

ENVIRONMENT

We create future-proof electrification solutions with tomorrow in mind

- Reducing GHG emissions in own operations and value chain
- Increasing the share of renewable energy
- Transition to circular economy

Sustainable Development Goals

SOCIAL

Development and our people are at the centre of Harju Elekter

- Ensuring the health and safety of employees
- Ensuring employee satisfaction
- Improving skills and performance

GOVERNANCE

Successful cooperation with our customers leads to a sustainable future

- Promoting responsible governance
- Sustainable value chain
- Excellent quality of our products and services

Our strategic objectives

ENVIRONMENT

We are committed to reducing GHG emissions

- We are reducing scope 1 and 2 GHG emissions by 20% by 2030 (base year 2024)
- We are reducing scope 3 GHG emissions by 15% by 2030 (base year 2024)

We are gradually increasing the share of renewable energy

- We are increasing the share of renewable energy production and produced solar energy consumption
- We are increasing the share of renewable energy consumption

We are applying circular economy principles

- We are increasing the content of recycled and recyclable materials in products
- We are contributing to the transition to a circular economy

We are implementing an environmental management system at the Group's production sites

- We have set a target that all our production sites have a valid ISO 14001 environmental management system certificate

SOCIAL

We are ensuring the health and safety of our employees

- We are implementing the Group's standardised Occupational Health and Safety (OHS) procedures that comply with local laws and regulations
- We are monitoring the effectiveness of the Group's OHS procedures
- We are responding to dangerous situations as soon as they are detected
- We have set a target that all our production sites have a valid ISO 45001 Occupational Health and Safety Management System certificate

We are ensuring satisfaction among our employees

- We are conducting an annual Group-wide employee satisfaction survey with a target participation rate of > 70%
- We are addressing key issues and areas for improvement and sharing success stories

We are developing our employees to ensure competitiveness in a constantly evolving business environment

- We are training our employees and supporting lifelong learning, having set a target of > 40 hours of training per employee per year
- We are managing the individual development and performance of employees

We are investing in engineering education and the manufacturing industry

- We are supporting young people's interest in technology and education
- We are participating in cooperation programmes between professional associations

GOVERNANCE

We are promoting responsible governance practices

- We are ensuring that our employees comply with Group's Environmental, Health and Safety, and Human Rights standards. We have set a target for all employees to undergo training on the Code of Conduct and standards

We are contributing to the establishment of a sustainable value chain

- We are ensuring through contracts and self-assessment procedures that our contractors and suppliers share the Environmental, Occupational Health and Safety, and Human Rights principles of Harju Elekter

We are ensuring the high quality of our products and services

- A Quality Management System and Quality Management tools are implemented in all the Group's production sites
- We have set the target that all our production sites will have a valid ISO 9001 Quality Management system certificate

The Group's core business contributes to the development of the sustainable society by supporting large-scale electrification with electrical equipment, which contributes to meeting climate targets. Although Harju Elekter cannot guarantee that only green energy is transmitted in the equipment produced but thanks to global efforts and demand, the trend is moving towards the electricity network ensuring the availability of increasingly environmentally friendly electricity. Harju Elekter is committed to mitigating the negative effects related to its activities, such as the negative environmental impacts of our manufacturing processes and the components used in those processes.

The value chain of the manufacturing industry

RAW MATERIALS

- Sheet metal
- Copper
- Electrical components
- Electricity and heat

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

The value chain of the real estate industry (incl. Finnish and Swedish holding companies)

INITIATION

- Project planning
- Business model analysis

COMPLIANCE

- Funding
- Project design

SALES

- Negotiations with tenants
- Contracting

DEVELOPMENT

- Construction contracting
- Construction
- Commissioning

MANAGEMENT

- Utilization
- Administration and maintenance

The main inputs used in the production process are sheet metal, copper, electrical components and semi-finished products, electrical and heating energy, and labour. A large part of the inputs, except for energy and labour, are procured according to customer specifications, with customers often determining themselves the specific products and suppliers. Semi-finished products, components, and raw materials are outsourced as needed. While Harju Elekter has the opportunity to choose both the product and the supplier, the current market conditions prioritise price over other indicators. Often, there are no sustainable alternatives in the Group's field of operation.

The inputs used in the Real Estate segment are utilities, other services, such as waste management and sewage, construction materials, properties and land, and construction-related services. Utilities are purchased under specific periods or contracts and building materials and construction-related services are purchased as needed.

The description of the Harju Elekter value chain and products and services provides an overview of our outputs to customers. The outcome for Harju Elekter shareholders includes an increase in share price and dividends, primarily linked to the Group's financial performance. The Group's employees benefit from a stable and reliable employment environment, while the local government and the community gain significant advantages with Harju Elekter serving as a key employer and taxpayer. Furthermore, Harju Elekter actively supports local youth sports and professional education while fostering an interest in technology among young individuals.

Interests and views of stakeholders (SBM-2)

Harju Elekter employees are key stakeholders. Group strategy and business model prioritize the roles and contributions of employees, acknowledging them as key factors in the company's success. The Group encourages open communication, employee participation in decisions, and promotes their professional growth and well-being. Employees' rights and interests are addressed by ensuring a safe working environment, offering flexible and competitive working conditions, and providing equal opportunities.

Harju Elekter's business model centres on customer expectations and needs. We have concluded framework agreements with our key customers, which set out the customers' expectations for Harju Elekter. We consider our customers' current and future needs when forming our strategy. Each real estate project is validated by local governments, financiers, and stakeholders. The projects are designed to meet the specific requirements of our customers.

Feedback from stakeholders in the Double Materiality Assessment indicates that the Group's strategy and business model already meet key stakeholder expectations and require no improvements.

Summary of stakeholder engagement

Key stakeholders	How do we engage?	Engagement purpose/outcome	How has Harju Elekter taken the feedback into account?
CUSTOMERS	• Feedback mechanisms (surveys, product reviews) • Social media interactions • Customer service and dialogue through sale teams • Interviews, including sustainability topics, performance and targets • Customer cooperation in product development	• Improved customer satisfaction • Stronger customer relations • Better products and services • Increased transparency and trust • Positive corporate image • Valuable knowledge	• Taking customer feedback and sustainability objectives into account in the Double Materiality Assessment process • Increasing customer satisfaction • Developing marketing strategy and action plans • Integrating feedback into product development • Integrating feedback into the continuous improvement process • Prioritising activities based on customer feedback

Summary of stakeholder engagement

Key stakeholders	How do we engage?	Engagement purpose/outcome	How has Harju Elekter taken the feedback into account?
EMPLOYEES	• Employee engagement programmes (incl. surveys) • Employees have access to online whistleblowing channel • Competence development programmes • Structured career and performance reviews • Internal communication platforms • Team and one-on-one meetings • Creating an open environment for employees to raise potential issues	• Alignment with the company's objectives • Attractive job and career opportunities • Improved employee satisfaction and well-being • High level of health and safety at work • Innovation and ideas • Improved teamwork and cooperation • Increased productivity • Lower employee turnover	• Analysing data and feedback and using data for decision-making and policy innovation • Taking account of employee feedback in the Double Materiality Assessment process • Taking account of employee feedback in developing sustainability strategies and action plans • Promoting employee belonging, diversity, and equality • Incorporating employee suggestions into the day-to-day running of the company
SUPPLIERS	• Cooperating and managing relations with suppliers • Introducing our Code of Conduct to suppliers • Identifying high-risk suppliers • Periodically assessing suppliers • Handling proposals from suppliers • Regular quality control	• Ensuring that all partners adhere to similar sustainability standards • Identifying high-risk suppliers and addressing them • Maintaining high standards and ensuring the reliability of suppliers • Promoting responsible sourcing and reducing supply chain GHG emissions • Continuous improvement • Strengthening partnerships, developing mutual trust and cooperation	• Analysing data and feedback and using them in decision-making processes • Supplier training plans and activities • Informed choice of suppliers • Meeting supplier expectations

Summary of stakeholder engagement

Key stakeholders	How do we engage?	Engagement purpose/outcome	How has Harju Elekter taken the feedback into account?
SHAREHOLDERS	• Adhering to the company's dividend policy • Implementing the Group strategy • Ensuring compliance with the Code of Conduct • Monitoring and transparent reporting • Maintaining open and honest communication • Dialogue through the investor relations programme • Regular communication with analysts • Organising the annual general meeting of shareholders	• Increased trust thanks to transparent communication • Understanding shareholder expectations on sustainability issues • Increased financial stability and business growth • Balanced return for shareholders • Strengthened investor confidence thanks to regular engagement • Information on the strategy of Harju Elekter • Regular reviews in cooperation with analysts • Constructive results of the annual general meeting of shareholders	• Encouraging active participation and providing opportunities for shareholders to express their thoughts and ideas • Taking shareholder views and proposals into account in decision-making processes • Gathering and addressing feedback to ensure that shareholders feel involved
LOCAL AUTHORITY AND COMMUNITY	• Student programmes and traineeships • Sponsorship projects and partnerships to plan for community benefits • Social media activities, cooperation with local newspapers and professional associations, and promotion of engineering education • Meetings and interviews with local authorities	• Trustworthy and socially responsible company and employer • Addressing community thoughts and feedback • Ensuring community benefits • Economic investment for local prosperity	• Supporting local community projects • Taking into consideration the expectations of communities • Involving communities • Participating in local events • Organising educational visits to businesses
REGULATORY AND SUPERVISORY AUTHORITIES	• Proper reporting and disclosure of information • Regular communication with policymakers	• Anticipating potential regulatory problems and mitigating risks • Valuable knowledge and instructions • Collaborative regulatory landscape	• Compliant reporting • Considering suggestions for improvement • Aligning strategy and business model with regulations • Creating value

In 2024, Harju Elekter carried out for the first time the Double Materiality Assessment (DMA) in accordance with the European Corporate Sustainability Reporting Directive (CSRD) and Sustainability Reporting Standards (ESRS). We included sustainability issues relevant to stakeholders, such as greenhouse gas emissions, waste management, the circular economy, social responsibility, and responsible business practices, in the assessment list of impacts, risks, and opportunities. For the results of the DMA, see the table below (SBM-3).

The members of the Management Board were involved in the entire DMA process and received insight into the inputs of stakeholders in the process. Although the Supervisory Board does not receive separate information on feedback from all stakeholders, the Supervisory Board is indirectly informed of the opinions of stakeholders. During the reporting year, the Supervisory Board endorsed the Group's strategy, which encompasses a sustainability strategy and considers stakeholders' perspectives.

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

Harju Elekter's strategy and business model are informed by customer needs and expectations, as well as stakeholder perspectives. The Group has initiated changes to address the significant impacts, risks, and opportunities related to its operations.

ESRS	Topics	Material impact, risk or opportunity	Value chain	Time horizon	Description of impacts, risks, and opportunities and their effects on people or the environment
E1	Climate change adaptation	Negative impact	Own activities, upstream value chain, downstream value chain	Long-term	Energy consumption and greenhouse gas emissions in scope 1, 2, and 3 have negative impact on the environment and people
E1	Climate change adaptation	Risk	Own activities, upstream value chain, downstream value chain	Medium-term	Changing customer preferences and increased demand for low-carbon products
E1	Climate change adaptation	Risk	Own activities, upstream value chain, downstream value chain	Short-term	Changing global and EU regulations and the additional costs they entail
E1	Climate change mitigation	Positive impact	Own activities, upstream value chain, downstream value chain	Short-term	Further investment in solar parks and energy efficiency
E1	Climate change mitigation	Negative impact	Own activities, upstream value chain, downstream value chain	Short-term	The GHG emissions of Harju Elekter from its own operations and value chains
E1	Climate change mitigation	Risk	Own activities, upstream value chain, downstream value chain	Medium-term	Environmental compliance can affect the price of manufacturing and thus affect the competitive position
E1	Energy	Positive impact	Own activities, upstream value chain, downstream value chain	Medium-term	The Group's core business supports electrification, which in turn contributes to climate targets

ESRS	Topics	Material impact, risk or opportunity	Value chain	Time horizon	Description of impacts, risks, and opportunities and their effects on people or the environment
E1	Energy	Opportunity	Own activities, upstream value chain, downstream value chain	Medium-term	Increased demand due to electrification, and hence increased production volumes
E1	Energy	Opportunity	Own activities, upstream value chain, downstream value chain	Medium-term	Additional investment in solar parks and energy efficiency can reduce energy costs
E5	Resource input flows and use	Positive impact	Own activities, upstream value chain, downstream value chain	Medium-term	The products of Harju Elekter have a long lifespan and can be repaired and upgraded, extending their lifespan even further
E5	Resource input flows and use	Negative impact	Own activities, upstream value chain, downstream value chain	Medium-term	The production of Harju Elekter's products requires primary resources and there are no alternatives in the form of recycled products: this contributes to the depletion of natural resources.
E5	Waste	Negative impact	Own activities, upstream value chain, downstream value chain	Short-term	Waste generated by the Group’s activities. Actions to reduce negative impacts: prevention and correct management of waste, allowing the reuse and recycling
S1	Working conditions	Positive impact	Own activity	Short-term	The majority of the Group’s employees work full-time, and Harju Elekter also allows its employees flexible working hours
S1	Working conditions	Negative impact	Own activity	Short-term	Excessive periodic workload, which can affect the health of employees and increase the number of days spent on sick leave
S1	Working conditions	Positive impact	Own activity	Short-term	Paying adequate wages enables the well-being of both workers and their families
S1	Working conditions	Risk	Own activity	Short-term	Dissatisfaction with wage levels can reduce the chances of recruiting and retaining talent, as well as lead to a lack of motivation and poor performance
S1	Working conditions	Positive impact	Own activity	Short-term	The Group takes into account the needs and preferences of employees by promoting diversity and inclusion, which supports the creation of a better working environment, innovation and overall company development.
S1	Working conditions	Positive impact	Own activity	Medium-term	The Group contributes to a safe working environment for employees
S1	Working conditions	Negative impact	Own activity	Short-term	Accidents at work have a negative impact on the well-being of employees
S1	Working conditions	Risk	Own activity	Medium-term	Accidents at work and days on sick leave caused by them pose a risk to the Group
S1	Equal treatment and opportunities for all	Positive impact	Own activity	Medium-term	The Group contributes to the training and development of its employees

ESRS	Topics	Material impact, risk or opportunity	Value chain	Time horizon	Description of impacts, risks, and opportunities and their effects on people or the environment
S1	Equal treatment and opportunities for all	Opportunity	Own activity	Medium-term	Competent employees contribute to the development of the Group, and development programmes increase the attractiveness of the employer on the labour market
S1	Other work-related conditions	Risk / positive impact	Own activity	Short-term	The Group is committed to data protection to ensure compliance with applicable laws and regulations when processing personal data. Failure to comply with the law can result in loss of trust, reputational damage, and fines
G1	Corporate Culture	Positive impact	Own activities, upstream value chain, downstream value chain	Short-term	The Group prefers responsible cooperation partners
G1	Protection of whistleblowers	Positive impact	Own activity	Short-term	The Group ensures that whistleblowers are well protected through the whistleblowing channel
G1	Corruption and bribery	Positive impact	Own activities, upstream value chain, downstream value chain	Short-term	The Group contributes to the prevention of corruption, bribery and conflict of interest

THE ELEMENTS OF THE GROUP'S STRATEGY RELATED TO SUSTAINABILITY TOPICS ARE

- Occupational Health and Safety
- Development and motivation of employees
- Responsible sourcing
- Customer satisfaction
- Profitable growth that considers environmental impact reduction targets
- Mitigating environmental regulatory risks and turning them into opportunities
- Investment in the manufacturing of long-life, energy-efficient electrical equipment that supports electrification
- Optimising production processes through continuous improvement (LEAN-management)

In the coming years, customers will likely focus more on sustainability, prompting changes in our business model and activities. Many negative impacts from Harju Elekter's business stem from its value chain and resources. These can be mitigated if customers adjust their procurement criteria and sustainable alternatives are introduced to the market.

Description of the nature of the impact activities or business relations

The effects of the upstream value chain are mainly due to input resources such as the production of energy, metals, materials, semi-finished products and components. These impacts come from the value chain, where we mainly procure materials through resellers and intermediaries, not directly from companies with significant impacts. Harju Elekter is directly related to the effects of its own workforce, environment, and governance.

The Group will not disclose the financial impacts of the IROs for the first 3 years. As of the date of the report, it is unlikely that the IROs related to Harju Elekter will have a significant financial impact in the near future, as the company's strategy is aimed at managing them. As of 31 December 2024, the Group does not possess an independent resilience analysis. However, the Double Materiality Assessment has considered the Group's capacity to address significant impacts and risks, as well as how the Group can leverage notable opportunities. The resilience analysis will be carried out in 2025.

Material impacts, risks, and opportunities

Description of the processes to identify and assess material impacts, risks, and opportunities (IRO-1)

In 2024, we conducted the Double Materiality Assessment, during which we analysed the impact of the Group's business on the environment and people, as well as the company's financial risks and opportunities. Our sustainability report is based on a thorough assessment.

We assessed our business operations, value chain, industry sustainability statements and standards to identify potential impacts on people and the environment. We enhanced our understanding of material topics by collecting input through internal and external questionnaires, conducting workshops, and performing interviews. The analysis evaluated the risks and opportunities related to these effects in both qualitative and quantitative terms. In identifying and assessing relevant impacts, risks, and opportunities, we considered aspects related to both upstream and downstream value chain.

For the upstream value chain, we evaluated data from the global value chain of essential input resources used in our operations. For the downstream value chain, we considered the effects associated with the lifespan and end of life of our products. The most significant impact in the downstream value chain occurs during the use phase of our products, through the energy they transmit. Since we purchase our main input resources from intermediaries and resellers, we do not have a complete overview of the impacts (except for products covered by EPD-s). This is primarily in the upstream part of the value chain, where significant environmental and social impacts occur.

Harju Elekter serves major European and Scandinavian companies in the Baltics and Scandinavia. We believe our operations and downstream value chain do not have significant large-scale negative impacts that we could mitigate.

Because of the limited transparency of the upstream value chain with major environmental impacts, we used public global value chain data to identify and assess those impacts.

The summary table on stakeholder engagement (see SBM-2) offers an overview to understand its impacts.

After identifying the potential impacts, risks, and opportunities (IROs), we initiated the evaluation process. The initial step was to establish thresholds for assessing the significance of actual and potential impacts, opportunities, and risks.

For actual negative impacts, we assessed the scale of the impact, the scope, and the irremediability of these impacts. For possible negative impacts, we also assessed the likelihood and time horizon of their occurrence. For actual positive impacts, we assessed the scale and scope and for potential positive impacts also likelihood and time horizon of occurrence.

We assessed risks and opportunities based on their likelihood of occurrence and the scope of their short-, medium- or long-term financial impact. The Group's current risk management methodology is not comparable to the ESRS-compliant risk assessment, so they cannot be compared or prioritized.

This year, Harju Elekter began sustainability reporting according on the European Sustainability Reporting Standards. We have not yet fully integrated internal control for the Double Materiality Assessment into our risk management processes. Over the next few years, we will enhance our sustainability reporting and processes for better detail and efficiency. Annually, we review and update our DMA analysis, as necessary.

Environmental Information

Taxonomy of sustainable economic activities in the European Union

The European Union adopted a classification system for sustainable economic activities – the European Union Taxonomy Regulation[1], which sets out the conditions under which economic activities can be classified as environmentally sustainable. Delegated acts specify the activities that can be considered environmentally sustainable and fall within the scope of the Taxonomy Regulation, i.e. the activities discussed.

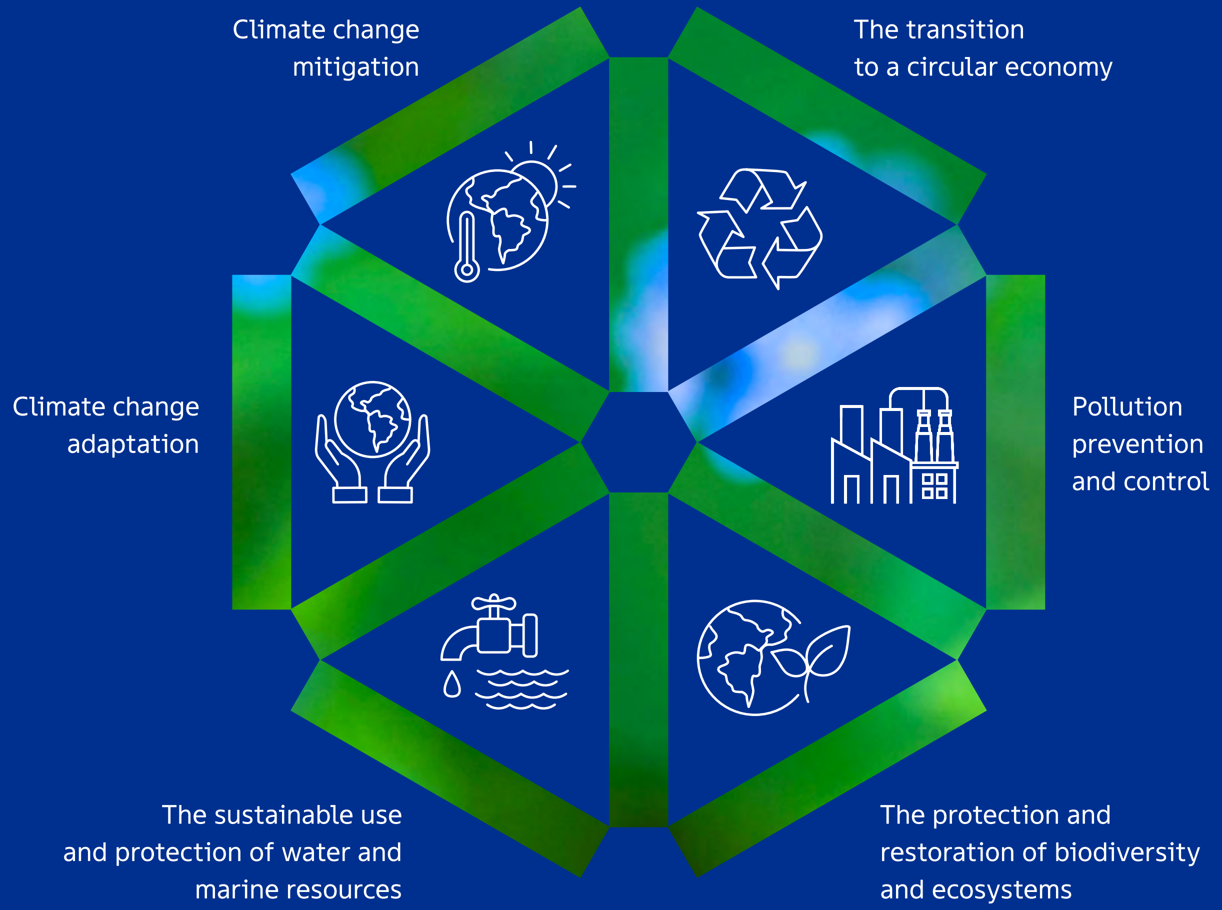
A climate act[2] has been adopted for the goals of climate change mitigation and adaptation, which focuses on nine areas of activity that have the greatest potential to contribute to climate goals. A separate environmental act[3] was introduced for the other four environmental objectives: the use and protection of water and marine resources, the transition to a circular economy, the prevention of pollution, and the restoration of biodiversity and ecosystems. Based on the field of activity of Harju Elekter, the Group's taxonomy report for 2024 covers activities related to **production, energy, transport, construction, and real estate**.

Each activity must meet the environmental criteria of a significant contribution defined in the taxonomy in order to be considered environmentally sustainable and suitable for achieving the climate and environmental objectives of the European Union. Meeting these criteria allows sustainable economic activities to contribute to the achievement of the European Union's environmental goals.

In accordance with the disclosure requirements of the Taxonomy Regulation[4], Harju Elekter reports in 2024 the share of the economic activities covered by the Taxonomy Regulation, which are not addressed and are in accordance with the Taxonomy Regulation, in terms of turnover, CapEx and Opex, as well as activities related to nuclear energy and natural gas.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council.
[2] (EU) 2021/2139
[3] (EU) 2023/2486
[4] (EU) 2021/2178

Six environmental objectives



Accounting method and background information

Harju Elekter assessed the taxonomy-eligible and aligned part based on the descriptions of the performance indicators and the definitions of the numerator and denominator set out in Annex I of the disclosure requirements of the Taxonomy Regulation.[5] The company used the definitions of performance indicators to calculate the proportion of taxonomy-eligible and aligned activities in revenue, capital costs, and operating expenses.

The numerator was determined on the basis of the descriptions of the activities in Annexes I and II of the climate act and the environmental act of the Taxonomy Regulation. An economic activity is considered to be eligible for the taxonomy if it is described in the climate or environmental act, regardless of whether it fully or partially meets the technical screening criteria set out in the acts. An activity is taxonomy-aligned if it meets the technical screening criteria defined in the climate or environmental act and is carried out in accordance with the minimum safeguards set out in Article 18 of the Taxonomy Regulation. Due to the lack of a climate change adaptation plan, none of the Group’s activities can be considered to be under the climate change adaptation objective, based on the guidelines set out in the Commission Notice (C/2023/305).

Turnover

The denominator included the Group’s revenue arising from the Group’s ordinary course of business in accordance with the accounting principles set out in Chapter 25.17 ‘Revenue from contracts with customers’ of the financial statements and in accordance with the requirements of § 82 of the International Accounting Standard IAS 1. The Group’s main activity includes the production and sale of power distribution and control equipment. In addition, revenue is earned from the project and retail sale of electrical goods, the rental of industrial real estate, and electrical installation works in the shipbuilding sector.

The numerator included the revenue covered by the taxonomy, which corresponded to the description provided in the regulations, but in the Group’s opinion, did not meet the assessment criteria set out in the Taxonomy Regulation in 2024. The calculation of revenue was based on project, order, and activity-based accounting entries, taking into account only such sale by invoice where the criteria necessary for processing were met. In addition, group-wide transactions were mapped. Taxonomy-eligible revenue mainly came from products and services related to the production of substations and electrical distribution equipment for solar, wind, and hydroelectric power plants and for the modernisation and construction of low-carbon vessels, accounting for 21.4% of total turnover. As the content of the Group's sales revenue depends on project-based orders, including their timing and nature, the volume of projects covered by the taxonomy was higher in the previous year (2023: 43%). In addition, it included the production of electric vehicle chargers and heaters (0.04% of turnover), industrial real estate development, project management and leasing (1.3% of turnover), and the production of renewable electricity using solar panels (0.1% of turnover). There was no taxonomy-aligned turnover during the reporting period.

Capital expenditure (CapEx)

The denominator included the Group’s investments in real estate in 2024 (Note 7. Investment property), property, plant and equipment (Note 8. Property, plant and equipment), and intangible assets (Note 10. Intangible assets). The numerator includes capital costs related to economic activities covered by the Taxonomy Regulation, but did not meet the assessment criteria. In addition, the same goes for any individual measures that allow target activities to become low-carbon activities or lead to a reduction in greenhouse gases. At that, it has been considered that individual measures will be implemented within a period of 18 months. In order to avoid double accounting of the performance indicators of CapEx, each economic activity was examined on an investment-by-investment basis. The quantitative distribution of the numerator at the level of economic activity is presented in the table of the performance indicator of CapEx. There were no taxonomy-aligned capital costs. The figures from the previous year were significantly higher because a new production building was completed in Allika Industrial Park for lease to Reimax Electronics OÜ. This year, no investments of a similar scale have been made in new buildings.

Operational expenditure (OpEx)

The denominator included non-capitalised development costs incurred in 2024, which involved research and development, building renovation measures, short-term lease, maintenance, and repairs. It also took into account all other direct costs related to the day-to-day servicing of property, plant and equipment, whether by the company itself or through a third party to whom the activity has been outsourced, and which are necessary to ensure the continued and efficient operation of the property.

Operating expenditures related to economic activities covered by the Taxonomy Regulation, incl. training and other human resource adjustment needs, as well as direct non-capitalised costs involving research and development, were included in the numerator. In addition, costs related to individual measures that help target activities to become low-carbon activities or lead to greenhouse gas reductions were taken into account. To avoid

[5] (EU) 2021/2178 final, Annex I, paragraph 1.1.

double accounting of the performance indicators of operating expenses, each accounting expense transaction is viewed on a goal and project-by-project basis. The operating expenses in 2024, which are disaggregated at the level of economic activities in the table of OpEx, did not meet the assessment criteria and therefore could not be defined as taxonomy-aligned activities. The year before, there were no development activities related to the activities covered by the taxonomy.

Information on the assessment of compliance with the Taxonomy Regulation

When mapping the activities covered by the Taxonomy Regulation, Harju Elekter proceeded from the NACE codes and description of the activities set out in the technical screening criteria of the climate act and the environment act. According to the Taxonomy Regulation, activities contributing to climate targets are divided into three: low-carbon activities, enabling activities, and transitional activities. The activities of the Harju Elekter include both low-carbon activities and enabling activities. There is no consistency in the activities discussed, as the Group has not carried out a physical climate risk analysis in accordance with the EU taxonomy.

The activities covered by the Taxonomy Regulation of the Harju Elekter in 2024 are the following:

- **CCM 3.3 Manufacture of low carbon technologies for transport.** The companies of Harju Elekter manufacture substations and other power distribution equipment that are sold for the modernisation and construction of low-carbon emission vessels. This is an enabling activity that contributes to climate change mitigation.
- **CCM 3.20 Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation.** We manufacture chargers and heaters for electric vehicles, as well as substations and other power distribution equipment for solar, wind, and hydroelectric power plants. The latter is an enabling activity for renewable energy production according to the climate change mitigation criteria.
- **CCM 4.1 Electricity generation using solar photovoltaic technology.** We produce and sell renewable electricity generated by solar panels. By using photovoltaic technology to generate electricity, the activity significantly contributes to mitigating climate change.
- **CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles.** The Group's companies invest, rent, maintain, or repair vehicles that are covered by the Regulation.
- **CCM 7.2 / CE 3.2 Renovation of existing buildings.** The Group invests in improving the energy efficiency of existing buildings.
- **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment.** The Group invests in the installation and replacement of energy-efficient light sources.
- **CCM 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 of charging stations for electric vehicles on real estate sites.
- **CCM 7.7 Acquisition and ownership of buildings.** The group is engaged in the development, project management, and leasing of industrial real estate. The buildings of Harju Elekter built after 2020 meet the screening criteria for a significant contribution to climate change mitigation, where the energy label proves the high energy efficiency of the respective buildings.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities of Harju Elekter in 2024

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover 2023	Category enabling activity (19)	Category transitional activity (20)
Text		*EUR´000*	*%*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0%	0%	0%	0%	0%	0%	*No*	*No*	*No*	*No*	*No*	*No*	*No*	*0.0%*		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		EUR´000	*%*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*								*%*		
3.3 Manufacture of low carbon technologies for transport	CCM 3.3	25,956	14.9%	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0.4%		
3.20 Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	11,376	6.5%	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								42.5%		
4.1 Electricity generation using solar photovoltaic technology	CCM 4.1	106	0.1%	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0.1%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	63	0.04%	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0.0%		
7.7 Acquisition and ownership of buildings	CCM 7.7	2	1.3%	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								1.8%		
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		39,734	22.8%	22.8%	0%	0%	0%	0%	0%								44.8%		
A. Turnover of Taxon omy-eligible activities (A.1+A.2)		39,734	22.8%	22.8%	0%	0%	0%	0%	0%								44.8%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy- non-eligible activities		134,978	77.2%																
TOTAL TURNOVER 2024		174,712	100.0%																

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM (Climate Change Mitigation)	0%	22.8%
CCA (Climate Change Adaptation)	0%	0%
WTR (Water and Marine Resources)	0%	0%
CE (Circular Economy)	0%	0%
PPC (Pollution Prevention and Control)	0%	0%
BIO (Biodiversity and ecosystems)	0%	0%

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities of Harju Elekter in 2024

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx 2023	Category enabling activity (19)	Category transitional activity (20)
Text		*EUR´000*	*%*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0%	0%	0%	0%	0%	0%	*No*	*No*	*No*	*No*	*No*	*No*	*No*	0.0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		EUR´000	*%*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*								*%*		
4.1 Electricity generation using solar photovoltaic technology	CCM 4.1	59	1.4%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0,7%		
7.2 Renovation of existing buildings	CCM 7.2 CE 3.2	12	0.3%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Eligible*	*Not eligible*								0,0%		
7.3 Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	22	0.5%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0,3%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0.0%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0,2%		
7.7 Acquisition and ownership of buildings	CCM 7.7	1,118	26.9%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								70.3%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,211	29.1%	29.1%	0%	0%	0%	0%	0%								71.5%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		1,211	29.1%	29.1%	0%	0%	0%	0%	0%								71.5%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non- eligible activities		2,951	70.9%																
TOTAL CapEx 2024		4,162	100.0%																

	Proportion of CapEx/ Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM (Climate Change Mitigation)	0%	29.1%
CCA (Climate Change Adaptation)	0%	0%
WTR (Water and Marine Resources)	0%	0%
CE (Circular Economy)	0%	0%
PPC (Pollution Prevention and Control)	0%	0%
BIO (Biodiversity and ecosystems)	0%	0%

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities of Harju Elekter in 2024

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx 2023	Category enabling activity (19)	Category transitional activity (20)
Text		*EUR´000*	*%*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes; No; Not eligible*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%	0%	0%	0%	0%	0%	0%	No	No	No	No	No	No	No	0.0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		EUR´000	*%*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*	*Eligible; Not eligible*								*%*		
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	21	1.7%	*Eligible*	*Eligible*	*Not eligible*	*Not eligible*	*Not eligible*	*Not eligible*								0.0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		21	1.7%	1.7%	0%	0%	0%	0%	0%								0.0%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		21	1.7%	1.7%	0%	0%	0%	0%	0%								0.0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non- eligible activities		1,237	98.3%																
TOTAL OpEx 2024		1,258	100.0%																

	Proportion of OpEx/ Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM (Climate Change Mitigation)	0%	1.7%
CCA (Climate Change Adaptation)	0%	0%
WTR (Water and Marine Resources)	0%	0%
CE (Circular Economy)	0%	0%
PPC (Pollution Prevention and Control)	0%	0%
BIO (Biodiversity and ecosystems)	0%	0%

	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

E1 Climate change

Transition plan for climate change mitigation (E1-1)

Harju Elekter is committed to climate change mitigation. Our sustainability strategy, which is part of the Group's overall strategy, takes into account the objectives related to the transition to a sustainable economy.

We have done preparations and plan to implement a carbon neutrality plan by 2025, in line with the Paris Agreement's goal of limiting global warming to 1.5 °C. Our updated 2024 sustainability strategy at Harju Elekter addresses climate change mitigation and reducing greenhouse gas (GHG) emissions. In order to plan for climate change mitigation, we have assessed the Group's GHG footprint in scope 1, 2, and 3. We began measuring greenhouse gas (GHG) emissions for scope 1 and scope 2 in 2021. In 2024, we additionally mapped and quantified the Group's scope 3 emissions, which encompass indirect emissions from the value chain that are not included in scope 1 and scope 2.

Taking into account the results of measurements of GHG emissions in scope 1, 2, and 3, we set targets for 2030 and drew up an action plan to reduce GHG emissions. The main mitigation measures in scope 1 and 2 relate to electricity and heat consumption: optimising and reducing consumption, producing renewable energy, and purchasing renewable energy from service providers.

Scope 3 emission reduction measures relate to the reduction of emissions from outsourced products and services, including transport services. The targets and activities related to climate change mitigation have been approved by the Management Board of Harju Elekter.

In the coming years, from 2025–2030, we will continue with scope 1 and 2 GHG emission reduction projects and focus on collaborating with our key partners to find ways to reduce the environmental impact and scope 3 GHG emissions in the value chain.

An explanation of investment supporting the implementation of mitigation measures is provided in the chapter 'Actions and resources in relation to climate change policies' (E1-3). Article 12 of Commission Delegated Regulation (EU) 2020/1818, which exempts compliance with Paris Agreement benchmarks, does not apply to Harju Elekter.

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

We assessed Harju Elekter's business impact on global warming in the short, medium, and long term through the Double Materiality Assessment (DMA).

For each sub-topic described in the sustainability reporting standards, we engaged industry leaders and external environmental experts to identify how our actual or potential impacts, risks, and opportunities related to climate change and adaptation are manifested. We further assessed whether the impacts, risks, and opportunities identified stem from our own operations or from the Group's upstream and downstream value chain.

In the DMA, we identified potential transitional and physical climate risks. Potential climate-related physical risks, such as floods, storms, extreme weather conditions, fires, and rising temperatures can pose financial risks to the company if they materialise. Based on the preliminary assessment, it is unlikely that these risks would have a significant impact on the Group. We will carry out a more in-depth analysis of resilience in 2025, taking into account the regions in which the Group's companies operate.

Due to our field of activity, where the share of outsourced materials and the volume of electricity transmitted in our products is large, the majority of the GHG emissions of Harju Elekter are generated in scope 3 categories (upstream and downstream indirect emissions). The amount of downstream emissions is mostly affected by the energy consumption during the lifetime of our products in their use phase. Scope 1 and 2 emissions (direct emissions) have less impact. We have conducted preliminary assessments of the emission reduction potential within our value chain. In 2025, in collaboration with key partners, we will develop plans to reduce emissions in scope 3 categories.

IMPACTS, RISKS, OPPORTUNITIES, AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

Positive impact

- Working towards the EU climate targets
- Manufacturing distribution equipment to support electrification and the transition to environmentally friendly solutions
- Investing in renewable energy production
- Existing solar parks and their maintenance
- Manufacturing and installing EV-chargers for electric vehicles
- Optimising electricity and heat consumption in the Group
- Establishing energy-efficient buildings and making existing buildings more energy efficient (lighting, heating, and ventilation systems)

Risks

- Customer expectations concerning the reduction of the environmental impact of products (e.g. reducing the carbon footprint and limiting the use of virgin raw materials, increasing the share of recycled materials) are changing rapidly
- Global and European Union regulations and taxation of GHG emissions

Negative impact

- Scope 1 and 2 GHG emissions related to our business activities
- GHG emissions from Scope 3 categories (upstream and downstream emissions)

Opportunities

- The opportunity to diversify the product portfolio, develop in new business directions, increase profits, and expand the customer base

Description of the processes to identify and assess material climate-related impacts, risks and opportunities (IRO-1)

The process of assessing climate-related impacts, risks, and opportunities includes the following important steps: the analysis of historical scope 1 and 2 data and the mapping and analysis of Scope 3 categories. Greenhouse gas emissions and their effects on climate change were evaluated following the Greenhouse Gas Protocol standard.

Harju Elekter based its mapping and assessment of physical risks related to climate change on Estonia's future climate scenarios until 2100 and the Group's sites. Estonia's future climate scenarios up to 2100 were prepared in 2015 based on RCP4.5 (baseline) and RCP8.5 scenarios as of that time. According to the assessment, there were no significant physical climate risks to the companies' sites. The main focus of the assessment was on the risks affecting real estate and people. In general, the impacts of climate change on real estate and people in the Group's operating countries are not extensive, based on the projections referred to above. In Harju Elekter, temperature-related risks are mitigated, as employees are guaranteed an indoor climate suitable for performing their duties.

In Estonia, floods and storms are considered the biggest threat to real estate. As a result, we assessed the flood risks, but none of the Group's sites are located in the flood risk area, therefore, it is unlikely that the floods could endanger the property of Harju Elekter. In addition, we assessed the risk of wildfires in the Group's areas of operation using the Copernicus Wildfire Risk Viewer, according to which none of the Group's companies are located in an area with a high risk of forest fires.

As regards the physical climate risks associated with the value chain, the Group assessed the risk as generally significant, but due to the fact that the Group currently lacks transparency concerning the upstream stages of its value chain, it is currently not possible to assess more precisely which parts of the value chain are affected by specific physical climate risks.

In our DMA analysis in mapping and assessing the impacts, risks, and opportunities associated with climate change, we proceeded from the time horizons established in ESRS 1: short-term, medium-term, and long-term. For the short-term, the period is 1 year, for the medium-term up to 5 years, and for the long-term, more than 5 years. For buildings, a long-term time horizon of 33 years was considered.

The Group based its identification and assessment of transition risks on current market trends, including customer expectations, strategic plans, and policy directions in Estonia and the rest of Europe. The analysis was not carried out on the basis of climate-related scenarios. As a result of the analysis, the Group identified rapidly changing customer preferences as a significant risk: products with a lower carbon content, verified carbon footprint calculations, and energy efficiency certificates for products. Harju Elekter is also subject to global and European Union regulations, failure to comply with which may result in financial risks.

Policies related to climate change mitigation and adaptation (E1-2)

Harju Elekter's environmental policy addresses impacts related to the environment and climate change. It aims to reduce the negative environmental impact of our business and support the Paris Agreement's goal of limiting global warming to 1.5 °C.

Our environmental policy focuses on preventing and reducing negative environmental impacts and managing environmental risks, considering the whole value chain. The environmental policy of Harju Elekter is related to the following impacts, risks, and opportunities.

- Climate change mitigation
- Energy

We have considered the views of stakeholders when designing our environmental policy. We are committed to measuring and monitoring GHG emissions and developing and implementing processes to reduce negative impacts. Environmental policy focuses on optimizing energy use and gradually transitioning to renewable energy, but does not address climate change adaptation. Group's Management Board oversees impact monitoring, risk management, and environmental policy implementation within the Group. We also expect our suppliers to follow environmental protection practices and the Code of Conduct of Harju Elekter. The Code of Conduct and the environmental policy of Harju Elekter are published on the company's website.

Actions and resources in relation to climate change policies (E1-3)

One of the strategic focus topics of Harju Elekter is the environment. The activities prioritised in the sustainability strategy are linked to the highest contribution to GHG emissions.

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 components and materials in the products, the generation of waste, and the use of transport services to transport the products. Based on the outcome of the assessment, we selected key indicators for the most significant impacts and set targets to help reduce negative environmental impacts and mitigate climate change.

The main climate change mitigation measures adopted during the reporting year and planned are the GHG emission reduction activities in scope 1, 2, and 3. The levers for reduction are:

- Reducing the use of fossil fuels and replacing them with environmentally friendly ones: upgrading machinery and replacing old equipment with more energy-efficient ones (scope 1)
- Reducing electricity and heat consumption: optimising room temperatures, gradually switching lighting solutions to LED lighting, designing energy-efficient buildings, and increasing the energy efficiency of existing buildings (renovating, investment in energy-efficient equipment) (scope 1, 2)
- Reduction of energy-related (outsourced electricity, heating, cooling) GHG emissions from the transition to renewable energy (scope 2)
- Product development and cooperation with partners to reduce GHG footprint of products (scope 3)
- Increasing the share of renewable energy produced and purchased in the Group

In order to reduce its greenhouse gas footprint, Harju Elekter contributes to the production and use of renewable energy. By investing in solar panels, the Group reduces its carbon footprint and saves the company's overall energy costs.

In the real estate segment, our goal is to ensure sustainable and modern production and office spaces for our employees and industrial real estate clients. We have replaced and plan to replace electricity and heating contracts based on non-renewable energy sources with renewable energy contracts in buildings where possible. The use of solar energy accounts for an increasing share of the Group's current energy consumption and that of its tenants. Within the Group, electricity and heat consumption is reduced through the development of smart and sustainable technologies and energy-efficient buildings. In addition to the buildings used by subsidiaries, it is also important to ensure energy efficiency for industrial real estate development, in accordance with the energy efficiency requirements applicable to buildings. The Group will continue to install solar parks on new and renovated production facilities. For investments made during the reporting period, see EU taxonomy.

The use of solar energy accounts for an increasing share of the Group's own and tenants' current energy consumption.

During the reporting year, Harju Elekter's portfolio of solar power plants increased by 86.6 kW, bringing the total renewable energy generation capacity to 2,897.12 kW. In 2024, the Group's solar panels produced a total of 2,611 MWh of electricity, of which 335.1 MWh was used for own consumption.

In cooperation with our customers, we can reduce GHG emissions related to our products and services. During the reporting year, we started calculating the carbon footprint of our products to ensure the transparency of the environmental impact of Harju Elekter's products to stakeholders and to identify ways to reduce the negative impact. The preparation of the product Life Cycle Assessment (LCA) and environmental declarations, i.e. the Environmental Product Declaration (EPD), allow the manufacturing companies of Harju Elekter to map and reduce the GHG emissions of their products, while at the same time providing a comprehensive overview of the environmental impacts of products. The product LCA analyses emissions throughout the product life cycle, allowing for the largest sources of emissions to be identified and the best solutions found to reduce them. The EPD provides transparent information on the environmental impact of a product, which helps to set goals to reduce negative impacts and compare results with other similar products. Based on the calculated data, informed decisions can be made in reducing GHG emissions, as well as finding ways to design and manufacture more environmentally friendly products.

The largest share of GHG emissions from our upstream supply chain come from hard-to-impact sectors where the availability of renewable energy varies. We have mapped out the ambitions of our key suppliers to assess and reduce their environmental impacts. We also intend to focus on suppliers from whom we purchase the largest share of input materials needed for production and who are part of the segments that produce the most GHG emissions in our supply chain. We plan to continue to update the procurement conditions with the main suppliers, taking into account sustainability topics.

We have set goals, and allocated and planned resources to reduce GHG emissions, identify additional opportunities, and implement them within the Group. As a result of our activities, we contribute to the reduction of scope 1, 2 and 3 GHG emissions. We reduce the emissions associated with our activities (scope 1 and 2) by optimising energy consumption and increasing the share of renewable energy in energy consumption. We invest in heating and ventilation solutions, replace existing lighting with new and more energy-efficient ones. In cooperation with our customers, we will continue with our product carbon footprint calculations and product development to increase the energy efficiency of our products and provide customers with even more sustainable alternatives. We also plan to support our upstream and downstream value chain participants in developing tools/levers to reduce environmental impacts. As of 31 December 2024, no long-term investment plan has been approved for the implementation of the measures. We will prepare the plan in 2025 for 2026, based on the results of the base year (2024). The measures will cover the entire Group and will be implemented during the years 2025-2030. The targets are described in chapter SBM-1.

The impact of the implementation of the measures on the reduction of achieved GHG emissions is not presented in the report, because Harju Elekter designated 2024 as the base year of GHG scope 1, 2, and 3, against which the mitigation results will be compared. The implementation of the measures is expected to result, by 2030, in a reduction in GHG emissions of 20% in categories 1 and 2 and 15% in category 3 compared to 2024. During the reporting year, Harju Elekter did not incur significant capital and operating expenses related to the implementation of the measures.

Targets related to climate change mitigation and adaptation (E1-4)

To address the impacts, risks, and opportunities related to climate change mitigation, Harju Elekter has established strategic targets for reducing GHG emissions.

Our targets are to reduce our scope 1 and 2 GHG emissions by 20% (based on the market-based estimation method) and scope 3 emissions by 15% per turnover (relative carbon intensity indicator; final to be determined based on the 2024 data) by 2030 (base year 2024). The relative indicator of carbon intensity also makes it possible to consider future trends, such as changes in turnover numbers, without affecting the achievement of the GHG emission reduction targets.

We have set our strategic targets based on market practice and previous successes in reducing our carbon footprint. In our opinion, it is possible to continue reducing emissions at a similar pace, based on existing measures and their effectiveness. We have also considered future trends, such as changes in sales volume, customer preferences and changes in demand, regulatory factors, and new technologies. At the time of preparation of the report, the approved objectives have not undergone external validation (Science Based Targets initiative, SBTi). We will set the SBTi targets in 2025. Considering that 2024 serves as the base year for GHG emissions, we offer comparative data for the year 2025.

Our main category 1 and 2 GHG emissions stem from the consumption of electricity and heat from production buildings and office spaces. It is planned to gradually increase the share of renewable energy purchased and produced by the Group, and it is also planned to reduce energy consumption in the Group's companies.

In the case of the scope 3 categories, achieving the goals and changes is more difficult, as it requires Harju Elekter to allocate a significant amount of resources and cooperation with customers concerning input materials and their environmental impact. We ensure that all production companies of Harju Elekter have integrated environmental topics into their management system and have a valid ISO 14001 Environmental Management System certificate.

The sustainability strategy of Harju Elekter for 2022–2026 was replaced by the 2030 strategy, and a new base year, 2024, was set due to the specification of the initial data. The previous base year for scope 1 and 2 was 2021.

Energy consumption and mix (E1-5)

The energy consumption of Harju Elekter is mainly due to production activities taking place in production buildings. Information on energy consumption is based on meter readings and reports from service providers. The same scope has been applied to the calculations for GHG scope 1 and 2.

Energy consumption and mix	2024
(1) Fuel consumption based on crude oil and petroleum products (MWh)	588.0
(2) Fuel consumption from natural gas (MWh)	349.9
(4) Fuel consumption from other fossil sources (MWh)	0.0
(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	7,396.1
(6) Total fossil energy consumption (MWh) (calculated as the sum of rows 1–5)	**8,334.0**
Share of fossil sources in total energy consumption (%)	**89.3**
(7) Consumption from nuclear sources (MWh)	**85.0**
Share of nuclear energy sources in total energy consumption (%)	**0.9**
(8) Fuel consumption from renewable sources (MWh)	0.0
(9) Consumption of purchased electricity, heat, steam, and cooling from renewable sources (MWh)	999.0
(10) Consumption of self-generated renewable energy for purposes other than fuel (MWh)	0.0
(11) Total renewable energy consumption (MWh) (calculated as the sum of rows 8–10)	**999.0**
Share of renewable sources in total energy consumption (%)	**10.7**
Total energy consumption (MWh) (calculated as the sum of rows 6 and 11)	**9,333.0**
Energy consumption associated with activities in high climate impact sectors (NACE A–H, L) (MWh)	**9,418.0**
Total energy consumption from activities in high climate impact sectors per net income of high climate impact sectors (MWh/€)	**0.00005**
Energy production	
Non-renewable energy production (MWh)	0.0
Renewable energy production (MWh)	2,611.0

The revenue of Harju Elekter is related to activities in high climate impact sectors (listed in NACE sections A–H and L). The energy intensity indicator for high climate impact sectors has been calculated considering the total revenue of the Group (see 'Revenue'). The Group's activities cover the following high climate impact sectors:

- Manufacturing sector
- Electricity, gas, steam, and air conditioning supply
- Construction and Real Estate activities

Total GHG emissions (E1-6)

The Group's GHG emissions have been calculated in accordance with the internationally recognised Greenhouse Gas Protocol, the most commonly used global standard for measuring and managing GHG emissions from business, value chains, and mitigation measures.

The standard covers the assessment of emissions of seven greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), nitrogen fluoride (NF_3). Scope 1 includes direct emissions from sources owned or controlled by the company and scope 2 consists of indirect GHG emissions of purchased energy. Emissions under the operational and financial control principle, which are managed by Harju Elekter, have been considered. Scope 1 and 2 emissions were calculated using location-based and market-based approach and the emissions have been calculated using paid international databases (Ecoinvent and Exiobase) and up-to-date specific emission factors for host countries. The GHG emission intensity is calculated using the Group's revenue (see 'Revenue').

The Group's Management Board, sustainability manager, field managers, environmental specialist, and external environmental expert participated in the mapping of the categories of scope 3. As part of the process, the areas of activity of the Group's companies and the relevant upstream and downstream categories were mapped. According to the areas of activity, the Group's companies are divided into manufacturing companies, and companies engaged in the development and management of industrial real estate. The decision-making process for determining the important categories of scope 3 took into account the scope 3 mappings and calculations carried out in 2023 by AS Harju Elekter.

Due to the mapping of scope 3, a total of 12 categories were taken into account. As a result of the materiality assessment, the following categories were excluded: processing of sold products, franchises and investments. Leased assets related to upstream activities were not included in scope 3 (they were included in scope 2). When calculating emissions from leased assets related to downstream activities, common areas of buildings were considered. The GHG emissions related to the transportation of products sold are reported under scope 3, category 4, due to the way in which transportation is organised and paid for.

In the category of the scope 3, which concerns GHG emissions related to the end of life of products sold, the information provided in the environmental declarations of the products sold and the engineering knowledge of the Group's employees were used to design end-of-life management methods. Based on this information, it is assumed that most materials will either be recycled or landfilled after the end of their life. GHG emissions related to recycling are outside the group's reporting and, due to the types of materials used in the products, there is no basis to assume GHG emissions during their landfilling.

The significance criteria was based on the GHG Protocol standard and guidelines. For the scope 3 categories included in the calculation, both consumption-based and cost-based approaches were applied to determine GHG emissions. The specific emission factors used were taken from national GHG footprint models, professional paid databases, EPDs, direct data from suppliers, and other relevant studies, reports, and literature.

The end-of-life handling of the products sold was based on the assumptions of the Group's engineers. Emissions from the final handling approach were not calculated on the assumption that landfilling does not require the release of GHG emissions. In the downstream/outflow transport and freight transport category, it was found that the Group's companies do not pay for the supplies themselves and no calculations were made in this regard in this category.

Material categories of scope 3 of Harju Elekter, which were included in the calculation:

- Purchased goods and services
- Capital goods
- Fuel and energy related activities
- Upstream transportation and distribution
- Waste generated in operations
- Business travel
- Employee commuting
- Upstream leased assets
- Downstream transportation and distribution
- Use of sold products (the normal load of the products during their lifespan was calculated to be 51%)
- End-of-life treatment of sold products
- Downstream leased assets

Scope 1 GHG emissions	2024
Scope 1 total GHG emissions (t CO_2 eq.)	221.43
Scope 2 GHG emissions	
Location-based measured scope 2 total GHG emissions (t CO_2 eq.)	7,536.07
Market-based measured scope 2 total GHG emissions (t CO_2 eq.)	6,367.68
Material scope 3 GHG emissions	
Scope 3 total GHG emissions (t CO_2 eq.)	66,000,279.78
Purchased goods and services (t CO_2 eq.)	32,803.29
Capital goods (t CO_2 eq.)	184.30
Fuel and energy-related activities (not included in scope 1 or 2) (t CO_2 eq.)	459.73
Upstream transportation and distribution (t CO2 eq.)	4,937.41
Waste generated in operations (t CO_2 eq.)	241.72
Business travel (t CO_2 eq.)	46.38
Employee commuting (t CO_2 eq.)	686.91
Upstream leased assets (t CO_2 eq.)	0.00
Downstream transportation and distribution (t CO_2 eq.)	0.00
Processing of sold products (t CO_2 eq.)	0.00
Use of sold products (t CO_2 eq.)	65,960,903.88
End-of-life treatment of sold products (t CO_2 eq.)	0.00
Downstream leased assets (t CO_2 eq.)	16.16
Franchises (t CO_2 eq.)	0.00
Investments (t CO_2 eq.)	0.00
Total GHG emissions	
Total GHG emissions (location-based) (t CO_2 eq.)	66,008,037.28
Total GHG emissions (market-based) (t CO_2 eq.)	66,006,868.89
GHG intensity per net revenue	
Total GHG emissions (location-based) per net revenue (t CO_2 eq. / net revenue)	0.38
Total GHG emissions (market-based) per net revenue (t CO_2 eq. / net revenue)	0.38

Harju Elekter does not have any greenhouse gas binding and emission reduction projects financed through carbon credits. There is also no internal pricing of carbon emissions in the Group.

E5 Resource use and the circular economy

Humanity consumes natural resources faster and in a greater quantity than planet Earth can sustainably provide. The economical use of resources makes it possible to cover the needs of the present without compromising the ability of future generations to meet their needs.

At Harju Elekter, we are committed to the efficient use of resources and the implementation of the principles of the circular economy. The results of the DMA-analysis carried out in 2024 showed that resource use and the circular economy are also important topi cs for our stakeholders.

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks, and opportunities (IRO-1)

Resource use and the circular economy are important topics, as the business of Harju Elekter is related to input materials, some of which have not been reused and are in use for the first time.

We are committed to reducing the use of such materials and promoting reusability and circularity.

To identify significant IRO-s, we first mapped the main input resources of production and then the associated actual and potential impacts based on the global value chains of the resources. The main resource impacts come from the Group's upstream value chain, for which information could not be obtained with reasonable effort. We have mapped the views and feedback of local communities near our sites using both indirect and direct methods. The main activity of Harju Elekter is providing electricity distribution solutions to business customers, and our production units are located in four countries: Estonia, Finland, Sweden, and Lithuania. As regards the main input materials and resource use, there are no significant differences between the Group's sites.

Policies related to resource use and the circular economy (E5-1)

Topics related to resource use and the circular economy are part of the environmental policy of Harju Elekter and no separate policy has been created. The environmental policy covers the Group and the Group's sites and is an integral part of the sustainability strategy.

In 2024, we started measuring the quantities of materials needed to manufacture and pack our products and will continue to focus on collecting and analysing resource-related data. Resource planning and their economical use are integrated into the management systems of the Group's manufacturing companies. The Management Board of Harju Elekter is responsible for ensuring that the policy related to resource use and the circular economy is implemented in all Group companies.

The goal of Harju Elekter is to offer its customers safe, flawlessly functioning, and long-lasting solutions that would be sustainable from the point of view of society and the environment at the same time. The lifetime of electrical installations is calculated at 40 or more years, which means that it is necessary to consider the future reserve and the handling of materials at the end of the life cycle of the products when creating solutions. Extended lifetime and a higher percentage of reusable materials contribute to reducing the environmental load on electrical installations. With the development of new technologies and the increasing demand for environmentally friendly solutions in our field of activity, materials that are less burdensome for the environment are also being introduced.

In the case of the products of Harju Elekter, the important raw materials are copper and steel, which are essentially reusable materials. Metals can be repeatedly recycled and endlessly reused without changing their properties or durability. Metal recycling reduces the amount of waste and primary raw materials that are landfilled. Much of the steel used in the European Union is already of reused origin.

The Group's environmental policy does not currently include an action plan on resource use and the circular economy, with quantitative targets for the abandonment of primary raw materials and the sustainable sourcing of renewable resources.

Extract from the environmental policy of Harju Elekter regarding resource use and the circular economy:

'When designing products and solutions, we consider durability important, considering the sustainability of the components. We are reducing the amount of waste generated and trying to increase the rate of reuse and recycling. We are applying the principles of the circular economy to combat resource scarcity.'

Actions and resources related to resource use and the circular economy (E5-2)

We have set the goal of reducing the environmental impact of our products and optimising the use of input resources and materials.

We plan to increase the share of environmentally friendly materials in our products and packaging, further extend the life of our products, create additional possibilities for reuse and recovery, and reduce the amount of waste generated in the production process and packaging of products. In addition to the managers responsible for resource use and the circular economy issues in their department, we have involved the Group's environmental specialists and external experts in the process of assessing IRO-s and planning measures.

By enhancing processes, we reduce material waste within the Group and increase the use of sustainable input resources both in our products and as packaging materials. We have allocated funds to assess and improve the resource use and circular management of our products. As of 31 December 2024, the effectiveness of measures related to resource use and the circular economy has not been measured in the Group. The Group's team of product managers, in cooperation with external environmental experts, assess the environmental impact of our products throughout the life cycle and develop ways to improve the circularity of products. Environmental impact assessment of products and disclosure of third-party validated environmental declarations (EPDs) allow customers to make environmentally sustainable choices. When making improvements related to resource use and the circular economy, the manufacturing companies of Harju Elekter largely depend on the needs and expectations of customers. In cooperation with our customers, we direct suppliers of materials and components to use more recycled materials, thereby making our products more recyclable. In 2024, we started compiling the Life Cycle Assessment (LCA) and the EPD of our products.

For Harju Elekter, the recovery of resources and the correct recycling of waste are important, considering the principles of the waste hierarchy. Two types of waste are generated in the Group's manufacturing units: manufacturing waste and municipal waste. During manufacturing processes, waste is generated, which includes metal waste (e.g. steel and copper), plastic waste, hazardous waste, and packaging material waste (film, cardboard, paperboard), which is sorted and either reused or recycled. Metal waste is sent for smelting. The generation of metal and packaging waste is reduced by optimising production processes, and a large proportion of packaging materials are recycled both within the Group and after the products have been released to the customer.

Municipal waste is generated as a result of non-production activities and is sorted in dedicated containers. In order to sort municipal waste more efficiently, we have removed separate bins from office space and replaced them with special sorting centres. We use circulating containers with some suppliers. Waste management manuals, training materials, labelled waste containers and boxes have been prepared to control waste sorting, and we also train our employees according to the procedure prescribed in the management system. The companies have contractual and responsible partners for waste management, who provide information about waste to the Group's companies, but it is difficult for Harju Elekter to influence the further management of waste.

Targets related to resource use and the circular economy (E5-3)

In 2024, by updating our DMA analysis and sustainability strategy, we mapped out our stakeholders' resource use and the circular economy targets.

The Group's material impacts, risks, and opportunities are mainly related to outsourced materials and waste. In 2024, we started measuring the quantities of input materials across the Group. It includes the main materials characteristic of our industry, such as sheet metal and copper, as well as concrete elements and semi-finished electronic products and components. With regard to waste, we collect data on hazardous and non-hazardous waste and its management methods and the associated environmental impact.

The targets set for 2030 will support our resource use and the circular economy policies, as well as addressing impacts, risks, and opportunities. The objectives are to:

- Reduce and optimise the use of virgin raw materials
- Increase the share of reused and reusable materials in products
- Engage in the circular economy development activities

The objectives concern the following levels of the waste hierarchy: prevention and preparation for reuse. Considering the objectives, we planned possible further actions and will continue to do so in 2025, based on data for 2024. The Group's targets related to resource use and the circular economy are qualitative and, as of 31 December 2024, there are no quantitative efficiency metrics.

Resource inflows (E5-4)

In 2024, we started mapping and estimating the input and output flows of resources related to the impacts, risks, and opportunities of Harju Elekter.

The main inputs that the Group's companies use in their products are sheet metal, copper, electronic components, and concrete elements. The selection of important categories of materials was based on volumes in euros and quantities in tonnes. Existing databases and measurement data were used to collect the data; estimates were made in the absence of accurate data and quantities. To reduce the need for virgin materials, we will increase the proportion of reused or recycled materials where possible. As of the reporting year, it is not possible to fully distinguish all recycled input materials from non-recycled ones with reasonable effort, as the inputs lack relevant information. There are also no databases for storing the relevant information.

Rare earth elements are not used as input streams within the Group, but copper is classified as a critical raw material in accordance with Annex II to the proposal for Regulation (EU) 2023/0079 of the European Parliament and of the Council.

Resource inflows and outflows	Unit	2024
Resource inflows		
The overall total weight of products and technical and biological materials used during the reporting period	tonne	11,845.5
The weight in absolute value of secondary reused or recycled components, secondary intermediary products, and secondary materials used to manufacture the products (incl. packaging).	tonne	86.2
The percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the products (incl. packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle	percentage	0.0
The amount as a percentage of secondary reused or recycled components, secondary intermediary products, and secondary materials used to manufacture the products (incl. packaging)	percentage	0.7

Resource outflows (E5-5)

Harju Elekter contributes to the circular economy with the principle of producing long-term and durable products. When designing any product, consideration is given to the possibility of making it circular as soon as it reaches the end of its life. This will help prevent waste and optimise resource use. Important raw materials in the company's products are copper and steel, which are inherently recyclable materials.

We are committed to reducing the amount of waste generated by the Group and ensuring that as much of the waste as possible is recycled or recovered. We prevent the generation of waste in Harju Elekter and increase the amount of recyclable materials. The lifetime of substations is on average 40 years, and for low-voltage products 30 years. The Group does not assess or measure the compliance of products with the principles of the circular economy. Of the materials outsourced, the recycling material content is highest in steel.

Harju Elekter follows responsible and environmentally friendly principles in waste management. In the Group's companies, waste is collected in accordance with the waste collection procedure established in the national legislation and the requirements of partners. This ensures the correct sorting and processing of waste, which subsequently allows for the maximum recovery of materials. Data related to waste comes from service providers' invoices and waste reports.

Waste	Unit	2024
RECYCLED WASTE		
Hazardous waste		
Preparation for reuse	tonne	0.00
Recycling	tonne	0.90
Other recovery operations	tonne	0.00
All recycled hazardous waste	tonne	**0.90**
Non-hazardous waste		
Preparation for reuse	tonne	0.00
Recycling	tonne	1,042.60
Other recovery operations	tonne	10.00
All recycled non-hazardous waste	tonne	**1,052.60**

Waste	Unit	2024
NON-RECYCLED WASTE		
Hazardous waste		
Incineration	tonne	1.30
Landfill	tonne	10.90
Other disposal operations	tonne	0.00
All non-recycled hazardous waste	tonne	**12.20**
Non-hazardous waste		
Incineration	tonne	76.00
Landfill	tonne	27.00
Other disposal operations	tonne	2.30
All non-recycled non-hazardous waste	tonne	**105.30**
Total amount of non-recycled waste	tonne	117.50
Percentage of non-recycled waste	%	10.03
Total amount of recycled waste	tonne	1,053.50
Percentage of recycled waste	%	89.97
Total amount of hazardous waste	tonne	13.10
Total amount of radioactive waste	tonne	0.00
Total amount of all waste	tonne	**1,171.00**

Social Information

S1 Own workforce

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

Employees, with their knowledge, skills, experience, and motivation, are the main guarantee for the efficient and effective operation of Harju Elekter, and one of the foundations of competitiveness and sustainability, which is why the well-being, rights, and development of employees are strategically important.

The strategy of Harju Elekter focuses on sustainable growth, innovation, and responsible management. The strategy, which is based on prioritising the safety of the working environment, employee satisfaction, inclusion, and development, supports the Group's sustainability goals and strengthens its position as a responsible employer.

Occupational health and safety: safe and secure working conditions and environments contribute to the well-being and productivity of employees. Accidents at work and health problems arising from work can lead to work stoppages and affect the reputation of Harju Elekter. We implement strict occupational safety measures: we follow occupational safety standards and carry out risk assessments to reduce the risk of accidents at work and occupational diseases. Regular training and safety instructions are part of a daily work culture.

Employee satisfaction and commitment, development and training: employee satisfaction directly affects productivity and innovation, and satisfied and motivated employees contribute to the achievement of strategic goals. Dissatisfaction can lead to workforce turnover and thereby a loss of skills, while increasing recruitment and training costs. We conduct regular satisfaction surveys and offer development opportunities, training and self-improvement, and motivating working conditions. By investing in the continuous development of our employees, we increase our ability to innovate and adapt to market changes. Satisfied and motivated employees provide higher quality services and

products. A positive employer image helps to retain existing employees and attract talent in their field. The development of training and new skills supports the digital transformation and technological development of Harju Elekter.

Diversity and inclusion: involving employees from different backgrounds ensures a more creative and dynamic work environment, supporting innovation, effective problem solving and decision-making. A lack of or insufficient involvement can lead to talent leaving and potential reputational damage. We adhere to the principles of equal treatment by promoting an inclusive culture at all levels of management.

Policies related to own workforce (S1-1)

Our activities are guided by the UN Guiding Principles on Business and Human Rights. Our principles are in line with international standards, including the UN Universal Declaration of Human Rights, International Labour Organisation's (ILO) Declaration on Fundamental Rights and Principles at Work, and the OECD Guidelines for Multinational Enterprises.

In our policies and guidelines, we ensure that the activities and business relations of Harju Elekter do not lead to negative consequences for the rights of employees, including labour rights, equal treatment, and a safe working environment. We promote the rights of employees, including the right to collective bargaining, the safety of the working environment, and the prevention of discrimination. The measures concerning the workforce of Harju Elekter are transparent and effective.

The policies established and contracts concluded at Harju Elekter exclude human trafficking, forced labour, and the use of child labour both in their activities and in the supply chain, and ensure that all employees work in accordance with the law, voluntarily, and in fair and good conditions. Compliance with international labour standards and the principles of human rights contributes to the promotion of responsible and ethical business conduct.

The Group has conducted value-based management training sessions at all levels of management in order to support the transfer of the values of Harju Elekter into everyday life. In 2024, the Principles of Recruitment and Selection and the Leadership Guidelines were drawn up to help managers give directions and maintain company values. The guidelines are aimed at creating a unified management culture in all Group companies.

The principles of effective management are essential for ensuring sustainable activities and a healthy working environment.

Harju Elekter employs people from different cultural, educational, and professional backgrounds. It is important for us to ensure that no one is discriminated against because of their age, gender, religion, origin, disability, marital status or other circumstances. The Code of Conduct applied all over the Group, and approved and adopted by the Management Board, clearly sets out the principles for the human rights, diversity, inclusion, and non-discrimination of employees. Among other things, the Code of Conduct also deals with cybersecurity and data protection. The Code of Conduct covers the material impacts associated with our workforce.

Harju Elekter also assesses and takes into account the needs of vulnerable groups of workers, ensuring them equal opportunities and protection. Vulnerable groups may include temporary and part-time workers, temporary agency workers, young and elderly people, people with disabilities, and low-skilled workers. They are protected by measures such as equal treatment, fair remuneration, a safe working environment, and access to training.

All recruitment and promotion decisions adhere to gender-neutral and non-discriminatory qualities based on an equal footing, such as education, skills and experience, and legal requirements. Competitions to fill vacancies are open to the public, but they are also announced in-house. Employees are encouraged to continuously develop, and the movement of employees between teams is supported.

Occupational safety and employee well-being are one of the priorities of management, which is why the management of occupational health and safety within the Group has been raised to a strategic level. We follow internal working environment and safety guiding principles and procedures, and comply with applicable legislation and other relevant requirements. We are committed to ensuring occupational safety and preventing accidents at work in order to create a safe and healthy working environment.

To monitor the effectiveness of the measures, the rate of accidents at work is used, which is calculated per million hours worked. This makes it possible to assess the level of occupational safety and make the necessary adjustments to instructions and procedures in order to reduce the number of accidents at work.

Within the Group, there is a whistleblowing channel that allows employees and other stakeholders to report and fairly resolve breaches and problems.

Occupational accident prevention policies are built on a systematic and sustainable approach to ensure a safe working environment and prevent risks:

- **promoting a culture of occupational safety:** we encourage safety awareness among all employees by organising regular training (and information campaigns) to increase the importance of occupational safety, preparedness to prevent and cope with dangerous situations;
- **risk analysis and prevention methods:** we carry out thorough working environment risk analyses to identify possible hazards in the working environment. The identified hazards are eliminated or their impact minimised through preventive measures, including the improvement of work processes and the updating of work equipment;
- **registration and analysis of accidents at work:** all accidents at work and other incidents are registered and analysed in order to understand the causes of their occurrence and to prevent the recurrence of similar situations in the future. Learning from the past is one of the key elements;
- **improving the working environment:** we invest in improving the working environment, ensuring modern and safe work equipment and conditions.
- **employee involvement:** employees are encouraged to actively report potential hazards, submit proposals for improving the working environment, and participate in safety discussions and working groups. Involving employees in ensuring safety is an integral part of the work culture.

Processes for engaging with own workforce and workers' representatives about impacts (S1-2)

Regular communication with its employees and employee representatives at all levels, including one-on-one meetings and meetings between managers and employees, is important at Harju Elekter.

Employee feedback plays an important role in the Group's organisational culture. In 2024, the employee satisfaction survey was conducted for the second time on a uniform basis across the Group. The Group's total response rate was 87.2% and the employee satisfaction index was 64%. The satisfaction survey is conducted once a year.

In order to collect the expectations and feedback of employees, performance reviews (semi-annual and annual conversations) are conducted at Harju Elekter, during which the need for training is identified and valuable feedback about the company and management is obtained. In 2024, performance reviews took place with 72.8% of employees.

At Harju Elekter, persons related to personnel have the responsibility to implement and supervise policies and processes related to the well-being of employees. In addition, it will be ensured that the Management Board regularly monitors and assesses the mitigation of employee-related risks and the promotion of development opportunities, based on the principles of sustainability.

Processes to remediate negative impacts and channels for own workers to raise concerns (S1-3)

The activities of Harju Elekter can have a significant impact on the workforce, including working conditions, the health, well-being, and development opportunities of employees. Our goal is to ensure that employees feel safe and valued in the work environment.

Open communication and a safe environment where everyone can openly raise issues and concerns are important.

Harju Elekter has clear and transparent processes that ensure that the problems and concerns raised by employees are quickly addressed and improved. Processes support the growth of job satisfaction and security, while being essential to the sustainability and social responsibility of the company.

We have created a whistleblowing channel through which employees have the opportunity to report information suggesting illegal, unethical, and fraudulent behaviour, both anonymously and by name, without facing retaliation. Employees also always have the opportunity to contact their immediate manager, the HR department, or the Group's legal adviser directly to discuss work-related problems and concerns.

It is important for Harju Elekter that employees not only have access to the channel for reporting misconduct and the persons mentioned, but that they are also aware of these opportunities, have the confidence and psychological security to use them, if necessary. The whistleblowing channel is available to all employees on the Group's intranet and website. The effectiveness of the channels is assessed through regular review by the Group's legal adviser, who, if necessary, makes proposals to improve the effectiveness of the channel by raising the awareness of employees.

We take all appeals seriously and ensure that the investigation and its results take into account the needs of all parties involved. Data about incidents are securely protected and confidential, and access to them is granted to the Group's legal adviser and, if necessary, a person appointed by the channel operator. All complaints and problems submitted are registered and systematically monitored. Each case is answered and, if necessary, improvement measures are taken.

Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to our own workforce, and the effectiveness of those actions and approaches (S1-4)

At Harju Elekter, we consider it important to ensure a work-life balance for our employees, which contributes to their well-being and ability to work. People whose duties allow them can choose between flexible forms of work, such as combining home office and office work.

In order to support mental and physical health, we offer various benefits: starting from 2022, employees of companies located in Estonia will be offered health support, as part of which they can choose between sports support or additional health insurance, according to their needs. In addition, the companies have health rooms with massage chairs and other supporting fixtures to relieve forced positions.

The company's occupational safety and health strategy focuses on preventing risks and protecting employees from accidents at work and occupational diseases. All workplaces are equipped with modern security equipment, employees regularly undergo safety training and occupational safety audits. In order to maintain the health of employees, prevent risks, and promote their well-being, regular health checks are carried out, flexible working conditions are provided, and other health initiatives are taken.

We focus on preventing stress and fatigue in our employees, as excessive workload and related stress are a significant risk. In 2023, a workload assessment was carried out in all departments to identify risks of overload. The company pays great attention to employee feedback and the handling of complaints. We conduct annual satisfaction surveys and focused discussions to identify concerns at an early stage. Employee representatives are involved in discussions about any changes in order to ensure their perspective, anticipate potential risks, and find the best solutions. With such measures, we ensure a healthy working environment and reduce possible risks.

Employee development opportunities are important for the sustainability of the company. We support the continuous professional growth of our employees by providing training programmes and continuing education opportunities. We create opportunities for employee promotion and professional development within the company. We pay special attention to increasing employee diversity and engagement in order to maximise the potential of employees and increase the success of the company.

We contribute to raising the awareness of employees in the field of cybersecurity and data protection by organising relevant internal training sessions that help to ensure the safety of both employees' personal data and the company, as well as to strengthen employees' knowledge and emphasise the importance of topics.

We regularly evaluate the effectiveness of the measures implemented to ensure their impact on our employees. Through employee feedback, we determine areas for improvement and implement measures. Through constant feedback and evaluation of measures, we are able not only to reduce negative impacts, but also to create an environment where employees can fully realise their potential.

Targets related to managing material negative impacts, advancing positive impacts, as well as to risks and opportunities (S1-5)

The involvement of employees is an important part of shaping the strategic and operational goals of Harju Elekter. At Harju Elekter, open communication and dialogue between different levels is encouraged, ensuring that the opinions, experiences, and suggestions of employees are integrated into the decision-making processes.

- Creating a Group-wide database and analysis tool. The goal is to bring together the occupational health and safety tools, guides, and reporting environment.
- Occupational health and safety
- Group-wide leadership development and e-learning programmes
- Group-wide harmonisation of governance principles, value-based behaviour, and management
- Regular organisation of internal training (Code of Conduct, data protection, cybersecurity)
- Creating a Group-wide collaborative interview system
- Creating a transparent system for pay gap analysis

Through regular performance reviews, employees have the opportunity to express their opinions and offer ideas that can affect the management principles of the company, training programmes, and the working environment. Through periodic satisfaction surveys, the company has the opportunity to understand the expectations of employees and find ways to improve working conditions and management processes.

Discussions organised by managers of different levels provide employees with the opportunity to submit proposals and receive explanations about the goals of the company. The development of employees is supported through internal training and e-learning programmes, which allows them to contribute to the innovation of the company.

Characteristics of the undertaking's employees (S1-6)

As at the end of the reporting period, Harju Elekter employed 821 people, which is 146 fewer employees than a year ago.

The number of employees fell in Lithuania, Finland, and Estonia due to a decrease in the volume of work. Salaried employees are defined as employees who are in a traditional contractual relationship, incl. part-time workers and temporary workers.

During the reporting period, employment contracts with 224 employees were terminated, of which 120 were terminated at the request of the employee. In 2024, voluntary workforce turnover was 13.4%.

Number of employees by country:

Country	Head count
Lithuania	294
Estonia	290
Finland	181
Sweden	56

The number of employees includes members of the Management Board.

Head count by gender distribution:

Gender	Head count
Men	607
Women	214
Other	-
Not reported	-
Total number of employees	**821**

The number of employees includes members of the Management Board. The total number of employees based on gender distribution is women/men and it is not possible for the employee to choose other characteristics, hence there is no reported 'other'.

Employee data by type of contract by gender distribution:

	Women	Men	Other	Not disclosed	Total
Head count	214	603	-	-	817
Number of permanent employees	213	595	-	-	808
Number of temporary employees	1	8	-	-	9
Number of non-guaranteed hours employees	-	-	-	-	-

Employee data does not include members of the Management Board.

Employee data by type of contract by regional distribution:

	Estonia	Lithuania	Finland	Sweden	Total
Head count	286	294	181	56	817
Number of permanent employees	285	294	173	56	808
Number of temporary employees	1	0	8	0	9
Number of non-guaranteed hours employees	-	-	-	-	-

Employee data does not include members of the Management Board.

Unless otherwise indicated, all numbers are reported as the number of employees as at 31 December 2024. The distribution by country is according to the legal entity for which the employee works.

Characteristics of non-employee workers in the undertaking's own workforce (S1-7)

As at the end of the reporting period, the workforce of Harju Elekter consisted of 45 non-employees, incl. 42 temporary agency workers: 15 in Estonian and Swedish companies and 12 in Finnish companies.

The number of non-employees is given as the number of workers as at 31 December 2024.

The non-employees belonging to the own workforce of Harju Elekter are considered to be temporary agency workers, self-employed persons, and consultants. Temporary agency workers are persons who are employed by Harju Elekter on a temporary basis, but their employer is a company engaged in temporary employment work. Generally, temporary agency workers are used as needed in the event of heavy workload.

Collective bargaining coverage and social dialogue (S1-8)

Harju Elekter accepts trade union membership among its workers. Trade union agreements have been concluded in four of the Group's manufacturing companies in Estonia, Lithuania, Finland, and Sweden.

The obligations and benefits set out in the collective agreement extend to all employees, regardless of their trade union membership. The parent company of Harju Elekter does not have a collective agreement.

Manufacturing companies operating in Estonia have constructive cooperation with the Keila Industrial Park Trade Union KETA. The Group's Lithuanian employees voluntarily belong to local trade unions, and Finnish and Swedish employees belong to local professional associations.

In 2024, the benefit and remuneration systems in collective agreements were reviewed and updated.

The Group's companies do not have agreements with their employees to represent them in the European Works Council or the European Cooperative Works Council.

There are no employees covered by collective agreements outside the EEA in the Group.

	% of employees covered by collective agreements	General % of employees represented by workers' representatives
Lithuania	5.8	100
Estonia	92.3	100
Finland	100.0	100
Sweden	0.0	100

Diversity metrics (S1-9)

The sustainable development of the Harju Elekter Group is ensured by a diverse workforce with extensive experience.

We are committed to keeping staff in different age groups so that there is a follow-up of young people and the sharing of the older generation's experiences to ensure the company's sustainability.

The gender distribution of the Group's employees has been relatively stable. The smaller share of women, which was 26.2% in the reporting year, is related to the specifics of the Group's main activity.

Gender distribution of senior management (Supervisory Board, Management Board, and CEOs):

Country	Women	Men
Lithuania	-	1
Estonia	1	9
Finland	-	2
Sweden	-	1

Distribution of employees by age group:

	Estonia	Lithuania	Finland	Sweden
Women	80	103	26	5
Men	206	191	155	51
Under 30 years old	40	37	48	9
30–50 years old	164	209	90	30
Over 50 years old	82	48	43	17

Does not include members of the Management Board.

Unless otherwise indicated, all numbers are reported as the number of employees as at 31 December 2024. The distribution by country is according to the legal entity for which the employee works.

Adequate wages (S1-10)

The purpose of the Group's remuneration principles is to organise fair, motivating, transparent, and legally compatible remuneration.

The broader objective of the remuneration policy is to recruit staff with the skills, competences, and experience necessary to implement the Group's strategy, to align the interests of employees and shareholders, and to motivate employees. Remuneration systems consist of basic and variable pay, benefits, and worker incentives.

All employees of the Harju Elekter Group are paid adequate remuneration in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the European Union.

Social protection (S1-11)

All employees of Harju Elekter are covered by social protection in the countries where the Group is located in the event of loss of income due to pivotal life events due to the following life events: (a) illness; (b) unemployment, which begins while the employee is working for the company; (c) acquired disability, work-related injury; (d) parental leave; and (e) retirement.

Persons with disabilities (S1-12)

Due to legal regulations, an employer cannot ask employee about the existence of their disability, and the data depends on whether the individual has voluntarily informed the employer about their disability. As a result, it is not possible to provide such data with sufficient certainty.

Training and skills development metrics (S1-13)

In 2023, a special professional training programme for new employees was introduced in Estonia.

In addition, an extensive lean management training programme was carried out to apply new theoretical knowledge and practical methods of LEAN philosophy in production. The goal of lean management is to systematically identify and eliminate activities from processes that are inefficient and wasteful. In addition to the ongoing engineering training, various communication, time management, and leadership programmes were organised at the Lithuanian training academy.

In 2023, the Group's system for measuring training hours was improved to get a better overview of the share of internal and external training.

Employees who regularly participated in performance reviews and career assessment by gender distribution:

Country	Women	Men
Lithuania	30	104
Estonia	80	226
Finland	25	104
Sweden	3	26
Total	64.5%	76.3%

Average number of training hours by gender distribution:

Country	Women	Men
Lithuania	1.5	5.9
Estonia	10.0	3.9
Finland	5.1	5.6
Sweden	3.2	1.0

Health and safety metrics (S1-14)

In order to ensure a safe and secure working environment, companies periodically carry out a risk analysis of the working environment, which assesses compliance with the requirements of the working environment, potential risks, and addresses the concerns raised by employees.

The risk analysis of the working environment consists of three parts: a workplace inspection, the organisation of measurements, and conversations with employees, which enables employee involvement.

In order to identify and prevent hazards, we carry out periodic inspections and audits of workplaces, react to changes in the working environment, and map the hazards arising from the working environment by creating new jobs. We consider it important to have a dialogue with our employees and encourage them to report any potential hazards or risks. On the basis of the results of the analysis, we prepare a work environment action plan, the aim of which is to create a safe and healthy work environment for workers.

The main hazards at the Harju Elekter production plants are mobile forklifts, manual lifting of weights, sharp metal components, the use of work equipment with incorrect work methods, and the risk of electric shock. In order to reduce the level of risk and eliminate the risks, companies use a hierarchy of control measures.

Separate movement areas have been created for employees, guests, and vehicles, visible safety instructions have been installed, and personal protective equipment has been allocated. Safety guidance and observations from inspection tours help prevent occupational accidents.

With an occupational health partner, the health examination of employees is carried out in accordance with the provisions of 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 a recommendation for improving the health of employees.

Harju Elekter uses a metric for the frequency of disability traumas per million working hours (Lost Time Injury Frequency Rate, LTIFR). The LTIFR is the ratio of the number of accidents at work which result in health damage to a worker's incapacity for work per million hours of work. The objective is to keep this figure below three. The LTIFR for 2024 was 3.3.

None of the accidents at work resulted in death, and no cases of occupational disease were recorded. The number of working days lost in the Group's companies is 56.5 of the planned number of working days. The Group registered 26 occupational accidents.

In order to continuously promote the occupational safety culture and achieve our goals, we continue to contribute to Group-wide development activities in the field of working environment and safety.

83.3% of the Group's employees are covered by the company's occupational health and safety management system.

Work-life balance (S1-15)

All salaried employees of Harju Elekter have the right to family related leave under the laws of all countries of operation.

Share of employees who have taken family leave

Country	Women %	Men %
Lithuania	3.7	1.0
Estonia	25.0	13.1
Finland	4.0	2.0
Sweden	0.0	12.0

Remuneration metrics (pay gap and total remuneration) (S1-16)

The gender pay gap, defined as the difference in average salary levels between female and male employees and expressed as a percentage of the average salary level of male employees, is 21.8%.

The ratio of the annual total compensation of the highest-paid individual to the annual median compensation of all employees (excluding the highest-paid employee) is 4.9.

Incidents, complaints, and severe human rights impacts (S1-17)

Through the whistleblowing channel, the company was contacted with regard to various topics on 2 occasions. The main topics were data protection and work organisation problems, which were not confirmed during the investigation, instead being a case of poor communication. The parties were given instructions on how to avoid similar situations in the future.

In 2024, AS Harju Elekter was contacted due to a labour dispute concerning the termination of a person's employment contract due to a health reason. AS Harju Elekter did not take into account that it was a person who had been elected by the employees and did not comply with the legal requirement to ask for the opinion of a representative of the trade union or the employee who elected the person. The parties reached an agreement in the labour dispute committee and this case has been closed.

In 2022, AS Harju Elekter was contacted in a court case concerning the redundancy of an employees' trustee due to a significant reduction in the workload of the position. The worker decided to defend their rights in the Labour Dispute Committee, whose decision contained legal inaccuracies, which is why the case has been referred to the court. The parties do not agree with the decision made in the court of second instance and AS Harju Elekter plans to file an appeal to the Supreme Court.

Governance Information

G1 Business conduct

Harju Elekter evaluates the significant impacts, risks, and opportunities of business conduct, considering the company's area of operation and geographical locations, as well as local regulations and the market environment. The specific characteristics of the sector and the associated potential risks are also analyzed. Attention is also given to the structure of transactions and business relations to ensure, among other things, the compliance of the supply chain with ethical requirements.

Business conduct policies and corporate culture (G1-1)

The Management Board and the Supervisory Board of Harju Elekter play a central role in shaping and promoting corporate culture and provide guidelines for following the principles of responsible business conduct, transparency and sustainability, emphasising honesty, transparency, and responsibility at all levels.

The Management Board defines strategic priorities and ensures that they align with the company's values, vision, and mission. The task of the Management Board is, among other things, to promote ethics, open communication, and employee involvement in the work and business environment. The above activities help to create a culture that supports the Group's goals based on important international standards, including the environmental, social, and governance framework, ensuring that the Group's activities are in line with sustainability goals. At the level of the Supervisory Board, it is ensured that adequate risk management and control mechanisms are in place within the Group to support transparency and integrity.

At Harju Elekter, we rely on fair, transparent, and ethical management principles in its communication with all stakeholders. In our activities, we are guided by both legislation and high ethical standards. Our management principles, working methods, and structures are transparent, and the responsibilities of each unit are clearly defined. Illegal and unethical business practices and corruption are unacceptable to us.

The Group's Management Board is responsible for approving the governance principles and risk management. At the same time, the Management Board approves the sustainability strategy and monitors its implementation, periodically receiving an overview of the status of the implementation of the strategy from the steering group.

The Code of Conduct of Harju Elekter, which was updated in 2023, expresses values of development, cooperation, and reliability, which are the basis for the activities and decisions of Harju Elekter. Goal is to be an invaluable partner to our customers, contributing to the creation of a sustainable society by providing future-proof power distribution solutions. However, this is not possible without the development of our people and know-how. Our principles are integrated into the management system of Harju Elekter to ensure that they are implemented throughout the Group. The Code of Conduct commits us to acting honestly and respectfully in all matters, and we are committed to complying with all relevant laws and regulations, adhering to a safe and healthy work regime, and respecting human rights. The Code of Conduct sets standards and expectations, giving us the opportunity to stand up for our beliefs and speak up when something seems wrong or when we have ideas for improvement. In addition, it provides a framework that helps us in our decision-making and guides us to seek help in the right place when we are uncertain or have questions.

It is also important to ensure that our employees, customers, and partners report information that indicates illegal, unethical, and fraudulent behaviour. Our whistleblowing portal is available on the intranet homepage and on the company's website, and provides a secure and anonymous way to report your concerns without fear of retaliation. The instructions for using the whistleblowing portal are available to all employees on the Group's intranet. At the moment, Harju Elekter does not have a policy for the protection of whistleblowers; however, whistleblowers are guaranteed protection based on the laws in force.

At the Group level, there are uniform guiding principles for quality, the environment, and occupational health and safety. The subsidiaries of Harju Elekter are certified according to the ISO 9001:2015 standard. All manufacturing companies are ISO 14001:2015 certified. The processes of AS Harju Elekter, Harju Elekter UAB, and Telesilta Oy are certified in accordance with the occupational health and safety standard ISO 45001:2018.

Good and transparent corporate governance balances the interests of shareholders, customers, employees, partners, and other stakeholders, promoting maximum value creation and reducing business-related risks.

Supply chain management (G1-2)

Harju Elekter considers it extremely important to establish and maintain good relationships with suppliers, considering it the cornerstone of the company's sustainability and responsible management. Suppliers are selected and evaluated using criteria that include aspects of quality, reliability, and sustainability.

We prefer to work with partners who share similar values and adhere to ethical and environmentally friendly practices. 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 to introduce the Code of Conduct to our partners. This approach helps ensure that the supply chain is aligned with our sustainability goals and reduces risks that may arise from the suppliers' activities.

We emphasise the importance of open and transparent communication with suppliers, holding regular meetings and discussions to share expectations, best practices, and develop innovative solutions collaboratively. Such cooperation allows both parties to better understand market demands, react to changes, and achieve common goals.

We pay attention to the sustainability of our suppliers, encouraging them to implement environmentally friendly practices, reduce their carbon footprint, and follow the principles of social responsibility. We believe that working with sustainable suppliers strengthens the resilience of the entire supply chain and supports overall sustainability goals.

We focus on managing relationships with suppliers in order to prevent and reduce potential risks that may affect the operations and reputation of Harju Elekter. This includes regular assessment of suppliers, conducting a risk analysis and, if necessary, implementing improvement measures. This systemic approach ensures that the suppliers' activities are in line with the company's values and sustainability principles.

In order to obtain suitable contract conditions, we consider it good practice to organise procurements and consider alternatives. The choice of supplier is based on its prominence, reputation and reliability, quality, delivery conditions, and price. The main partners are tend to be permanent and we look for new ones primarily when the relevant need arises or a new product is introduced to the market.

Prevention and detection of corruption and bribery (G1-3)

The Group has zero tolerance for corruption (incl. giving and taking bribes, conflicts of interest, abuse of office and the resulting influence), unfair competition (incl. the dissemination of know-how and inside information, and its use for personal gain), and other types of inappropriate business practices, both in the case of employees and partners.

At the management levels of Harju Elekter's companies, rules, guidelines, and verbal agreements have been set up to increase transparency and mitigate reputational risks. This helps to maintain the Group's credibility in the market and in its relations with its stakeholders. Key persons must declare their business interests and holders of inside information must comply with the established rules of conduct. In order to ensure that the Group's employees are aware of the necessary instructions and obligations, they are introduced to the internal rules of work and the Code of Conduct of the Group upon employment, and field-specific training and internal audits are regularly organised. All relevant instructions are also available on the Group's intranet.

In 2023, the Group-wide Code of Conduct was updated, which is mandatory for all of the Group's employees and contains guidelines and behaviours for the prevention and detection of corruption and unfair competition. We will continue with Code of Conduct training in 2025. It is planned to make the Code of Conduct training annual, which will ensure consistent knowledge testing and updating along with passing the test. Members of the management bodies will also take part in the training.

Certain principles have been agreed upon to prevent, avoid, and mitigate the risks of corruption and unfair competition: for example, in large-scale transactions, an additional decision-maker is involved to avoid conflicts of interest that may arise from, among other things, business, family or other relations. Workers 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. Activities are carried out in accordance with the law, as well as established practices and standards.

The whistleblowing channel allows our employees and anyone who cooperates with us professionally or commercially to report information that indicates illegal, unethical, and fraudulent behaviour anonymously and is protected in accordance with applicable laws and regulations. In addition to the whistleblowing channel, our employees can also turn to their manager or the Group's legal adviser with concerns and observations.

Confirmed incidents of corruption or bribery (G1-4)

During the reporting period, there were no cases of corruption or bribery, no fines were imposed for violating them, and no court complaints were filed in the course of which a contract with a business and/or partner was terminated, or the renewal of a contract was suspended due to corrupt behaviour, nor were any employees of the Group's company dismissed.

In order to prevent and address the cases of corruption and bribery violations, the company has established clear rules that are included in the Code of Conduct of Harju Elekter. The established rules define unacceptable behaviour and provide guidelines to prevent violations. The Code of Conduct training is provided to employees, including on anti-corruption and anti-bribery topics, helping them understand the rules and the importance of complying with them.

Harju Elekter has created a secure and anonymous whistleblowing channel, through which employees and partners can report potential risks. All reports are treated confidentially and without delay. Any suspected violation is investigated impartially and thoroughly. In the event of detected violations, appropriate measures will be taken, including warnings under the law, termination of contracts, or notification and transfer of the case to law enforcement.

Harju Elekter verifies the background of its partners and suppliers. Contracts and cooperation also require the obligation to comply with the relevant rules, including the Code of Conduct.

Political influence and lobbying activities (G1-5)

Harju Elekter does not directly or indirectly contribute to political activities through monetary or non-monetary support. However, we consider it important to contribute to society through professional associations and organisations.

We direct our knowledge and people's time resources to topics that stand for strengthening competitiveness, and sustainable and safe product solutions. Through organisations, we can obtain up-to-date information, contribute to the development of a strong business and economic environment, and express our opinion on amendments to laws. As a member of professional associations, we can have a say in developments in our field and keep up to date with new trends.

AS Harju Elekter is a member of the Federation of Estonian Engineering Industry, Harju Elekter UAB is a member of the Lithuanian Association of Engineering Industries LINPRA, Harju Elekter Oy is a member of the Association of Finnish Technology Industries of Finland, the Finnish packaging recycling market RINKI.

In 2024, members who had worked in a comparable position in public administration (incl. regulatory authorities) during the two years prior to their appointment were not elected to the Management Board and the Supervisory Board of Harju Elekter.

Notes to the Consolidated Sustainability Statement

Disclosure requirements covered by the undertaking's sustainability statement (IRO-2)

Appendix 1 Disclosure Requirements complied with in preparing the sustainability statement

Chapter	ESRS standard	ESRS disclosure requirements		Reference to the section of the sustainability statement	Page	References to other parts of the report
GENERAL DISCLOSURES	General disclosures (ESRS 2)	BP-1	General basis for preparation of sustainability statements	Upstream and downstream value chain coverage	14	
		BP-2	Disclosures in relation to specific circumstances	Disclosures in relation to specific circumstances	14	
		GOV-1	Role of the administrative, management and supervisory bodies	Management and supervisory bodies	15	144, 90
		GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Sustainability management	16	
		GOV-3	Integration of sustainability-related performance in incentive schemes	Integration of sustainability-related performance in incentive schemes	16	
		GOV-4	Statement on due diligence	Statement on due diligence	16	
		GOV-5	Risk management and internal controls over sustainability reporting	Risk management and internal controls over sustainability reporting	16	138
		SBM-1	Strategy, business model and value chain	Strategy, business model and value chain	18	
		SBM-2	Interests and views of stakeholders	Interests and views of stakeholders	22	
		SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Material impacts, risks and opportunities and their interaction with strategy and business model	25	
		IRO-1	Description of the processes to identify and assess material impacts, risks, and opportunities	Description of the processes to identify and assess material impacts, risks, and opportunities	28	
		IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Disclosure requirements covered by the undertaking's sustainability statement		
				Annex 1. Disclosure Requirements complied with in preparing the sustainability statement	62	
				Annex 2. Datapoints that derive from other EU legislation"	66	

Chapter	ESRS standard	ESRS disclosure requirements		Reference to the section of the sustainability statement	Page	References to other parts of the report
SOCIAL	Own workforce (S1)	S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	52	
		S1-5	Targets related to managing material impacts, advancing positive impacts, as well as to risks and opportunities	Targets related to managing material negative impacts, advancing positive impacts, as well as to risks and opportunities	53	
		S1-6	Characteristics of the undertaking's employees	Characteristics of the undertaking's employees	54	
		S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Characteristics of non-employee workers in the undertaking's own workforce	55	
		S1-8	Collective bargaining coverage and social dialogue	Collective bargaining coverage and social dialogue	55	
		S1-9	Diversity metrics	Diversity metrics	55	
		S1-10	Adequate wages	Adequate wages	56	
		S1-11	Social protection	Social protection	56	
		S1-12	Persons with disabilities	Persons with disabilities	56	
		S1-13	Training and skills development metrics	Training and skills development metrics	56	
		S1-14	Health and safety metrics	Health and safety metrics	57	
		S1-15	Work-life balance	Work-life balance	58	
		S1-16	Remuneration metrics (pay gap and total compensation)	Remuneration metrics (pay gap and total compensation)	58	
		S1-17	Incidents, complaints and severe human rights impacts	Incidents, complaints and severe human rights impacts	58	
MANAGEMENT	Business conduct (G1)	G1-1	Business conduct policies and corporate culture	Business conduct policies and corporate culture	59	
		G1-2	Management of relationships with suppliers	Supply chain management	60	
		G1-3	Prevention and detection of corruption and bribery	Prevention and detection of corruption and bribery	60	
		G1-4	Confirmed incidents of corruption or bribery	Confirmed incidents of corruption or bribery	61	
		G1-5	Political influence and lobbying activities	Political influence and lobbying activities	61	

Appendix 2 Data points that derive from other EU legislation

Disclosure Requirement and related datapoint		SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS 2 GOV-1	Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 (27), Annex II		15
ESRS 2 GOV-1	Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		15
ESRS 2 GOV-4	Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				16
ESRS 2 SBM-1	Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (28)Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1	Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1	Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 (29), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1	Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS E1-1	Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	36
ESRS E1-1	Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		36

Disclosure Requirement and related datapoint		SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS E1-4	GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		40
ESRS E1-5	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				41
ESRS E1-5	Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				41
ESRS E1-5	Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				41
ESRS E1-6	Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		41
ESRS E1-6	Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		43
ESRS E1-7	GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material
ESRS E1-9	Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS E1-9;ESRS E1-9	Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a); Location of significant assets at material physical risk paragraph 66 (c).			Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		Not material
ESRS E1-9	ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Not material

Disclosure Requirement and related datapoint		SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS E1-9	Degree of exposure of the portfolio to climate- related opportunities paragraph 69				Delegated Regulation (EU) 2020/1818, Annex II	Not material
ESRS E2-4	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Not material
ESRS E3-1	Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				Not material
ESRS E3-1	Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				Not material
ESRS E3-1	Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E3-4	Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Not material
ESRS E3-4	Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Not material
ESRS 2 – IRO 1	E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material
ESRS 2 – IRO 1	E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material
ESRS 2 – IRO 1	E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material
ESRS E4-2	Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material
ESRS E4-2	Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E4-2	Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material
ESRS E5-5	Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				48
ESRS E5-5	Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				48
ESRS 2- SBM3 - S1	Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Not material
ESRS 2- SBM3 - S1	Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Not material
ESRS S1-1	Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				50
ESRS S1-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21				Delegated Regulation (EU) 2020/1816, Annex II	Not material
ESRS S1-1	Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Not material
ESRS S1-1	Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				50
ESRS S1-3	Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				52
ESRS S1-14	Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I			Delegated Regulation (EU) 2020/1816, Annex II	58
ESRS S1-14	Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				58
ESRS S1-16	Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I			Delegated Regulation (EU) 2020/1816, Annex II	58

Disclosure Requirement and related datapoint		SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS S1-16	Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				58
ESRS S1-17	Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				58
ESRS S1-17	Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I			Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	58
ESRS 2 –SBM3 – S2	Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Not material
ESRS S2-1	Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				Not material
ESRS S2-1	Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Not material
ESRS S2-1	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1			Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not material
ESRS S2-1	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19				Delegated Regulation (EU) 2020/1816, Annex II	Not material
ESRS S2-4	Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material
ESRS S3-1	Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Not material
ESRS S3-1	non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1			Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not material
ESRS S3-4	Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material
ESRS S4-1	Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Not material
ESRS S4-1	Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1			Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not material
ESRS S4-4	Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Not material
ESRS G1-1	United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				59
ESRS G1-1	Protection of whistle- blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				59
ESRS G1-4	Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1			Delegated Regulation (EU) 2020/1816, Annex II)	Not material
ESRS G1-4	Standards of anti- corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				61

Financial Summary

	2024	2023	2022	2021	2020
STATEMENT OF PROFIT OR LOSS (million euros)					
Revenue	**174.7**	209.0	175.3	152.8	146.6
Gross profit	**20.9**	23.6	12.3	17.9	21.2
Operating profit/ loss (-)	**6.4**	8.1	-4.5	3.2	6.5
Net profit/ loss (-) (belonging to owners of parent company)	**3.2**	5.2	-5.5	2.6	5.6
STATEMENT OF FINANCIAL POSITION AT THE YEAR-END (million euros)					
Total current assets	**55.3**	78.1	79.0	63.5	49.7
Total non-current assets	**98.4**	100.3	92.5	84.0	65.7
Total assets	**153.7**	178.4	171.4	147.6	115.5
Equity (belonging to owners of parent company)	**91.0**	90.0	79.6	87.0	73.5
Equity multiplier (%)	**54.5**	48.5	52.2	61.0	63.0
GROWTH RATES (% of previous year)					
Revenue	**-16.4**	19.2	14.8	4.2	2.2
Gross profit	**-11.4**	92.3	-31.4	-15.7	16.3
EBITDA	**-16.7**	5,634.6	-97.0	-30.2	52.3
Operating profit/ loss (-) (EBIT)	**-20.7**	277.7	-242.0	-51.1	100.0
Net profit/ loss (-) (belonging to owners of parent company)	**-38.5**	193.1	-313.4	-53.3	126.1
Assets	**-13.8**	4.0	16.2	27.8	7.0
Equity (belonging to owners of parent company)	**1.1**	13.1	-8.5	18.3	9.6

	2024	2023	2022	2021	2020
PROFITABILITY RATIOS (%)					
Gross margin	**12.0**	11.3	7.0	11.7	14.5
EBITDA margin	**5.9**	6.0	0.1	4.7	7.1
Operating margin	**3.7**	3.9	-2.6	2.1	4.5
Net profit margin	**1.8**	2.5	-3.2	1.7	3.8
Return on assets (ROA)	**1.9**	3.0	-3.5	2.0	5.0
Return on Capital Employed (ROCE)	**5.8**	7.1	-4.5	3.3	8.1
Return on equity (ROE)	**3.5**	6.1	-6.7	3.2	7.9
SHARE (euros)					
Average number of shares (1,000 pcs)	**18,499**	18,356	18,134	17,855	17,740
Equity per share	**4.89**	4.62	4.61	4.50	3.96
Closing price of share	**4.58**	4.97	5.01	7.44	5.18
Net profit per share	**0.17**	0.28	-0.31	0.15	0.31
P/E ratio	**26.66**	17.68	-18.08	51.13	16.52
Dividend per share	(1)**0.15**	0.13	0.05	0.14	0.16
LIQUIDITY RATIOS					
Current ratio	**1.2**	1.2	1.1	1.3	1.4
Liquidity ratio	**0.7**	0.6	0.6	0.8	0.9
PERSONNEL AND SALARIES (pcs)					
Average number of employees	**897**	957	878	825	780
Number of employees at the end of period	**821**	967	889	865	784
Salaries (million euros)	**30.1**	31.8	27.1	23.9	21.3

(1) – Management board proposal
The calculation of ratios is presented in the supplementary annexes to the annual report on page 157.

Overview of the economic environment

Global economy

The global economy experienced moderate growth last year, estimated at around 3%, based on initial assessments from the World Bank and the International Monetary Fund. Economic growth, which turned out to be slower than previously estimated, was primarily driven by globally declining interest rates, stabilised inflation, and strong growth in developing countries. The United States of America made a significant contribution, where a solid labour market and notably increased real salaries boosted consumer confidence, greatly contributing to consumption growth. In contrast, growth in Europe was marginal, with lower consumer confidence and greater uncertainty about the future. Despite the growth in the past year, several risks loom over the global economy. These include ongoing geopolitical tensions in various regions, slowing economic growth in China along with problems in its real estate sector, and the rising debt burdens of major economies. Additionally, global risks arising from potential customs tariffs and protectionist decisions by the United States of America are increasing uncertainty, affecting the openness and stability of the global economy. Despite the growing uncertainty and numerous risks, analysts predict a similar 3% growth for the global economy in 2025, in line with last year's performance.

Nordic and Baltic countries

The economic environment in the Nordic and Baltic countries remained stable last year, with no significant changes. According to preliminary data, Denmark recorded the strongest growth, approximately 3%, while Sweden and Finland experienced weaker performance, with the Swedish economy growing marginally and the Finnish contracting. The growth in the Nordic countries was hindered by the weak economic conditions of their main export partners, the major European economies, and domestic consumption. Domestic demand was further subdued by growing uncertainty about the future and rising unemployment, particularly in Sweden and Finland. Among the Baltic countries, Lithuania performed the best, with its economy growing by 2.3% over the year, one of the strongest growth figures in Europe. Alongside declining interest rates and stabilising inflation, the Lithuanian economy managed to expand broadly, increasing the share of higher-value products and services in its total exports.

Estonia

The Estonian economy continued to decline – the economic downturn that began in 2022 persisted, but at a slower pace and in the last quarter, the economy grew by 1.2% compared to the same period last year. However, the GDP fell by 0.3% year-on-year overall.

Inflation, that continue to be higher than expected and higher than in neighboring countries, along with uncertainty about the future caused by high interest rates and geopolitical tensions, reduced domestic consumption and investments. At the same time, growth was also slowed by difficulties in the manufacturing sector caused by weak export demand from trading partners. Looking ahead, optimism remains due to a strong labour market and the recovery of export volumes in certain sectors. A decline in interest rates, improving economic conditions among export partners, and stabilising inflation and input prices are the main factors expected to steer the Estonian economy back onto a growth trajectory in 2025.

Despite the growing uncertainty and numerous risks, analysts predict a similar 3% growth for the global economy in 2025, in line with last year's performance.

Sources: Statistics Estonia, Eesti Pank, IMF, Swedbank, Nordea

Operating results

2024 was a challenging year for the Group, especially in the second half of the year when sales volumes decreased in several target markets. In a difficult economic environment, the Group was able to maintain a strong market position and adapt to changing conditions, ensuring stable profitability. The strategic focus on new customers, projects and investment properties made it possible to create a solid foundation for sustainable development.

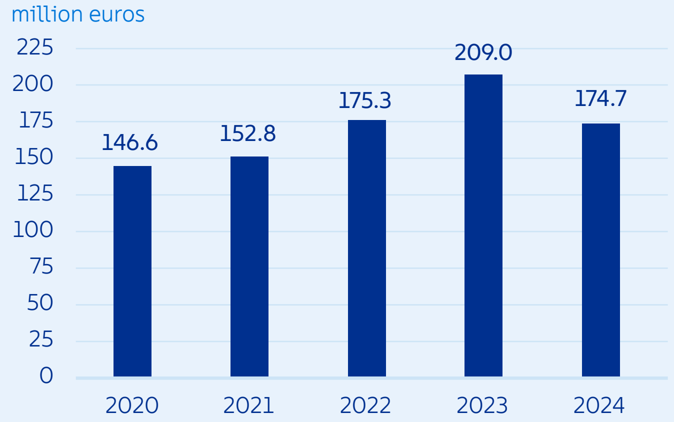
During the reporting year, the Group managed to successfully respond to the complicated market situation and maintain financial stability. Efficient cost management, strategic investments and flexible management of production and sales processes helped mitigate the impact of the drop in revenue and maintain profitability. Although the weaker results of the second half of the year reduced the total profit of the year, long-term activities provide a solid basis for future growth. The Group will continue to focus on strengthening its position in both existing and new markets, contributing to innovation, developing customer relations and increasing efficiency in order to ensure sustainable development also in the coming years.

Revenue

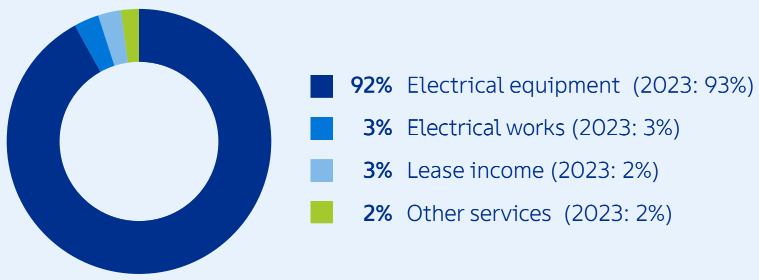
In 2024, the Group generated consolidated revenue of 174.7 (2023: 209) million euros. The majority of the sales was made up of electrical equipment, which amounted to 161.2 million euros, or 92% of the total revenue. Sales of electrical equipment decreased by 17% (by 33.5 million euros), mainly due to a decrease in orders in the main markets of the Group in the second half of the year. The main reason for the decline was the decrease in orders for outsourcing services due to the cooling of the global economy and the decrease in demand on the substation market due to changes in regulations. However, the stabilisation of sales volumes was also partly due to the high level of order activity in previous periods. In turn, the continuing slump in the market for electric car chargers was negatively affected by a general decline in demand on the European market for the sale of electric cars. The second quarter was a success, when all previous sales records for the second quarter were exceeded. The main activity, i.e. the production segment, accounted for 94% of the Group's total revenue and decreased by 17% year-on-year, amounting to 164.3 (2023: 197.9) million euros.

At the same time, strong growth continued in the real estate sector, with rental income from industrial properties growing by 22%, to 4.6 million euros. Growth was supported by a production building completed in the Allika Industrial Park, at the end of 2023, and a renewed lease contract with a long-term tenant in the Keila Industrial Park. Investments made in the Keila and Allika industrial parks have been strategically important, considering the high demand for new production and commercial premises in the vicinity of Tallinn. The expansion of the production, warehouse, and office premises of the long-term tenants of AS Harju Elekter Group reflects strong cooperation and mutual trust. Revenue from the real estate sector increased by 20% to 5.4 (2023: 4.5) million euros.

Harju Elekter's revenue



Revenue by business activities



Revenue from other activities decreased by 25%, reaching 5.0 (2023: 6.7) million euros, which was affected by the decrease in electrical works and the exit from the project and retail sale business. Revenue from electrical works in the reporting year was 5.0 (2023: 6.4) million euros. A more detailed overview of the segments and the activities of companies during the reporting year can be found in the chapter ‘Business segments’.

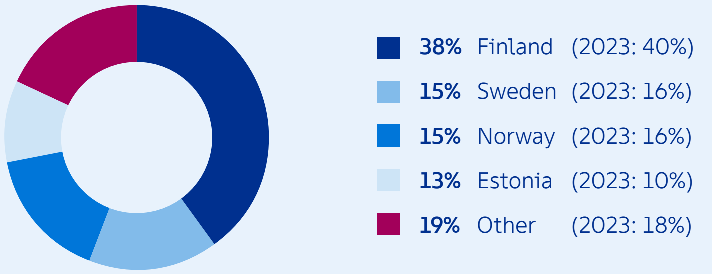
Of the Group’s four main markets – Estonia, Finland, Sweden, and Norway – only Estonia saw an increase in revenue compared to the previous year. Growth was mainly driven by increased sales of compact substations to customers of the power distribution network, as a result of which the revenue on the Estonian market reached 23.0 (2023: 20.9) million euros.

The Finnish market saw the largest decline in revenue of 16.4 million euros or 20%, amounting to 66.9 (2023: 83.3) million euros. The main reason for the decrease in Finland was the impact of regulatory changes on the network charges, which reduced the investment capacity of network companies and the demand for compact substations. In addition, the downturn in the market for electric car chargers and the Group’s exit from the solar panel resale segment had a negative impact.

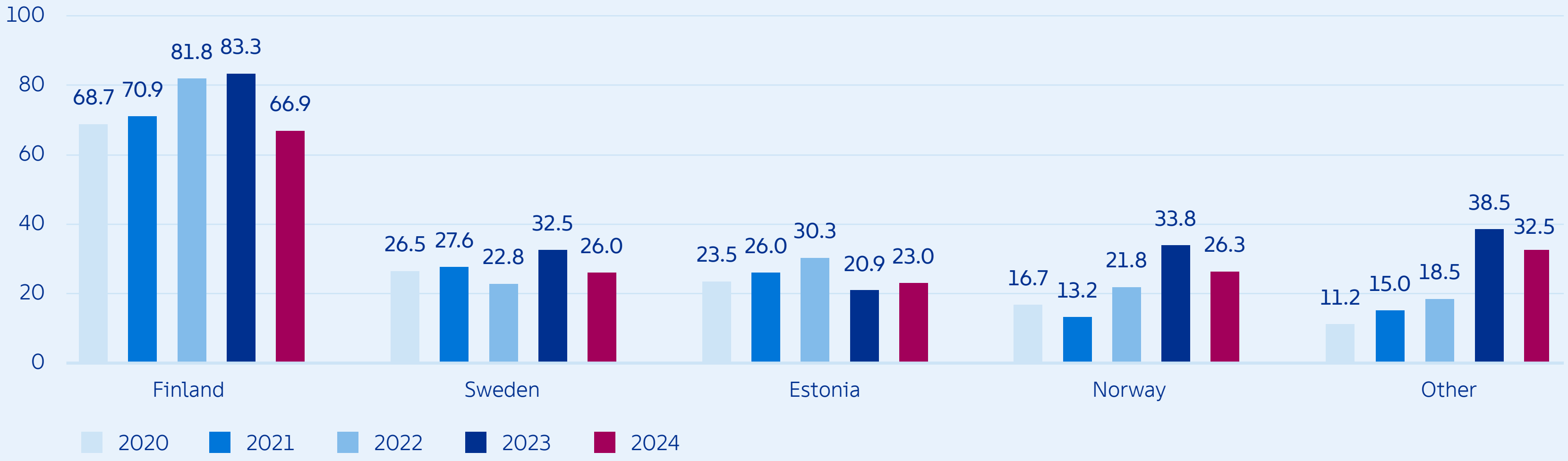
In Norway, the decrease in revenue was the sharpest in percentage terms, at 22%, down to 26.3 (2023: 33.8) million euros. This was mainly due to the high reference base of the previous year, which resulted from the temporary increase in the volume of work of the Lithuanian manufacturing company. During the reporting year, the focus was on frequency inverter systems and the sale of electrical and automation switchboards in the maritime and shipping sectors, as well as continuing to provide project-based engineering outsourcing services.

Revenue by business activities in 2020–2024

Share of revenue by markets



Revenue by markets in 2020–2024



Sweden followed the general Scandinavian trend, where revenue decreased by 20% to 26.0 (2023: 32.5) million euros. The main reason for the decrease was a change in the business model – the decision to stop selling EPC projects, i.e. turnkey solutions, and to focus on factory-based solutions in the future.

Revenue from **other markets** in the reporting year was 32.5 (2023: 38.5) million euros. Significant increase was recorded in the Danish (+113%), Polish (+164%) and German (+8.5%) markets. At the same time, sales decreased in the Netherlands (–57.9%) and the USA (–27%). Other markets accounted for 18.6% (2023: 18.4%) of the revenue of the year.

Expenses

In 2024, the Group continued to optimise its operating expenses to mitigate the impact of the drop in sales volumes.

In annual terms, operating expenses amounted to 167.7 (2023: 200.9) million euros, being 16.5% lower than the year before.

This was mainly due to a decrease in revenue, but also due to strategic measures that helped to adjust the cost structure and increase efficiency. Cost reductions were supported by improvements in production processes, flexible resource management and adjustment of fixed costs to market conditions.

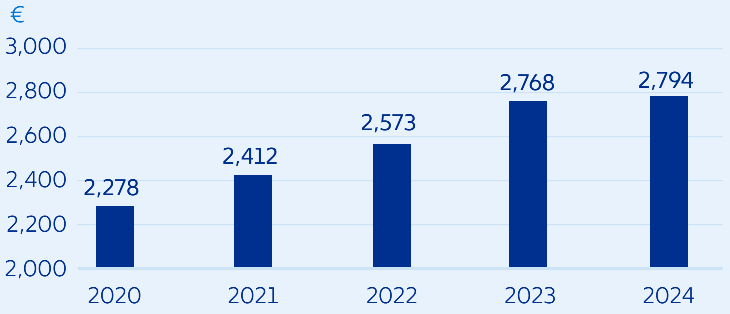
Compared to the previous year, the cost of sales decreased by 17%. At the same time, the gross profit margin increased by 0.7 percentage point, reaching 12.0%. Distribution costs and administrative expenses fell, by 11.5% and 8.9%, respectively. The share of diistribution costs in revenue increased by 0.2 percentage point, reaching 2.7%. The share of administrative expenses increased by 0.5 percentage point to 5.3%. The decline in costs was driven by different developments in the target markets, effective cost management and the continuous adaptation of the sales strategy to market demand in order to support sales activity, strengthen customer relationships and maintain the organisation's flexibility in changing market conditions.

The depreciation cost of non-current assets decreased by 9.5% in 2024, to 4.0 million euros. The decrease was due to the harmonisation of depreciation periods and revaluation of non-current assets within the Group. Although the harmonisation and revaluation of depreciation periods reduced costs, the reduced order volumes led to a slight increase in depreciation costs as a proportion of operating expenses.

Labour costs amounted to 37.3 million euros in 2024, being 6.6% lower than in 2023.

The decrease in labour costs was related to the adjustment of the number of employees in production units in Estonia, Finland, and Lithuania. Average monthly wages remained at a similar level, reaching 2,794 (2023: 2,768) euros. Labour costs as a share of revenue increased to 21.4% (2023: 19.1%).

Average monthly earnings per employee in the Group



Operating results

The results for 2024 were as expected, but did not meet the strategic objectives initially set. In the first half of the year, profitability growth was supported by the easing of supply chain difficulties, the increase in order volumes in the second quarter and the optimisation of the number of employees, which improved efficiency and cost structure. The number of orders decreased in the second half of the year, affecting profitability, but the stabilisation of the market creates preconditions for sustainable growth in the future.

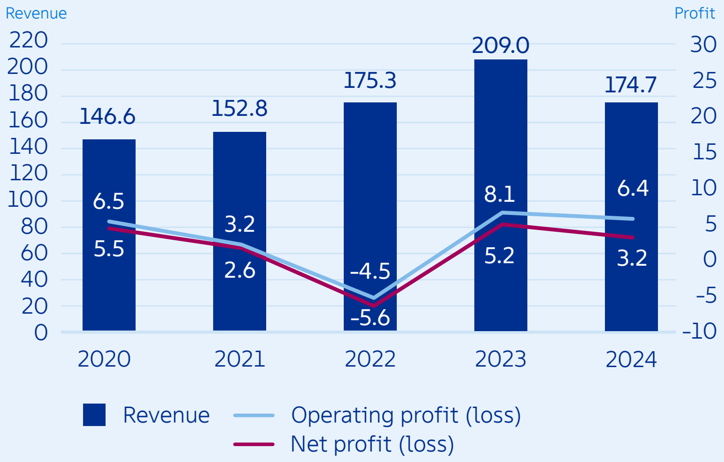
Gross profit amounted to 20.9 (2023: 23.6) million euros and the gross profit margin improved to 12.0% (2023: 11.3%). Operating profit (EBIT) ranged from 6.4 (2023: 8.1) million euros and net profit 3.2 (2023: 5.2) million euros, resulting in a net profit per share of 0.17 (2023: 0.28) euros.

When comparing years, it is important to take into account that profitability in 2023 was temporarily boosted by the agreement reached in the dispute on the framework contract for sealed distribution transformers, which allowed for a reduction of previous provisions.

The Group implemented cost-saving measures to maintain profitability under changing market conditions. One of the main steps was to reduce the number of employees from 967 to 821, which helped to optimise labour costs and administrative expenses. Although savings are necessary, the company's high level of competence must be maintained in order to ensure long-term competitiveness and sustainable growth.

Revenue, operating and net profit (loss)

million euros



Other comprehensive income (– loss)

Gains and losses on revaluations and the sale of financial assets are recognised in other total comprehensive income. In the reporting year, the revaluation of financial assets took place only in listed securities, the value of which fell by 71 thousand euros. A year earlier, the revaluation of financial assets yielded a total profit of 5.5 million euros, the majority of which was accounted for by the estimated change in the fair value of OÜ Skeleton Technologies Group's investment holding, which increased by 5.4 million euros to 27.2 million euros (Note 6 'Financial Investments').

In the second quarter of the reporting year, most of the listed securities were sold, the sales proceeds of which totalled 1.6 million euros, including realised profit of 0.2 million euros. No new acquisitions were made during the reporting year.

Financial position

During the reporting year, the Group focused on ensuring financial stability and efficient asset management in order to adapt to changing market conditions. The asset volume decreased by 14%, amounting to 153.7 million euros, mainly due to the decrease in current assets. The largest part of this was accounted for by a 46% fall in inventories, which decreased by 19.8 (31.12.23: 36.8) million euros. This was mainly due to the stabilisation of production volumes and the easing of supply difficulties. The drop in inventories was also affected by the record-high order and production volumes at the end of 2023, which included ongoing projects and materials pre-stocked for projects going into production. At the same time, the Group's liquidity improved, with cash and cash equivalents increasing by 2.4 million euros over the year, to 3.8 million euros, ensuring the company's flexibility and readiness to take advantage of new opportunities. The decrease in revenue also reduced the trade and other receivables, reaching by the end of the reporting period 29.6 (31.12.23: 38.8) million euros.

Liabilities decreased significantly by 25.7 million euros during the year, to 62.7 million euros. Of this, current liabilities accounted for 68% (2023: 73%), i.e. 42.4 (31.12.23: 64.9) million euros. Short-term borrowings halved to 9.8 (31.12.23: 19.4) million euros, prepayments from customers to 11.6 (31.12.23: 18.9) million euros, and trade and other payables to 17.5 (31.12.23: 23.2) million euros. Tax liabilities remained at the same level, standing at 3.3 million euros.

As at the reporting date, total non-current liabilities amounted to 20.2 (31.12.23: 23.5) million euros, the majority of which were long-term borrowings. Short-term and long-term borrowings recognised under the accounting principles of IFRS 16 Leases increased by 0.3 million euros to 0.4 million euros.

Equity increased by 1%, amounting to 91.0 million euros, including 2.4 million euros paid in dividends during the reporting year.

Cash flows

Cash flows from operating activities for the reporting year were strongly positive, amounting to 20.1 (2023: 1.2) million euros, reflecting balance sheet optimisation and more efficient working capital management. A total of 2.2 (2023: 6.0) million was invested during the year, the majority of which went to investment properties and acquisition of property, plant and equipment and intangible assets. A total of 4.0 (2023: 6.1) million euros was paid for the investments, while 1.6 (2023: 0) million euros was received from the sale of the listed securities portfolio. This reflects the company's strategy to invest in long-term development opportunities and strengthen its position in the market.

Cash flow from financing activities was affected the most by dividend payments, loan repayments and lease payments. On 28 May, dividends were paid to shareholders in the amount of 2.4 (2023: 0.9) million euros, which was 1.5 million more than a year earlier, confirming the Group's continued commitment to increasing shareholder value. Short-term and long-term loans, including overdrafts paid, amounted to 13.1 (2023: 7.0) million euros. Also, only 0.1 million euros more was borrowed in 2024, compared to 6.2 million euros in 2023. Factoring liabilities were reduced by 0.4 million euros, whereas in the previous year, the amount increased by 1.3 million euros. Lease payments remained stable at 0.7 million euros.

Overall, the cash flows of the Group were positive, totalling 2.3 (2023: -7.7) million euros during the reporting year, reflecting the strong cash flow improvement in 2024 compared to the previous year.

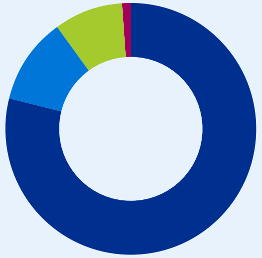
Investments and development

The Group is committed to developing its production and process management systems in order to ensure long-term competitiveness and market survival. The company's strategy focuses on continuous investment in the innovation of production processes, technological assets, commercial real estate, and IT solutions, with the aim of creating sustainable and efficient business activities. These developments ensure that the Group is able to adapt to changes in the market and maintain its competitive advantage in the future.

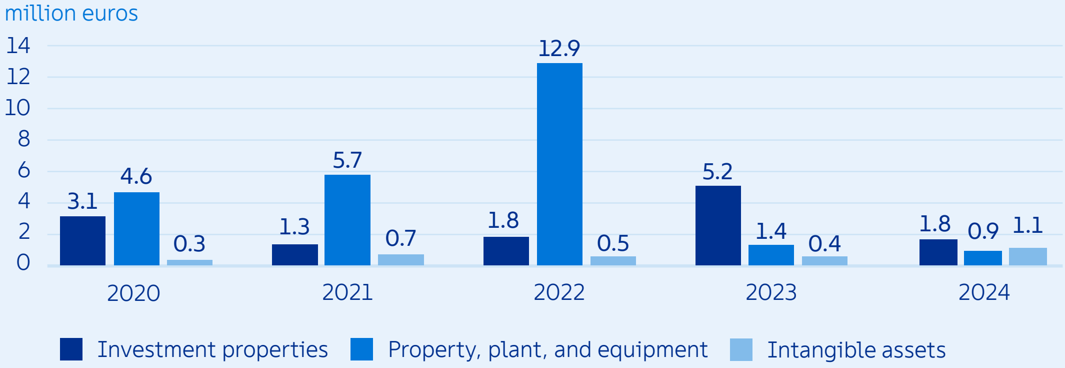
During the reporting period, the companies of Harju Elekter invested a total of 3.8 (2023: 7.0) million euros in non-current assets.

This includes investment property 1.8 (2023: 5.2) million euros, property, plant and equipment 0.9 (2023: 1.4) million euros and intangible assets 1.1 (2023: 0.4) million euros. Investments in different asset groups were divided by countries as follows: in Estonia, 3.0 (2023: 6.1); Finland 0.4 (2023: 0.2); Sweden 0.05 (2023: 0.2) and in Lithuania 0.3 (2023: 0.4) million euros.

Share of investments in 2024 by country



Invesments



Most of the investment properties investments in the reporting year were directed to the renovation and reconstruction works of the production building leased by a long-term tenant, which were completed at the end of the reporting year.

A total of more than 20,000 m² of production, storage and office space and an external storage area of nearly 40,000 m² were allocated to the customer. In addition, investments were made in other properties, including the installation of 60 kW solar power plants in Haapsalu.

All Group companies invested in IT equipment, production-technology assets and process management systems to ensure the smoothness and efficiency of the operations in the organisation.

One important factor in the Group's success is strong and flexible product development, which aims to meet the market demand and offer innovative solutions. Product development resources for the energy sector are mainly concentrated in the product development team of the parent company, responsible for providing innovative products and solutions for sales channels, while also providing technical support for production and sales. Product development is divided into four main functions: substations and distribution cabinets, E-house and technical buildings, low voltage switchgear and electric car chargers and storage devices. Each field has a clear agenda and responsibilities to ensure that product development runs smoothly and efficiently.

During the reporting year, the product development team had several development projects – one of the biggest being the HECON EVO low-voltage switchgear product family, the launch of which is planned for 2025. In addition, the development of next generation electric car chargers was started, which creates an opportunity to increase the competitiveness of the product on the Finnish market and to expand the sales of electric car chargers outside the Finnish market. In addition, the standardisation of E-house solutions continued in order to speed up the order lead times and reduce the costs of project-based engineering. During the year, a number of new compact substation solutions were developed and tested to keep pace with the changing demands of the renewable energy sector and to prepare for the deployment of SF6-free medium voltage units from 2026 onwards.

The Group's operations are driven to a significant extent by customer demand for innovative solutions, which is why product development is a continuous process to meet the needs of the market. It is important for the company to stay on track with the latest market trends and provide customers with services that meet their growing expectations. In addition, it creates an opportunity for our engineers to work on exciting and challenging projects.

Business segments

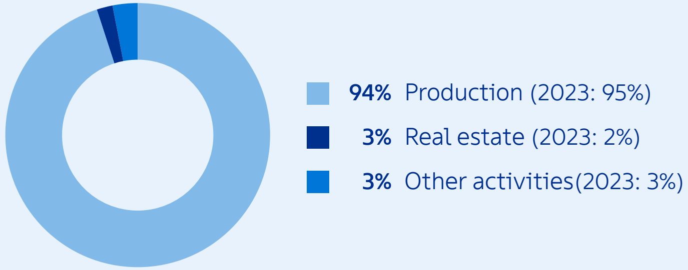
The Management Board of the Group has defined the business segments according to the main business activities of the company. The two main areas of activity of Harju Elekter, presented as separate segments, are production and real estate. Activities that are not of such a high proportion to form a separately reported segment and that entail risks and rewards, nor were materially different and clearly delineated, are presented as other activities.

The activities of the production segment are the design, sale, manufacturing and after-sales service of power distribution, switching and converting devices, as well as automation, process control and industrial control equipment.

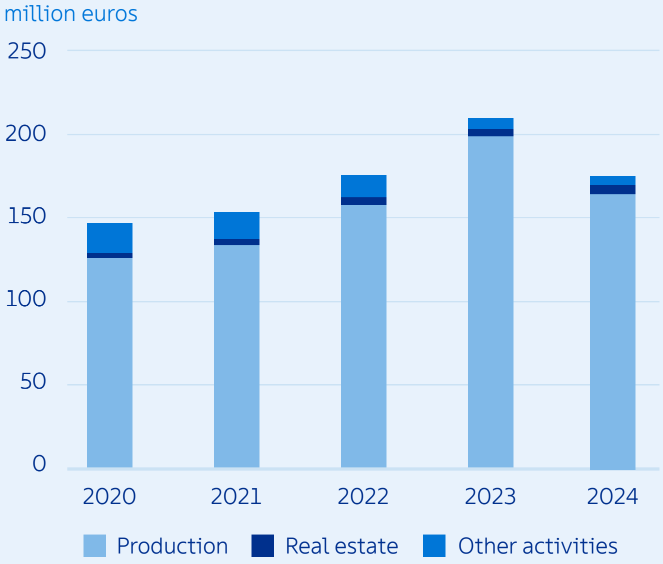
The real estate segment includes the development, project management, renting of industrial real estate and other related services for leasing partners and the Group companies.

Other activities include the management of financial investments, electrical installation works in shipbuilding, and the retail and project sales of electrical goods.

Revenue by segments



Revenue of business segments



Production

The main activity of Harju Elekter is production, increasing the profitability and efficiency of which is a top priority for the Group. To this end, the activities that started earlier in the reporting year were continued, focusing on improving the efficiency of production processes.

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

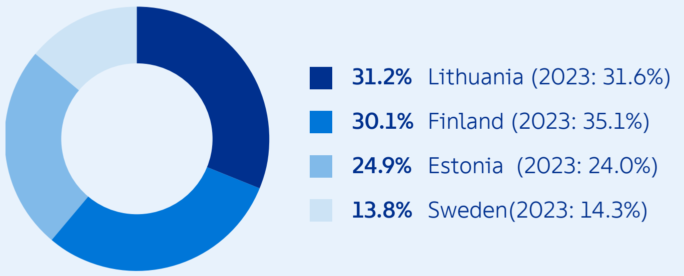
The revenue of the production segment from external customers for the reporting year was 164.3 (2023: 197.9) million euros, representing 94.0% (2023: 94.7%) of consolidated revenue.

The main factors that influenced the change in revenue of the production segment compared to the previous year were:

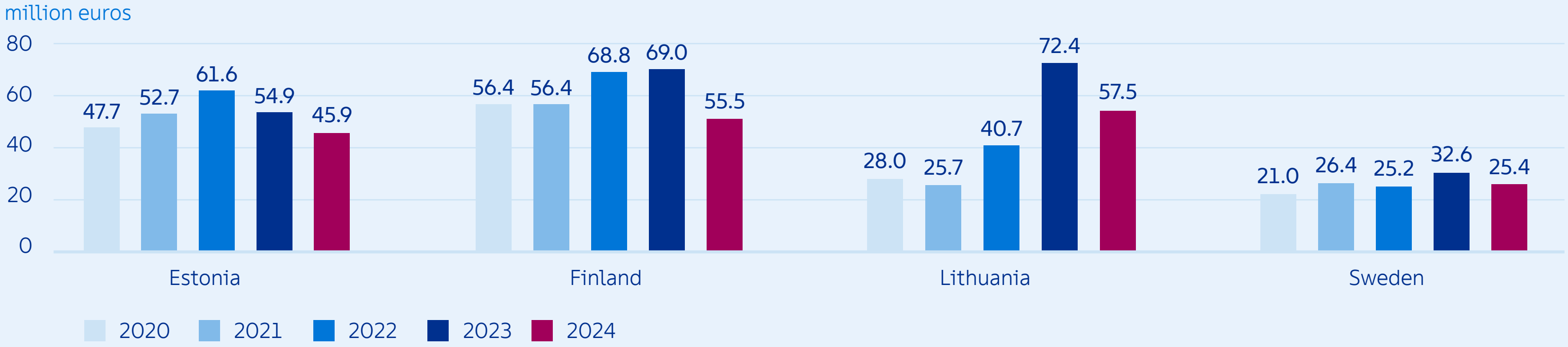
- Record high production output in 2023,
- A decrease in production and sales volumes in the second half of the year due to a decrease in new orders from customers, which started in spring.
- Strategic decisions made in recent years to focus on more profitable and specific products, which, however, decreased somewhat in volume during the reporting year

A total of 761 (2023: 898) persons were employed in manufacturing companies at the end of the reporting period and an average of 834 (2023: 890) people during the reporting year, of whom approximately 70% are production workers and 30% administrative and engineering staff.

Production segment revenue by countries



Unconsolidated revenue of production segment companies by country



PRODUCTION IN ESTONIA

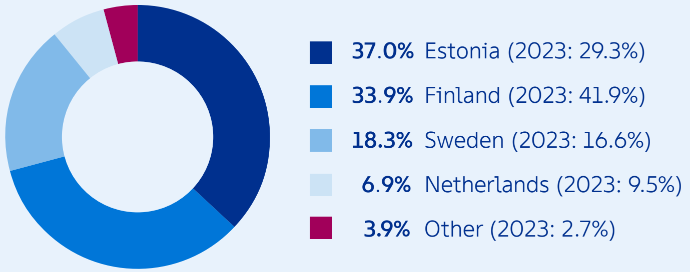
AS Harju Elekter is a leading developer, manufacturer, and distributor of medium and low voltage electrical equipment located in Keila Industrial Park.

In addition to its core business, various sheet metal products are manufactured for its own use and for other Group companies. The company has two production facilities, with a total of more than 34,000 m^2 of production, warehouse, yard, and office space. The company had 265 (2023: 301) employees at the end of the reporting year. During the reporting period, the average number of employees was 293 (2023: 317).

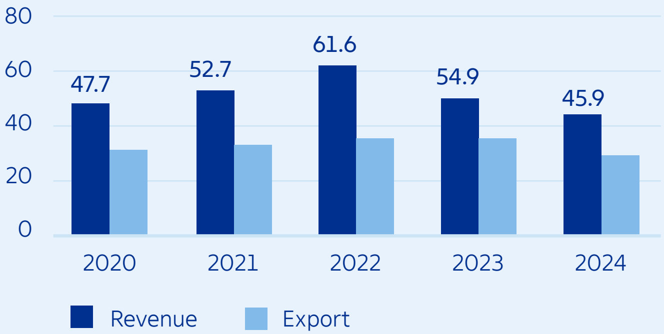
The revenue of Estonian manufacturing unit in 2024 was 45.9 (2023: 54.9) million euros. The last year was challenging in Estonian production, both from a business point of view and due to organisational changes.

The production in Estonia managed to maintain a very high level of production volume in the first half of the year. The servicing of international framework agreements, concluded in previous years, continued.

Estonian production companies revenue by markets



Revenue of Estonian production companies combined



A significant part of the Group's production manufactured in Estonia was sold abroad. In the reporting year, exports accounted for 63% of revenue (2023: 70.7%) and the most important target countries for the production of the Estonian factory were the Group's home markets of Finland and Sweden, as well as the Netherlands and Germany. The decrease in the share of export volume was caused by the increased volume of products delivered to the Estonian market under the framework agreement of Eesti Energia AS concluded with Elektrilevi OÜ in August 2023.

The second half of the reporting year was influenced by the decrease in the volume of new orders starting from spring and the completion of contractual works concluded in previous years. Due to the decrease in the volume of work, all work processes and the need for resources had to be critically reassessed in the second half of the year, and due to low workload, the company had 12% fewer employees at the end of the year than the previous year.

From the point of view of the development of the organisation, the improvement of various internal processes aimed at increasing efficiency, which began in 2023 with the merger of Estonian production companies, and the updating of management principles continued. At the beginning of the year, the company fully implemented new accounting and management software. The introduction of lean principles continued to be the common thread of increasing efficiency. Emphasis was placed on the health and safety of workers.

In 2025, the focus will be on increasing business volumes and profitability, including the manufacturing of products with higher added value. Serving key customers and performing framework agreements will continue. Continuous targeted work on processes, refurbishment, and planning of production equipment will also continue to increase efficiency in order to maintain the highest possible capacity in production.

A significant part of the Group's production manufactured in Estonia was sold abroad.

PRODUCTION IN FINLAND

Harju Elekter Oy is one of the leading manufacturers of industrial automation and power distribution and transmission equipment in Finland.

The company's headquarters is in Ulvila, with factories in Ulvila, Kerava, and Kurikka. In total, the company uses nearly 8,600 m^2 of production, warehouse and office space.

The total revenue of Harju Elekter Oy for 2024 was 55.5 (2023: 69.0) million euros, down by one fifth year-on-year. A significant part of the Finnish production is sold outside Finland and reaches customers primarily through manufacturers and exporters. At the same time, the Finnish company acts as an importer and distributor of the Group's Estonian company on local market. Intermediate sales of products imported from Estonia to Finland amounted to 10.8 (2023: 16.1) million euros.

At the end of the reporting period, the Group's Finnish production units employed a total of 146 (2023: 180) people, the average number of employees during the reporting period was 169 (2023: 170) people. Around 60% of the workforce is employed in production and 40% in management, administration, development, and sales. One of the key topics of the year was employees and safety at work. On 2.01.2024, Jari Jylli started as the new CEO of Harju Elekter Oy.

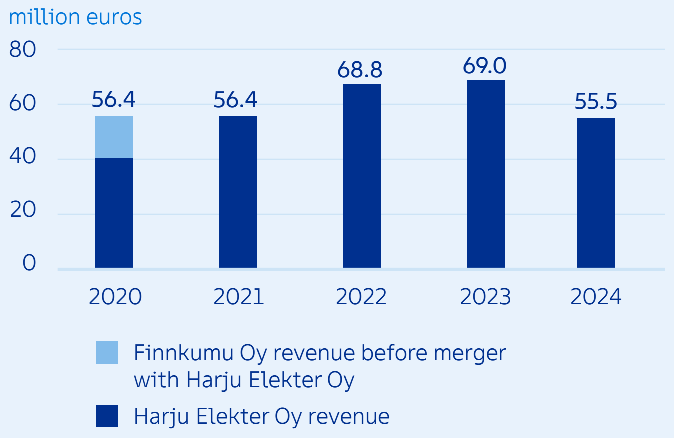
The products manufactured in Finland are targeted at the industrial, power generation and distribution sectors, as well as infrastructure projects, covering customers' needs from the development of products, programmes, and projects to the provision of maintenance services. The extensive product portfolio includes various products and solutions up to 20 kW, as well as electric vehicle chargers of the ElektrA brand developed for the Finnish market.

The production units of Ulvila and Kerava are mainly focused on contract manufacturing, project services and supplies in the energy and industrial sectors, as well as infrastructure projects. In 2024, the main focus in these areas was on the performance of the existing customer agreements. While overall utilisation of production was high, demand continued to be lower in various solar power related projects compared to previous years. With the aim of focusing more on products with higher added value in the future, the sale of various electrical accessories and components as an ancillary activity was discontinued.

The Kurika production unit, which has 2,500 m^2 of production and office space, mainly focuses on the production of compact substations and cable distribution cabinets, including the design, production, and distribution of equipment for the power distribution sector on the Finnish market. The high-quality substations produced in the Kurikka unit have a good reputation in Finland and a loyal customer base has developed over a long period of operation.

The main objectives of the Finnish company are to increase profitability in all production units and to implement the management structures and processes that have changed in recent years as efficiently as possible. In production, there is a heightened focus on increasing production efficiency and capacity and a shift towards higher value-added production.

Revenue of Finnish production units



PRODUCTION IN SWEDEN

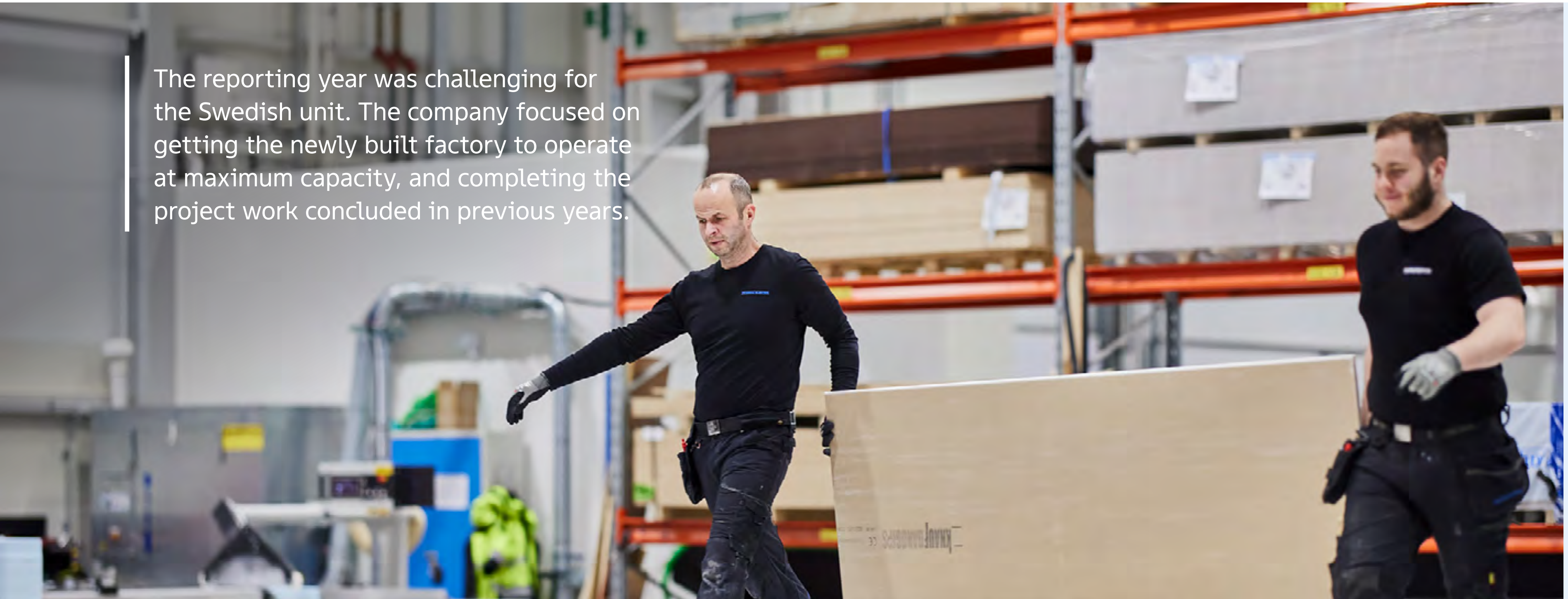
The production segment in Sweden includes the subsidiary Harju Elekter AB, which specialises in developing medium- and low-voltage solutions for power generation and distribution and supplying to the infrastructure, construction and energy sectors.

Completed in 2022, the company's head office is located in Västerås, in a 6,282 m^2 production building with the necessary warehouse and office space. Harju Elekter AB had 56 (2023: 51) employees at the end of the reporting period and an average of 51 (2023: 58) persons during the reporting period.

Revenue in Sweden in 2024 was 25.4 (2023: 32.6) million euros, which is 22% lower than last year. The Swedish entity focuses on the Swedish market, where it earned 99% (2023: 86%) of the revenue, including intermediate sales of products manufactured in Estonia to the Swedish market which amounted to 6.5 (2023: 8.6) million euros.

The reporting year was challenging for the Swedish unit. The company focused on getting the newly built factory to operate at maximum capacity, and completing the project work concluded in previous years. Several projects have proven to be significantly more complex, costly, and time-consuming than planned. The focus of the Swedish unit has shifted more towards selling low-voltage equipment and E-house solutions manufactured in its own factory, with fewer turnkey projects and solutions being offered to customers. During the reporting year, the implementation of the process and management models of the manufacturing unit continued, with a particular focus on the implementation of lean principles. The increase in the number of employees in the reporting year was caused by a strategic decision to increase the highly qualified in-house workforce and reduce dependence on temporary agency workers and subcontractors.

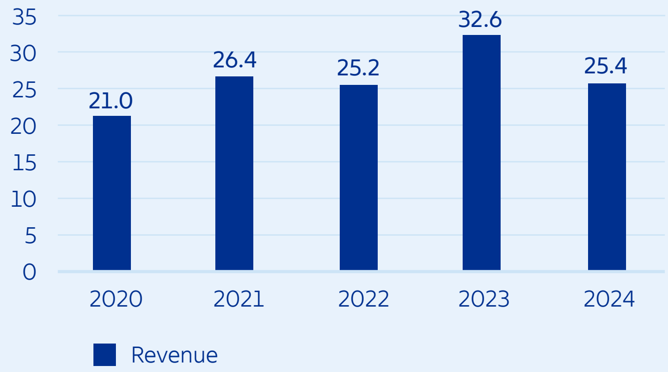
The main goals for the next year are to quickly and efficiently attain maximum operating capacity at the Västerås plant with targeted profitability for the group. In addition, the focus is on active sales work and increasing business volumes, placing an even greater focus on providing customers with high value-added products manufactured in the factory.



The reporting year was challenging for the Swedish unit. The company focused on getting the newly built factory to operate at maximum capacity, and completing the project work concluded in previous years.

Revenue of Sweden production units

million euros



PRODUCTION IN LITHUANIA

Harju Elekter UAB, a Lithuanian subsidiary, has been part of the Group since 2003. The company's focus is on developing products and solutions for system integrators and contract manufacturing in the maritime and industrial sectors, supplying customised power distribution and frequency inverter equipment.

The company's headquarters and production complex is located in Panevežys, Lithuania. As at the year-end, the company employed 294 (2023: 366) people and an average of 321 (2023: 346) people during the reporting year.

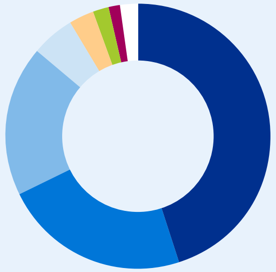
The revenue of the Lithuanian factory in the production segment was 57.5 (2023: 72.4) million euros during the reporting year, decreasing by one fifth over the year. While in the first half of the year the production utilisation was still very high and several previously concluded large orders resulted in revenue comparable to the record year of 2023, in the second half of the year also the Lithuanian factory saw a gradual decrease in the volume of orders. As a result of the decline in production volumes, the workforce has decreased and the focus is actively on the best use of resources. During the reporting year, 99.3% (2023: 99.9%) of the production of the factory in Panevežys with an area of more than 17,300 m^2 were exported worldwide to various destination countries, the most important of which were Norway, Germany, and the United States.

In the reporting year, most of the revenue was generated from the development, production, and sale of project-based products and services to the maritime and shipping sector. 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 related to the project and customer-specific solutions not found in standard catalogues.

In addition to active sales work, contributions were made during the reporting year to the development of internal processes, improving the qualification of employees, occupational safety, and various social activities. A significant investment of the reporting year was the type testing test area for multi-megawatt equipment built at the Lithuanian plant.

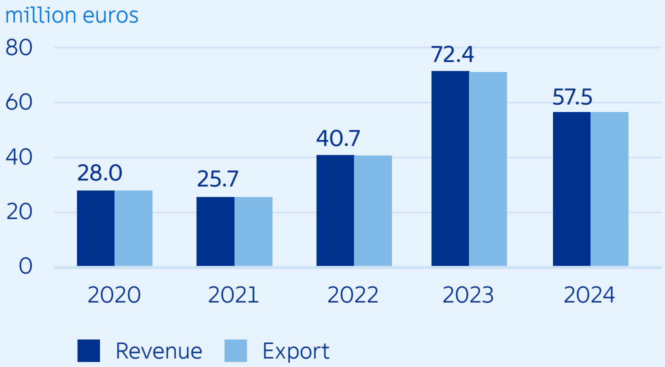
The main goals for the next year are to increase the production volume and profitability of the plant.

Lithuanian revenue by markets



- **45.1%** Norway (2023: 45.5%)
- **22.7%** Germany (2023: 17.5%)
- **18.5%** USA (2023: 20.4%)
- **5.2%** Finland (2023: 5.4%)
- **3.0%** Poland (2023: 0.9%)
- **1.9%** Denmark (2023: 0.3%)
- **1.6%** Sweden (2023: 2.7%)
- **2.0%** Others (2023: 7.3%)

Revenue in Lithuanian production unit



Real estate

The real estate segment includes the development, maintenance, and rental of industrial real estate; services relating to the maintenance of real estate and production capacity; and mediation of services. The activities of the segment are organised by the real estate department of AS Harju Elekter Group, which had 3 employees at the end of the reporting year (2023: 5).

The Group owns properties in industrial parks in Estonia (Keila, Allika and Haapsalu), Finland (Ulvila, Kerava, Kurikka), Sweden (Västerås), and Lithuania (Panevežys) – a total of 80 ha, with 130,600 m^2 of production, office, and warehouse space. The company leases space to external customers in the industrial parks of Keila, Allika, and Haapsalu.

In the reporting year, the total revenue of the real estate segment was 7.8 (2023: 6.9) million euros, of which external revenue accounted for 5.4 (2023: 4.5) million euros, accounting for 3.1% (2023: 2.1%) of consolidated revenue. The revenue of the real estate segment was generated in Estonia during the reporting year. Rental income accounted for 83% of the revenue of the real estate segment (2023: 81%) and utilities and other services 17% (2023: 19%). The external revenue of the reporting year increased mainly due to new completed development properties and low vacancy. In June 2023, a new long-term lease contract was signed with Prysmian Group Baltics AS, the largest tenant, for the period until 2030, and during the reporting year the renovation works of the leased premises continued. In addition, the increase in revenue was influenced by the production building completed at the end of 2023 and long-term lease agreement concluded with Reimax Electronics OÜ. This was already the sixth building completed in the Allika Industrial Park for Harju Elekter.

During the reporting period, 1.9 (2023: 5.3) million euros was invested in the real estate segment. A large part of the investments during the reporting period were related to the renovation works of the premises leased to Prysmian Group Baltics AS.

In 2025, preparations for the possible future development projects in both Allika and Keila industrial parks will continue.


The Group owns properties in industrial parks in Estonia, Finland, Sweden and Lithuania.

Other activities

Other activities include the group companies AS Harju Elekter Group and Energo Veritas OÜ, in Estonia, and Telesilta Oy, in Finland.

Total external revenue from other non-segment activities amounted to 5.0 (2023: 6.7) million euros, decreasing by a quarter over the year. Other activities accounted for 2.9% (2023: 3.2%) of the Group's consolidated revenue.

ESTONIA

AS Harju Elekter Group is the parent company of the Group, the activities of which are divided into two: real estate and other activities. In addition to activities related to the development and rental of industrial real estate, the parent company is engaged in:

- coordinating cooperation between the Group's companies;
- strategic management of subsidiaries through the Supervisory Board and Management Boards;
- managing the Group's cash flows;
- managing the Group's investor relations;
- Group-wide sales, marketing and product development and management;
- managing Group-wide production and procurement;
- investment planning and management;
- business development;
- supporting the Group's companies in the fields of human resources, information technology, communication, finance, and law.

At the end of the reporting period, 22 (2023: 25) people were employed in the parent company outside the real estate department.

Among other activities, investment management is one of the most important for the AS Harju Elekter Group. At the end of the reporting year, the investment portfolio consisted of various listed securities in the amount of 0.03 (2023: 1.5) million euros, from an investment in OÜ Skeleton Technologies Group in the amount of 27.2 (2023: 27.2) million euros and 0.5 (2023: 0.5) million euros in IGL-Technologies Oy.

Energo Veritas OÜ is a fully-owned subsidiary of AS Harju Elekter Group, whose activities have been closed down by now and the company had no revenue during the reporting period.

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 customer-specific solutions, with a marginal share of proprietary products. Telesilta Oy has been part of the Group since 2017. In addition to Uusikaupunki, the company has units for electrical works in the ports of Turku and Rauma.

At the end of the reporting year, the company had 35 (2023: 40) employees and the average number of employees during the reporting period was 37 (2023: 37). The revenue for the reporting year was 5.3 (2023: 6.4) million euros, having decreased by 17% over the year. The decline in revenue was caused by the projects in operation and the phases of work of these projects. The focus during the reporting year was on the successful implementation of major projects concluded and started in previous years. The main challenge in carrying out electrical works in the shipping sector was the lack of a qualified workforce.

The goals for 2025 are effective timely execution of the existing and key customer contracts with a focus on increasing profitability.

Share and Shareholders

ISIN code	EE3100004250
Security ticker	HAE1T
Number of securities	18,498,770
Share without nominal value, *book value	0.63 euros
Date of listing	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.

During the reporting year, there were no changes in the share capital or the number of shares. The company's share capital is 11.66 million euros, divided into 18.5 million ordinary shares without a nominal value.

Share price and trading

2024 was a good year for investors against the backdrop of falling global interest rates, with the MSCI World Index rising 26.6 % in euro terms. The U.S. and technology sectors were at the forefront of global stock market growth. Changes in the main European stock indices remained modest and, similarly to Europe, the Tallinn Stock Exchange had a stable year, during which the OMXTGI index fell by 2 % over the year.

On the last trading day of the year, the share of AS Harju Elekter Group closed at 4.58 euros, falling by 8 % year-on-year. Compared to previous years, trading activity has also decreased, and a total of 0.75 (2023: 1.15) million shares were traded during the current year, giving a transaction volume of 3.6 million euros. Based on the closing price on 31 December, the market value of the company was 84.6 (2023: 91.9) million euros.

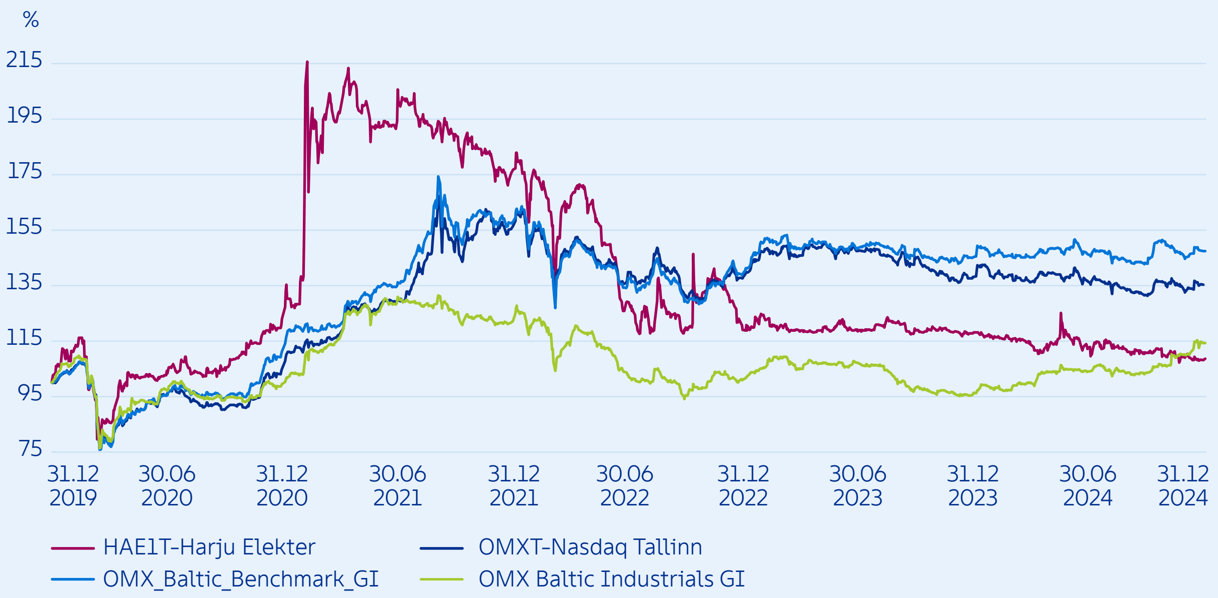
Share price and trading

	2024	2023	2022	2021	2020
Average number of shares (pcs)	**18,498,770**	18,355,774	18,134,463	17,855,220	17,739,880
Opening price (euros)	**4.97**	5.01	7.44	5.24	4.26
Highest price (euros)	**5.33**	5.31	7.74	10.50	5.26
Medium price (euros)	**4.77**	5.04	6.04	7.83	4.43
Lowest price(euros)	**4.20**	4.90	4.85	5.20	3.20
Closing price (euros)	**4.58**	4.97	5.01	7.44	5.18
Change in the closing price (%)	**-7.9**	-0.8	-32.70	43.6	23.0
Company's market capitalization (millions)	**84.63**	91.94	91.63	134.06	91.89

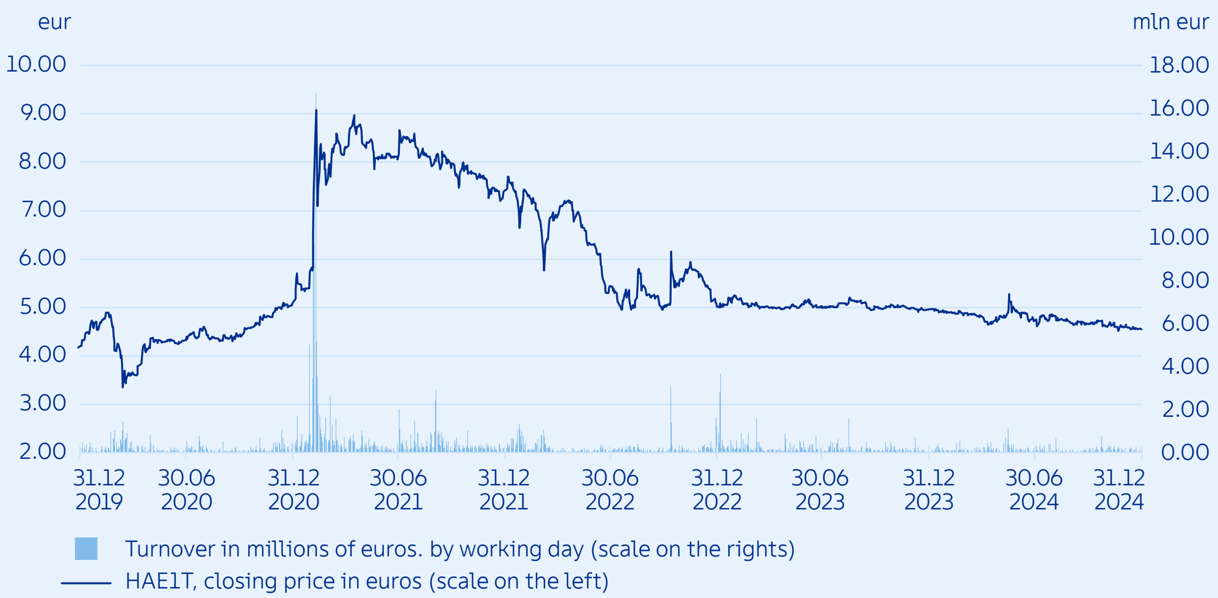
	2024	2023	2022	2021	2020
Traded shares (pcs)	**751,657**	1,154,685	929,491	2,048,865	1,160,598
Turnover (million euros)	**3.59**	5.82	5.60	15.85	4.99
Net profit per share (euros)	**0.17**	0.28	-0.31	0.15	0.31
P/E ratio (ratio)	**26.66**	17.75	-18.08	51.13	16.52
Dividend per share (euros)	(1) **0.15**	0.13	0.05	0.14	0.16
Dividend rate (%)	**3.3**	2.6	1.0	1.9	3.1
Dividend/net profit (%)	**87.4**	46.2	-	96.2	51.0

(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 2019 and 31 December 2024



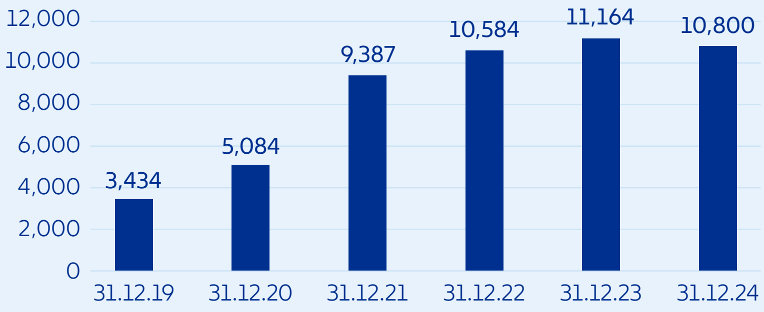
The share price (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2019 and 31 December 2024 (Nasdaq Tallinn, http://www.nasdaqbaltic.com/)



Structure of shareholders

As at 31 December 2024, AS Harju Elekter Group had 10,800 shareholders. Over the past five years, the number of the company's shareholders has increased by 7,366, but last year it decreased by 364. One reason for this is certainly the increased interest of shareholders in investing in other markets, which lowered the share prices of many Baltic stock exchange companies and influenced the decline in the number of shareholders.
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 87.4% (31.12.2023: 87.2%) of Harju Elekter's shares, foreign capital holds 12.6% (31.12.2023: 12.8%). As at 31 December 2024, the members of the company's Supervisory Board and Management Board held, directly and indirectly, a total of 4.96% 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



Breakdown of shareholders by holding and list of shareholders holding more than 5% as at 31 December 2024:

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 %	63	0.6	16.1
Less than 0.1%	10,728	99.3	24.5
Total	**10,800**	**100.0**	**100.0**

Shareholders	Shareholding (%)
AS Harju KEK	30.10
ING Luxembourg S.A.	10.02
Endel Palla	7.46
Shareholders with holdings less than 5%	52.42
Total	**100.00**

Break-down of shareholders by country, as at 31 December 2024:

Country	Total number of shareholders	Number of shareholders (pcs)			Total number of shares	Number of shares (pcs)			Total % of shares	% of shares		
		Legal	Private	Banks and nominee accounts		Legal	Private	Banks and nominee accounts		Legal	Private	Banks and nominee accounts
Estonia	**10,683**	887	9,794	2	**16,185,310**	6,919,081	9,223,278	42,951	**87.4**	37.4	49.8	0.2
Luxembourg	**1**	-	-	1	**1,854,203**	-	-	1,854,203	**10.0**	-	-	10.0
Finland	**53**	3	49	1	**156,592**	10,670	22,523	123,399	**0.9**	0.1	0.1	0.7
Lithuania	**5**	-	-	5	**117,965**	-	-	117,965	**0.6**	-	-	0.6
Sweden	**8**	1	3	4	**58,123**	2,000	951	55,172	**0.3**	-	0.0	0.3
Great Britain	**6**	-	5	1	**44,187**	-	2,196	41,991	**0.2**	-	0.0	0.2
Other countries	**44**	-	33	11	**82,390**	-	11,656	70,734	**0.6**	-	0.1	0.5
TOTAL	10,800	**891**	**9,884**	**25**	18,498,770	**6,931,751**	**9,260,604**	**2,306,415**	100.0	**37.5**	**50.0**	**12.5**

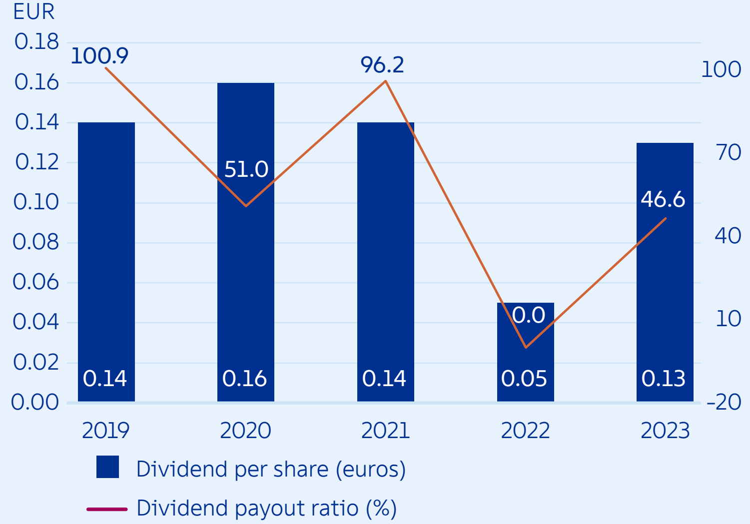
Dividends

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 26 April 2024, where, among other things, the profit distribution proposal was approved and it was decided to pay dividends of 0.13 euros per share to shareholders for 2023, totalling 2,405 thousand euros. The dividends were transferred to shareholders' bank accounts on 28 May 2024.

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.15 euros per share, totalling 2.8 million euros and representing 87.4% of consolidated net profit in 2024.

Dividends payout



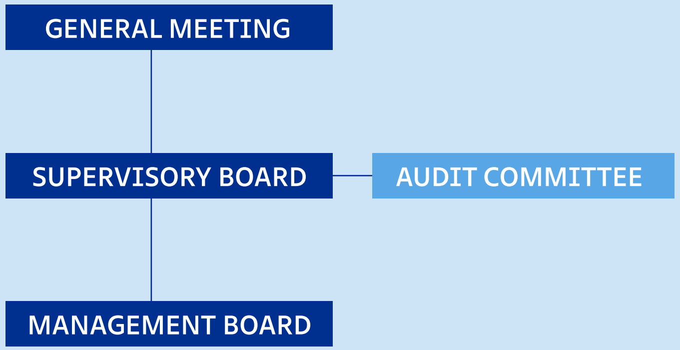
Corporate Governance Report 2024

HARJU ELEKTER

Electrifying **Tomorrow**

AS Harju Elekter Group bases its management on the company's strategy, values, the commercial code, and the Corporate Governance Code approved by Finantsinspektsioon.

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



General Meeting

Exercise of rights by shareholders

The general meeting of shareholders is the highest managing body of AS Harju Elekter 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 general meeting is called by the Management Board with at least three weeks' notice. The annual general meeting takes place once a year, not later than six months after the end of the company's financial year. The Management Board calls an extraordinary general meeting in cases and in the manner prescribed by law.

The agenda of the general meeting, the proposals of the Management Board and the Supervisory Board, draft resolutions, and other relevant materials are made available to shareholders before the general meeting. Harju Elekter published the notice of calling an annual general meeting on 2 April 2024 via the information system of Nasdaq Tallinn Stock Exchange and on its website, and on 3 April 2024, in Postimees. Shareholders had the opportunity to send questions and make different proposals about the topics on the agenda to the e-mail address given in the notice, and to review the annual report on Harju Elekter's website and at the company's location in Keila, Paldiski mnt 31/2. The shareholders submitted no questions or proposals on the topics mentioned in the agenda before the general meeting.

Holding a general meeting

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

The general meeting of shareholders of AS Harju Elekter of 2024 was held on 26 April in Tallinn, Swissôtel. Shareholders had the opportunity to vote before the meeting via email or postal mail. Two shareholders voted before the meeting.

The meeting was held in Estonian and chaired by Harju Elekter lawyer Ursula Põld, who introduced the general meeting execution procedure. All the members of the Management Board and the Supervisory Board attended the meeting. The auditor did not participate in the general meeting. 60 shareholders or their authorised representatives attended the meeting and they represented 61.22% of the total number of votes.

The general meeting approved the annual report for 2023 and profit distribution proposal and decided to pay the shareholders dividends for 2023 in the amount of 0.13 euros per share, 2.4 million euros in total, and appointed PricewaterhouseCoopers AS as the auditor for the 2024–2025 financial year. 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.

Participation in the general meeting, i.e. voting, were not made possible through communication means (HÜT clause 1.3.3), as there was no need, demand, or suitable technological solution for this.

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 chairman of the Management Board is appointed by the company's Supervisory Board, which organizes the work of the management board. Harju Elekter has not established a nomination committee, and individuals with sufficient knowledge and experience to participate in the work of the Management Board are elected as members.

As of 31 December 2024, the Management Board of AS Harju Elekter Group had three members. Tiit Atso, the Chairman of the Management Board, is engaged in the general and strategic management of the Group, while Priit Treial and Aron Kuhi-Thalfeldt are responsible for the Group's real estate and energy topics.

The remuneration of a Management Board member must be such that it motivates the person to act in the best interests of the company. The basic salary of a Management Board member is agreed upon in the Management Board member's contract according to the decision of the Supervisory Board. 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.

The Supervisory Board may recall a Management Board member regardless of the reason. A Management Board member may resign regardless of the reason, by notifying the Supervisory Board. The rights and obligations arising from the contract concluded with the Management Board member will end according to the contract. 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 2024:

EUR'000	Basic remuneration	Performance pay
Tiit Atso	164	49
Aron Kuhi-Thalfeldt	115	37
Priit Treial	123	39

Stock options granted to Members of the Management Board as of 31 December 2024:

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

As at the end of 2024, the members of the company's Management Board held a total of 0,31% (2023: 0.30%) of the company's shares directly and via indirect holdings (Note 16).

Members of the Management Board as at 31 December 2024:

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 31.12.2024 Tiit Atso owns 30 548 Harju Elekter shares. He has direct participation 0.17%.

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 31.12.2024 Aron Kuhi-Thalfeldt owns 25,529 of Harju Elekter shares. He has direct participation 0.14%.

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 CFO and management board member at Elektrilevi and as a financial controller at Eesti Energia. 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 31.12.2024 Priit Treial owns 400 of Harju Elekter shares. He has direct participation 0.002%.

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, except when such transactions are made in the course of everyday economic activities at market prices.

Management Board members are not members of the Management or Supervisory Boards of other issuers (listed companies). All Management Board members participate in the work of the Management and Supervisory bodies of the group's subsidiaries.

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 or corruption in 2024.

Supervisory Board

Functions of the Supervisory Board

The Supervisory Board plans the company's activities, organizes its management, and supervises the activities of the Management Board. 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 2024, twelve meetings of the Supervisory Board were held. Risto Vahimets, Aare Kirsme and Andres Toome took part in all the meetings; Triinu Tombak and Arvi Hamburg took part in eleven and Märt Luuk in ten 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 2024, AS Harju Elekter Group has six-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 2024:

EUR '000	Basic remuneration	Audit committee remuneration
Triinu Tombak	30	4
Aare Kirsme	24	
Andres Toome	24	4
Arvi Hamburg	24	
Risto Vahimets	24	4
Märt Luuk	24	

As at the end on 2024 members of the Supervisory Board do not own stock options.

As at the end of 2024, the members of the company's Supervisory Board held a total of 4.65% (2023: 4.02%) of the company's shares directly and via indirect holdings (Note 16).

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 2024. Also, no significant transactions were concluded in 2024 between Harju Elekter and the members of the Supervisory Board or persons close to or related to them.

Members of the Supervisory Board as at 31 December 2024:

TRIINU TOMBAK
Chairman of the Supervisory Board

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

As of 31.12.2024, Triinu Tombak owns 30,000 Harju Elekter shares. His direct holding is 0.16%.

ANDRES TOOME
Member of the Supervisory Board

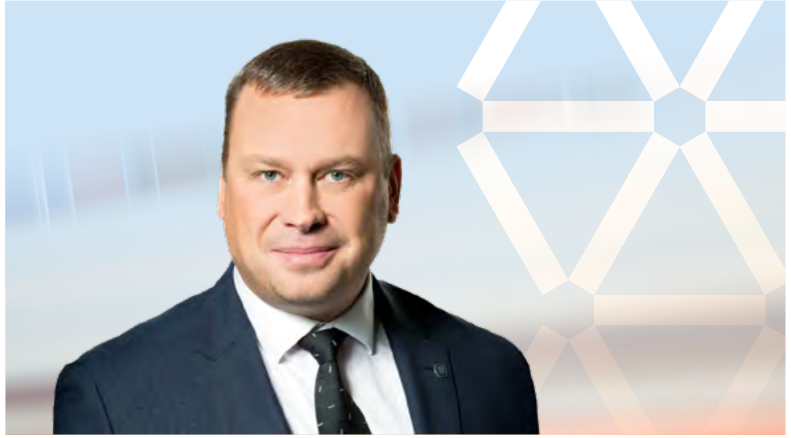
Andres Toome worked at Eesti Pank in 1992, in years 1992-1998 at Eesti Investeerimispank, in 1998-2000 at Optiva Bank and in 2000-2002 at Sampo Pank. He is a Member of the Supervisory Board of OÜ Proformex, AS Harju KEK, KEKE OÜ, AS Entek, Laagri Vara AS, Valdmäe Tööstuspargi OÜ, OÜ KEK Kinnisvara, H11 OÜ, OÜ Tarbus Kinnisvara, AS Tallinna Olümpiapurjespordikeskus, Baltlink-Valduse AS and Hoiupanga Töötajate AS. In addition, he is a shareholder and Member of the Mangement Board of Tradematic OÜ, 30pluss OÜ, Hermes Worldwide OÜ, Firm Group OÜ, M50 OÜ, Sherwood OÜ and 139E Kinnisvara OÜ. Shareholder in Poolmere OÜ and member of the management board of SAMSI II OÜ and SAMSI I OÜ.

As of 31.12.2024 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.

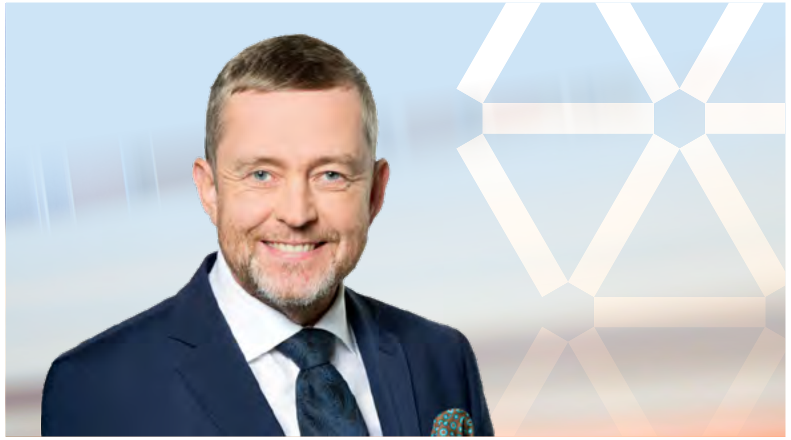
As of 31.12.2024 Arvi Hamburg owns 25,500 Harju Elekter shares. He has direct participation 0.14%.



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 31.12.2024 Aare Kirsme owns 235,750 Harju Elekter shares. He has direct participation in share capital 1.27% and indirect participation 1.01%.



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 31.12.2024, Risto Vahimets does not own any Harju Elekter shares. He has indirect participation 0.02%.

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 31.12.2024, Märt Luuk owns 45,503 Harju Elekter shares. His direct participation is 0.25% and indirect 1.21%.

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 2024–2025, except Telesilta Oy and 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 2024, 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 committe of AS Harju Elekter Group consists of three members. Since 2012, the committee has included the following members of the Supervisory Board: Andres Toome (chairman), Triinu Tombak, and from 2022, Risto Vahimets.

Remuneration Report 2024

Harju Elekter

Electrifying **Tomorrow**

This remuneration report of AS Harju Elekter Group provides an overview of the remuneration and benefits paid to the Members of the Management Board in the reporting period of 01.01.2024–31.12.2024. The remuneration report follows the remuneration principles of the management board members approved by the Supervisory Board and approved by the 2022 general meeting of the shareholders and is in accordance with the provisions of the Estonian Securities Market Act.

The core of the remuneration principles of AS Harju Elekter Group management board members is the achievement of the company's long-term strategic goals, protection of interests and ensuring sustainable development.

Remuneration of Members of the Management Board

The remuneration of members of the management board of AS Harju Elekter Group (basic and additional remuneration and benefits) will be determined taking into account the company's practices, strategy, financial indicators and short- and long-term priorities. In addition, the tasks and scope of responsibilities of each member of the management board and their contribution to the management and development of the company are considered. Remuneration needs to be competitive to attract and retain experienced, competent and professional top managers.

The basic remuneration principles are reviewed regularly, at least once a year, and changes are made if necessary to ensure their timeliness and relevance.

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. 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.

Annual performance pay is paid to the board members, which is a total of 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 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, which 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 as well as payments for personal accident insurance..

No conditions for repayment of the variable performance pay have been established, and as at 31 December 2024, no claims for repayment have been enforced for the members of the board. In 2024, 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 2024:

EUR´000	Basic remuneration	Performance pay	Total gross remuneration
Tiit Atso – Chairman	164 (77%)	49 (23%)	213 (100%)
Aron Kuhi-Thalfeldt	115 (76%)	37 (24%)	152 (100%)
Priit Treial	123 (76%)	39 (24%)	162 (100%)

Stock options granted to Member of the Management Board as at 31 December 2024:

	Tiit Atso Chairman		Aron Kuhi-Thalfeldt		Priit Treial	
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

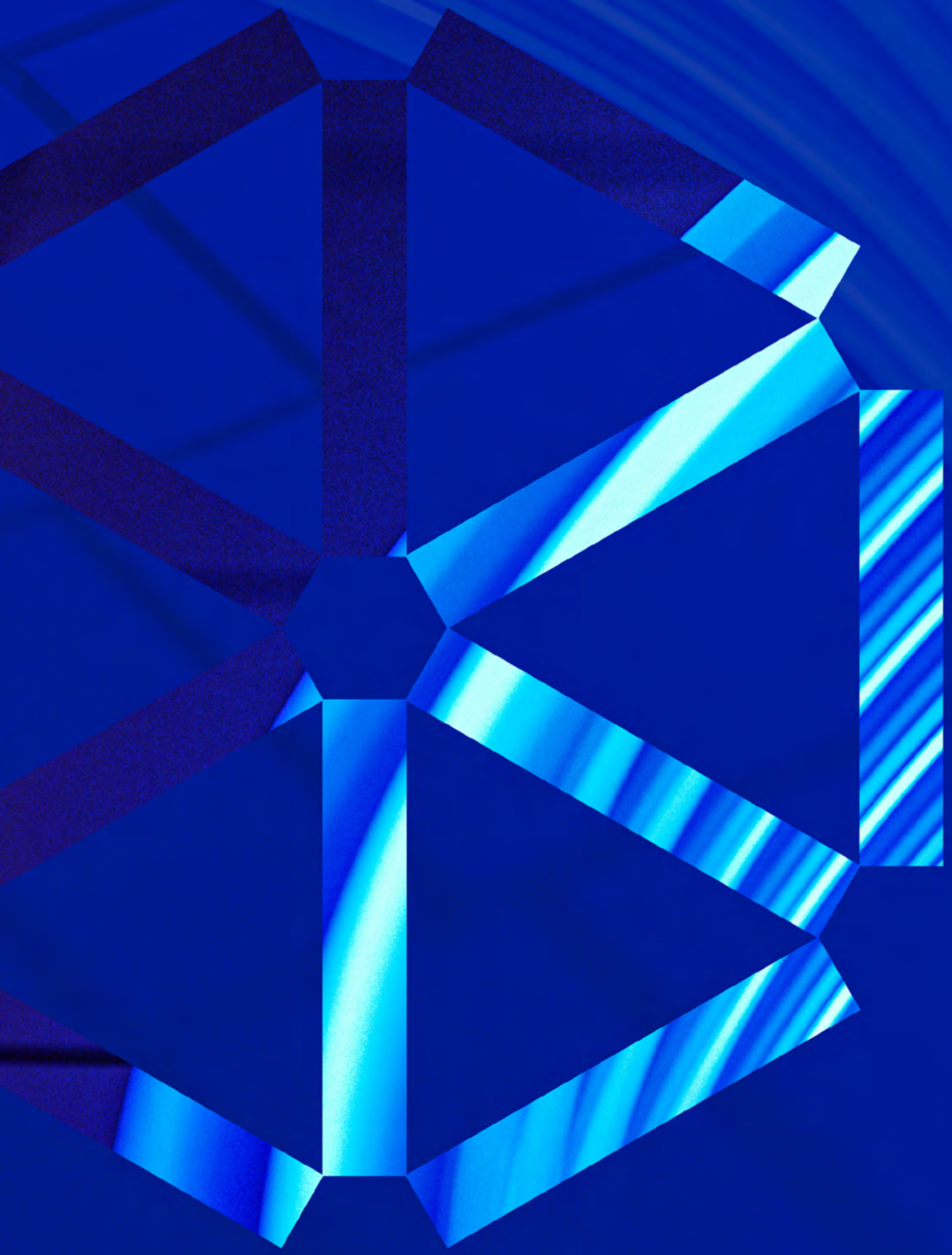
The terms of the share options have been approved by the general meeting of AS Harju Elekter Group in 2021. For the subscription rights to be valid, a Member of the Management Board must have valid professional relationship with AS Harju Elekter Group or a company belonging to the group up to and including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

There were no changes in members of the management board regarding option transactions in 2024.

The layout and basic conditions of the option program are decided by the shareholders' meeting in 2021. The exact terms of the options and their issuance are decided by the Supervisory Board on the basis of the decision of the shareholders' meeting.

Changes in the performance and remuneration of AS Harju Elekter Group in 2020-2024

	2024	2023	2022	2021	2020
Change in remuneration of Members of the Management Board %	**33**	**28**	**2**	**-24**	**28**
incl Tiit Atso	33	-8	-3	30	41
incl Aron Kuhi-Thalfeldt	33	-5	-1	27	21
incl Priit Treial	34	695	-	-	-
Change in average remuneration of employees (%)	**0.9**	**7.6**	**6.7**	**6**	**-1**
Change in revenue (%)	**-16.4**	**19.2**	**14.8**	**4.2**	**2.2**
Change in EBIT (%)	**-20.7**	**277.7**	**-242.0**	**-51.1**	**100**



Consolidated Financial Statements 2024

HARJU ELEKTER®

Electrifying **Tomorrow**

Consolidated Statement of Financial Position

(EUR´000)	Note	31.12.2024	31.12.2023
Current assets			
Cash and cash equivalents	2	3,773	1,381
Trade and other receivables	3	29,606	38,837
Prepayments	4	2,096	1,071
Inventories	5	19,845	36,834
Total current assets		**55,320**	**78,123**
Non-current assets			
Deferred tax assets	19	687	731
Non-current financial investments	6	27,717	29,244
Investment properties	7	29,432	28,856
Property, plant and equipment	8	32,420	34,067
Intangible assets	10	8,121	7,354
Total non-current assets		**98,377**	**100,252**
TOTAL ASSETS	17	**153,697**	**178,375**

(EUR´000)	Note	31.12.2024	31.12.2023
Liabilities			
Borrowings	11	9,839	19,387
Prepayments from customers	13	11,600	18,870
Trade and other payables	13	17,472	23,159
Tax liabilities	14	3,260	3,308
Current provisions	15	270	140
Total current liabilities		**42,441**	**64,864**
Borrowings	11	20,184	23,481
Deferred tax liability		39	32
Total non-current liabilities		**20,223**	**23,513**
Total liabilities	17	**62,664**	**88,377**
Equity			
Share capital	16	11,655	11,655
Share premium	16	3,306	3,306
Reserves	16	23,135	23,055
Retained earnings		52,937	51,982
Total equity		**91,033**	**89,998**
TOTAL LIABILITIES AND EQUITY		**153,697**	**178,375**

The notes on pages 108 to 144 are an integral part of the consolidated financial statements.

Consolidated Statement of Profit or Loss

(EUR´000)	Note	2024	2023
Revenue	17, 18	174,712	209,014
Cost of sales	18	-153,813	-185,426
Gross profit		**20,899**	**23,588**
Distribution costs	18	-4,710	-5,320
Administrative expenses	18	-9,213	-10,112
Other income	18	281	425
Other expenses	18	-849	-503
Operating profit (loss)	17	**6,408**	**8,078**
Finance income	18	116	97
Finance expenses	18	-2,436	-2,103
Profit (loss) before tax		**4,088**	**6,072**
Income tax	19	-913	-912
Profit (loss) for the period		**3,175**	**5,160**
Earnings per share			
Basic earnings per share (EUR)	20	0.17	0.28
Diluted earnings per share (EUR)	20	0.17	0.28

Consolidated Statement of Comprehensive Income

(EUR´000)	Note	2024	2023
Profit (loss) for the period		**3,175**	**5,160**
Other comprehensive income (loss)			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	108	-139
Items that subsequently may not be reclassified to profit or loss:			
Gain on available-for-sale financial assets reclassified to profit or loss	6	185	0
Net proceeds from revaluation of financial assets	16	-71	5,516
Total other comprehensive income (loss) for the period		**222**	**5,377**
Total comprehensive income (loss) for the period		**3,397**	**10,537**

The notes on pages 108 to 144 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

(EUR´000)	Note	2024	2023
Cash flows from operating activities			
Profit (loss) for the period		3,175	5,160
Adjustments			
Depreciation, amortization and impairment losses	7, 8, 9, 17, 18	3,950	4,366
Profit on sale of non-current assets		-28	26
Loss from the disposal of property, plant and equipment		69	0
Share-based payments	22	43	42
Finance income	18	-116	-97
Finance expenses	18	2,436	2,103
Income tax	19	913	912
Changes			
Changes in trade receivables		8,189	-6,680
Change in inventories	5	16,989	381
Changes in trade payables		-13,100	-2,266
Corporate income tax paid	21	-259	-792
Interest paid		-2,155	-1,947
Total cash flow (-outflow) from operating activities		**20,106**	**1,208**
Cash flows from investing activities			
Payments for investment properties	21	-1,994	-4,933
Payments for property, plant and equipment	21	-903	-852
Payments for intangible assets	21	-1,080	-358
Proceeds from sale of property, plant and equipment		81	58
Proceeds from sale of financial assets	6	1,641	0
Received interests		18	14
Dividends received		78	73
Total cash flow (-outflow) from investing activities		**-2,159**	**-5,998**

(EUR´000)	Note	2024	2023
Cash flows from financing activities			
Change in overdraft balance and current borrowings	11	-9,125	-4,526
Proceeds from non-current borrowings	11	109	6,218
Repayments of non-current borrowings	11	-3,945	-2,444
Change in factoring liability	11	468	-1,330
Repayments of lease liabilities	11	-729	-799
Proceeds from the share issue		0	898
Dividends paid	16	-2,405	-914
Income tax paid on dividends		-12	-11
Total cash flow (-outflow) from financing activities		**-15,639**	**-2,908**
Total net cash flow (-outflow)		**2,308**	**-7,698**
Cash balance at the beginning of the period		**1,381**	**9,152**
Change in cash balances		2,308	-7,698
Effects of exchange rate differences		84	-73
Cash balance at the end of the period	2	**3,773**	**1,381**

The notes on pages 108 to 144 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 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**
Comprehensive income 2024							
Profit for the period	0	0	0	3,175	3,175	0	3,175
Other comprehensive income	0	0	37	185	222	0	222
Comprehensive income for the period	**0**	**0**	**37**	**3,360**	**3,397**	**0**	**3,397**
Transactions with owners recognised directly in equity							
Share-based payments (Note 22)	0	0	43	0	43	0	43
Dividends	0	0	0	-2,405	-2,405	0	-2,405
Total transactions with owners	**0**	**0**	**43**	**-2,405**	**-2,362**	**0**	**-2,362**
Balance at 31 December 2024	**11,655**	**3,306**	**23,135**	**52,937**	**91,033**	**0**	**91,033**

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

The notes on pages 108 to 144 are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

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 2024 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	The name has not changed
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 21 March 2025, the Management Board signed the consolidated financial statements for the financial year ended at 31 December 2024. 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	31.12.2024	31.12.2023
Current accounts in banks		3,773	1,381
Total cash and cash equivalents	27.2	**3,773**	**1,381**

No restrictions have been placed on the use of bank accounts.

3 Trade and other receivables

EUR '000	Note	31.12.2024	31.12.2023
Trade receivables			
Accounts receivable		15,281	24,110
Loss allowance for trade receivables	27.2	-215	-232
Total trade receivables		**15,066**	**23,878**
Contract assets			
Contract assets		14,349	13,947
Loss allowance	27.2	-5	-20
Total contract assets		**14,344**	**13,927**
Other receivables			
Other current receivables		42	80
Other accrued income		154	952
Total other receivables		**196**	**1,032**
Total trade and other receivables		**29,606**	**38,837**

Changes in allowances for receivables

EUR'000	Trade receivables		Contractual assets	
	2024	2023	2024	2023
Opening balance at 1 January	**-232**	**-358**	**-20**	**-19**
Doubtful receivables written off	-12	-16	0	-1
Collection of doubtful invoices and receivables	25	140	15	0
Doubtful invoices deemed irrecoverable	4	2	0	0
Closing balance at 31 December	**-215**	**-232**	**-5**	**-20**

4 Prepayments

EUR '000	Note	31.12.2024	31.12.2023
Prepaid taxes	14	344	239
Prepaid expenses		457	380
Prepaid inventories		1,295	452
Total prepayments		**2,096**	**1,071**

5 Inventories

EUR '000	Note	31.12.2024	31.12.2023
Raw and other materials		15,218	29,025
Work in progress	18	2,906	6,410
Finished goods	18	1,721	1,386
Goods purchased for sale		0	1
Goods in transit		0	12
Total		**19,845**	**36,834**
Impairment losses of inventories during the reporting period		360	1,141
Reversal of inventory impairment made in prior period		0	-120
Reclassification from property, plant, and equipment to inventories	8	0	35

6 Financial investments

EUR '000	31.12.2024	31.12.2023
Listed securities (at fair value through other comprehensive income)	21	1,548
Other equity investments (at fair value through other comprehensive income)	27,687	27,687
Other financial assets through profit or loss	9	9
Total	**27,717**	**29,244**

Movements from 1 January to 31 December	Note	2024	2023
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period		29,235	23,719
Sale of financial assets		-1,456	0
Change in fair value through other comprehensive income	16	-71	5,516
Carrying amount at the end of the period		**27,708**	**29,235**
2. Financial assets at fair value through profit or loss			
Carrying amount at the beginning of the period		9	12
Change in fair value through profit or loss		0	-3
Carrying amount at the end of the period		**9**	**9**
Total carrying amount at the end of the period		**27,717**	**29,244**

A total of 1.6 million euros was received from the sale of listed securities, including a realized profit of 0.2 million euros. The fair value of listed securities decreased by 0.06 million euros during the period, while it increased by 0.1 million euros in the previous year.

As of 31 December 2024, other equity investments include an investment in the shares of IGL-Technologies Oy in the amount of 0.5 (31.12.23: 0.5) million euros and in the shares of OÜ Skeleton Technologies Group in the amount of 27.2 (31.12.23: 27.2) million euros. 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 company, the Group's management based the assessment on the issue price of the new shares used in the financing rounds, the economic indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and weighted the marketability of instrument. During the reporting period, no additional income or expenses were incurred from holding this investment.

See Note 27 "Financial risk management".

7 Investment properties

(EUR´000)	Land	Buildings	Construction in progress	Total
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**
Additions (Note 21)	0	0	1,822	1,822
Depreciation charge	0	-1,246	0	-1,246
Reclassification	0	2,950	-2,950	0
Total movements in 2024	**0**	**1,704**	**-1,128**	**576**
As at 31 December 2024				
Cost	4,854	36,317	74	41,245
Accumulated depreciation	0	-11,813	0	-11,813
Carrying amount	**4,854**	**24,504**	**74**	**29,432**

The Group's investment properties comprise of production and office buildings in Estonia: in Keila, in Saue municipality and in Haapsalu. The investments included large-scale renovation and reconstruction work at the Keila industrial park, aimed at meeting the needs of the long-term tenant, Prysmian Group Baltics. A total of more than 20,000 m² of production, storage and office space and an external storage area of nearly 40,000 m² were allocated to the customer.

According to the management's estimate, the fair value of investment property recognized at cost value at 31 December 2024 was 43.0 (31.12.2023: 42.5) 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 9.5% to 11.0% (31.12.2023: 9.75%–11.5%) as discount rate and exit yield in the range from 8.5% to 10% (31.12.2023: 8.5%–10%) 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 2024, the direct maintenance and repair costs of the investment properties amounted to 0.6 (2023: 0.6) million euros. Information on lease income is provided in Note 9. As at 31 December 2024, the Group had liabilities for the acquisition of real estate investments in the amount of 0.09 (2023: 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 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
Residual value	**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**	**298**	**-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**
Additions (Note 21)	0	30	370	217	263	0	14	894
Addition of right-of-use assets and change of the contract	0	0	0	0	0	346	0	346
Disposals at book value	0	-39	-70	-63	0	0	0	-172
Depreciation charge	0	-1,141	-457	-400	0	-86	-328	-2,412
Reclassification	83	241	1,368	137	-138	0	-1,678	13
Change in exchange rates	-27	-244	-24	-21	0	1	-1	-316
Total movements in 2024	**56**	**-1,153**	**1,187**	**-130**	**125**	**261**	**-1,993**	**-1,647**
As at 31 December 2024								
Acquisition cost	2,307	33,056	11,795	3,193	300	561	1,789	53,001
Accumulated depreciation	0	-10,249	-7,876	-2,019	0	-127	-310	-20,581
Carrying amount	**2,307**	**22,807**	**3,919**	**1,174**	**300**	**434**	**1,479**	**32,420**

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).
During the reporting year, all group companies invested in IT equipment and production technology assets. The acquisition cost of property, plant and equipment written off and sold during the reporting period totalled 0.3 (2023: 0.3) million euros, including machinery and equipment 0.2 (2023: 0.1) million euros, other non-current assets 0.1 (2023: 0.3) million euros. As at 31 December 2024, the acquisition cost of fully depreciated property, plant and equipment still in use was 2.5 (31.12.2023: 3.9) million euros.

9 Leases

The Group as the lessor

(EUR´000)	Note	2024	2023
Lease income			
- on investment properties		4,609	3,774
- other		2	2
Total lease income	18	**4,611**	**3,776**

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.
The Group's real estate investment lease agreements are divided into fixed-term and indefinite-term agreements. Fixed-term agreements are concluded for periods ranging from 1 to 7 years. If the parties wish to amend the lease terms, the changes must be agreed upon before the end of the lease term; otherwise, the agreement is automatically extended by one year or converted into an indefinite-term agreement. The notice period for terminating lease agreements depends on the terms of the agreement and ranges from 1 to 18 months.

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

(EUR´000)	2024	2023
Lease income		
< 1 year	4,651	4,594
1-5 years	14,269	14,801
> 5 years	3,048	5,584
Total lease income	**21,968**	**24,979**

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

(EUR´000)	2024	2023
Lease income from non-cancellable contracts		
< 1 year	4,281	4,458
1-5 years	2,262	2,005
Total lease income	**6,543**	**6,463**

The Group as the lessee

Lease liability

(EUR´000)	Note	Total
Carrying amount at 31 December 2022		**1,775**
2023		
New lease liabilities	11	647
Lease payments	11	-838
Impact of exchange rate changes		39
Carrying amount at 31 December 2023		**1,623**

(EUR´000)	Note	Total
2024		
New lease liabilities	11	375
Lease payments	11	-729
Impact of exchange rate changes		2
Carrying amount at 31 December 2024	11	**1,271**

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. Changes in lease payments are linked to the consumer price index.

Expenses related to lease contracts

(EUR´000)	Note	2024	2023
Interest expense (included within finance expenses)		90	83
Depreciation charge (included within operating expenses)	8	414	516
The cost of current and low value lease agreements included within operating expenses		733	741
Total		**1,237**	**1,340**

In 2024, financial payouts for the right of use assets, short-term rentals, and low-value asset leases totalled 1.5 (2023: 1.3) million euros.

10 Intangible assets

Movements in intangible assets

EUR'000	Goodwill	Development costs	Licences	Construction in progress and prepayments	Total
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**
Additions (Note 21)	0	57	71	942	1,070
Amortization charge	0	-97	-195	0	-292
Refunded prepayment	0	0	-10	0	-10
Currency translation differences	0	0	-1	0	-1
Reclassification	0	46	-4	-42	0
Total movements in 2024	**0**	**6**	**-139**	**900**	**767**
As at 31 December 2024					
Cost	5,691	1,257	2,792	900	10,640
Accumulated amortization	0	-536	-1,983	0	-2,519
Carrying amount	**5,691**	**721**	**809**	**900**	**8,121**

The Group's only intangible asset with an indefinite useful life is goodwill. Development costs are the capitalized costs of manufacturing and the costs of testing of new specific products. Licenses mainly consist of product manufacturing licenses and computer software. Investments in process management systems are recorded under construction in progress.

As at 31 December 2024, the acquisition cost of fully amortized intangible assets still in use was 0.02 (31.12.2023: 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. The goodwill arising from the acquisition of the Swedish companies was 0.7 million euros. In 2020, Grytek AB was merged with SEBAB AB, whose new business name is Harju Elekter AB.

Goodwill is related to the subsidiary's ability to generate distinct cash flows; therefore the subsidiary is the smallest cash-generating unit for accounting of goodwill and monitoring cash flows. The value in use of the subsidiary has been determined by the discounted cash flow method and its amount was compared to the carrying amount of the value of the cash-generating unit. Tests of the recoverable amount of goodwill were carried out as of 31 December 2024.

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 2025-2030 (2023: 2024-2029) plus a terminal year;
- The range of discount rates in the range of 6-8% (2023: 8-9%) 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% (2023: 2-2.2%) was used;
- Annual revenue growth of 5-10% (2023: 0-20%) on average was used.
- Annual EBIT growth of 0-200% (2023: 14-80%)

Potential impact of changes in estimates

The value of use of the cash-generating unit is compared to the amount of 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.

11 Borrowings

Balances and changes in borrowings

(EUR´000)	Note	31.12.2024	31.12.2023
Current borrowings			
Current bank loans		5,084	14,209
Repayment of non-current bank loans in the next period		3,029	3,600
Factoring		1,352	884
Current lease liabilities	9	374	694
Total current borrowings		**9,839**	**19,387**
Non-current borrowings			
Non-current bank loans		19,287	22,552
Non-current lease liabilities	9	897	929
Total non-current borrowings		**20,184**	**23,481**
Total borrowings		**30,023**	**42,868**

Changes in borrowings	Note	2024	2023
Opening balance		**42,868**	**45,117**
Change in overdraft balances		-9,125	-4,526
Non-current loans		109	6,218
Repayments of non-current loans		-3,945	-2,444
Change in factoring liability		468	-1,330
New lease liabilities	9	375	647
Repayment of non-current lease liabilities	9	-729	-838
Other changes		0	-14
Impact of exchange rate changes	9	2	38
Closing balance		**30,023**	**42,868**

Factoring includes the liabilities of subsidiary factoring agreements, with total limits of 2.4 million euros and interest rates ranging from 3.03% to 4.95%. 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	
	2024	2023	2024	2023	2024	2023
SEK	0	235	873	901	3.88%	3.90%
EUR	0	351	1,000	1,000	3M euribor+0.75%/0.4%*	3M euribor+0.75%/0.4%*
EUR	0	2,380	2,500	2,500	3M euribor+0.65%/0.25%*	3M euribor+0.65%/0.25%*
EUR	2,416	135	2,500	2,500	3M euribor+1.5%/0.75*	3M euribor+1.5%/0.75*
EUR	1,635	4,850	5,000	5,000	€STR+1.6%/0.35%*	€STR+1.7%/0.35%*
EUR	1,033	2,006	4,000	4,000	3M euribor+1.60%/0.3%*	3M euribor+1.60%/0.3%*
EUR	0	312	3,500	3,500	€STR+1.7%	€STR+1.85%
EUR	0	3,940	4,000	4,000	4.30%/0.75%*	4.30%/0.75%*
Total	**5,084**	**14,209**	**23,373**	**23,401**		

* 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
	2024	2023	2024	2023	2024	
EUR	0	457	-	500	12M euribor+2.25%	19.12.2024
EUR	2,100	2,605	4,200	4,200	12M euribor+1.7%	30.06.2029
EUR	1,000	1,367	2,000	2,000	12M euribor+0.75%	03.05.2025
EUR	3,361	4,249	6,051	6,051	6M euribor+1.35%	11.08.2026
EUR	115	175	300	300	12M euribor+1.50%	05.11.2026
EUR	2,438	2,813	3,000	3,000	5.73%	28.06.2027
EUR	9,103	9,565	10,000	10,000	6M euribor+2.75%	20.12.2027
EUR	2,970	3,140	3,140	3,140	6M euribor+2.05%	27.11.2028
EUR	1,154	1,474	2,800	2,800	3M euribor+1.85%	30.11.2028
EUR	0	307	1,000	1,000	6M euribor+0.75%+0.3%	Termless
EUR	75	-	130	-	6M euribor+1.49%	30.09.2028
Total	**22,316**	**26,152**	**33,121**	**32,991**		

The loan balance of non-current bank loans is divided into current and non-current parts, respectively – 3.0 and 19.3 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)	31.12.2024	31.12.2023
Commercial pledge for movable property	6,852	3,416
Investment properties	24,567	23,419
Land and buildings	12,807	10,911

The Group has short-term and investment loans from Swedbank AS, secured by commercial pledge on the parent company's real estate assets and mortgages on real estate investments, totaling 17.2 million euros. The pledged assets allow the Group to use a loan of up to 13.2 million euros. As of 31 December 2024, non-current loans amounting to 6.3 million euros were in use.

A loan agreement with Coop Pank AS was singed in 2022 in the amount of 10 million euros. 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 reporting date, a non-current loan of 9.1 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 11.4 million euros. Pledged assets partly guarantee a long-term loan limit of up to 7.0 million euros. As of reporting date a non-current loan of 3.3 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 reporting date loan amount was not 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 real estate in the amount of 0.5 million euros has been set as collateral. The balance of the non-current loan as of reporting date was 0.1 million euros.

Current and non-current loan agreements concluded with Nordea Bank Oy are secured by a commercial pledges, totaling 2 million euros. The group can use a loan up to 2 million euros due to the guarantee of pledged assets. As of reporting date, a non-current loan of 1 million euros was in use.

The liability arising from the factoring agreement of the Swedish subsidiary was 1.4 million euros. In the event of non-receipt of factored amounts, 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 reporting date, the balance of the non-current loan was 2.4 million euros.

13 Prepayments from customers and trade and other payables

(EUR´000)	Note	31.12.2024	31.12.2023
Advances received for goods and services		9,924	15,385
Due to customers for contract work		1,676	3,485
Prepayments from customers		**11,600**	**18,870**
Payable for goods and services		12,777	16,735
Payable for property, plant and equipment	21	2	13
Payable for investment property	21	85	257
Payable for intangible asset	21	30	43
Total trade payables	27	**12,894**	**17,048**
Payables to employees		4,408	5,186
Payable interest	27	46	204
Other accrued expenses	27	71	587
Other liabilities	27	53	134
Total other current liabilities		**4,578**	**6,111**
Total prepayments from customers and trade and other payables		**29,072**	**42,029**

Advances received from customers arising from customer contracts will realise as revenue in 2025. Prior year balances was recognized as revenue during the reporting period.

14 Taxes

(EUR´000)	Note	31.12.2024	31.12.2023
Value added tax		219	104
Corporate income tax	21	107	124
Social tax		5	0
Other taxes		13	11
Total prepayment	4	**344**	**239**
Value added tax		1,240	1,648
Corporate income tax	21	629	55
Personal income tax		542	589
Social security tax		783	939
Other taxes		66	77
Total taxes payable		**3,260**	**3,308**

15 Provisions

(EUR´000)	Warranty provision	Unprofitable contracts	Other provisions	Total
Opening balance at 1 January	**120**	**0**	**20**	**140**
Provisions made during the year	236	97	27	360
Provisions used during the year	0	0	-20	-20
Reversal of provision created in the previous period	-200	0	-10	-210
Closing balance at 31 December	**156**	**97**	**17**	**270**

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.

16 Share capital and reserves

Share capital and share premium

	Unit	31.12.2023	31.12.2024
Share capital	EUR ‘000	11,655	11,655
Number of shares (fully paid)	Pcs ‘000	18,498	18,498
Share premium	EUR ‘000	3,306	3,306

There are no separate restrictions or agreements concerning voting rights. 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 26, 2024, dividends of 0.13 euros per share were paid to shareholders for the year 2023, totaling 2.4 million euros. The list of shareholders entitled to receive dividends was specified at the end of the working day of the settlement system, i.e. 21 May 2024 and dividends were transferred to shareholder bank accounts on 28 May 2024. In the comparable period, dividends of 0.05 euros per share in the total amount of 0.9 million euros were paid for 2022.

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

		Number of shares	Direct shareholding	Indirect shareholding
Tombak, Triinu	Chairman of the Supervisory Board	30,000	0.16%	0.00%
Kirsme, Aare	Member of the Supervisory Board	235,750	1.27%	1.01%
Toome, Andres	Member of the Supervisory Board	50,000	0.27%	0.32%
Märt Luuk	Member of the Supervisory Board	45,503	0.25%	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%	0.02%
Atso, Tiit	Chairman of the Management Board	30,548	0.17%	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		**443,230**	**2.40%**	**2.56%**

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 2024. 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

%	31.12.2024	31.12.2023
AS Harju KEK	30.10	30.10
ING Luxembourg S.A.	10.02	10.02
Endel Palla	7.45	7.43
Shareholders holding under 5%	52.43	52.45
Total	**100.00**	**100.00**

Reserves

(EUR´000)	Note	Mandatory reserve	Share option	Revaluation reserve	Currency translation differences	Total reserves
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**
Gain on revaluation of financial assets (+)	6	0	0	-71	0	-71
Share-based payments	18	0	43	0	0	43
Currency translation differences		0	0	0	108	108
Balance at 31 December 2024		**1,242**	**283**	**22,012**	**-402**	**23,135**

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 from the translation of the financial statements of a foreign subsidiary into the presentation currency of the Group (Note 25.6). The gain arising from currency translation differences due to the recognition of the financial results of the Swedish subsidiaries was 0.1 (2023 loss: 0.1) 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.

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 UAB, Harju Elekter OY and Harju Elekter AB.

Real estate – real estate development, maintenance and leasing, services related to the maintenance of real estate and production capacity and intermediation of services. This business line includes the parent company, 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.

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

(EUR´000)	Note	Produc-tion	Real estate	Other activities	Elimi-nation	Consoli-dated
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	8	76	0	0	0	76
Depreciation and amortization	7, 8, 10	2,189	1,627	578	-28	4,366

(EUR´000)	Note	Produc-tion	Proper-ty	Other activities	Elimi-nation	Consoli-dated
2024						
Revenue from external customers	18	164,305	5,364	5,043	0	174,712
Revenue from other segments		509	2,428	3,176	-6,113	0
Total segment revenue		**164,814**	**7,792**	**8,219**	**-6,113**	**174,712**
Operating profit		**2,658**	**4,052**	**-264**	**-38**	**6,408**
Assets of the segment		84,701	36,480	44,189	-38,974	126,396
Unallocated assets						27,301
incl. financial investments						*27,221*
incl. other receivables and prepayments						*80*
Total assets						**153,697**
Liabilities of the segment		66,760	429	3,889	-38,974	32,104
Unallocated liabilities						30,560
incl. borrowings						*29,939*
incl. accrued expenses						*369*
incl. other						*252*
Total liabilities						**62,664**
Investments to non-current assets	7, 8, 10	1,035	1,860	891	0	3,786
Right-of-use assets		375	0	0	0	375
Depreciation and amortization	7, 8, 10	1,636	1,770	557	-13	3,950

18 Further information on statement of profit or loss line items

Revenue by business activities

(EUR´000)	Note	2024	At a point in time 2024	Over time 2024	2023	At a point in time 2023	Over time 2023
Revenue from customer contracts		170,101	84,157	85,944	205,238	109,904	95,334
incl Electrical equipment		*161,246*	*84,157*	*77,089*	*194,742*	*109,904*	*84,838*
incl Electrical works		*5,033*	*0*	*5,033*	*6,419*	*0*	*6,419*
incl Other services		*3,822*	*0*	*3,822*	*4,077*	*0*	*4,077*
Lease income	9	4,611			3,776		
Total revenue	17	**174,712**			**209,014**		

Revenue by geographical regions (location of customer)

(EUR´000)	Note	2024	2023
Estonia		23,028	20,865
Finland		67,811	83,291
Sweden		25,963	32,492
Norway		26,336	33,828
Germany		13,764	12,681
Netherlands		3,244	7,701
Other countries		15,511	18,156
Total revenue	17, 18	**174,712**	**209,014**

Operating expenses

(EUR´000)	Note	2024	2023
Cost of sales			
Goods and materials		-107,996	-132,830
Services purchased		-12,313	-16,314
Personnel expenses	18	-28,558	-30,199
Depreciation and amortization		-3,582	-3,525
Other expenses		-4,533	-2,996
- including provision for unprofitable agreements		*0*	*1,630*
Increase in inventories of work in progress and finished goods	5	3,169	438
Total		**-153,813**	**-185,426**
Distribution costs			
Services purchased		-1,713	-1,372
Personnel expenses	18	-2,871	-3,523
Depreciation and amortization		-32	-84
Other expenses		-94	-341
Total		**-4,710**	**-5,320**
Administrative expenses			
Services purchased		-2,522	-2,289
Personnel expenses	18	-5,874	-6,206
Depreciation and amortization		-336	-757
Other expenses		-481	-860
Total		**-9,213**	**-10,112**
- including development costs		*-61*	*-141*

Personnel expenses

(EUR´000)	Note	2024	2023
Personnel expenses allocated to cost of sales, distribution costs and administrative expenses:			
Salaries		-30,057	-31,802
Social security and other payroll taxes		-6,513	-7,114
Share-based payments	16, 22	-43	-42
Capitalized personnel expenses		222	122
Change in accrued personnel expenses		-912	-1,092
Total		**-37,303**	**-39,928**
Incl average number of employees:			
A person employed under the employment contract;		884	945
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;		4	9
Total		**897**	**957**

A more detailed overview of employee data for the reporting year can be found in the 'Social Information' chapter.

Other income and expenses

(EUR´000)	2024	2023
Other income		
Gains on sale of property, plant and equipment	30	11
Interest income	17	8
Net gain from foreign exchange differences	118	169
Other income	116	237
Total	**281**	**425**
Other expenses		
Loss on sale of property, plant and equipment	-3	-39
Interest expenses	-130	-61
Net loss from foreign exchange differences	-563	0
Other costs	-153	-403
Total	**-849**	**-503**

Finance income and expenses

(EUR´000)	Note	2024	2023
Finance income			
Interest income		18	15
Dividend income		78	73
Net gain from foreign exchange differences		20	9
Net gain from fair value of financial investments	6	0	0
Total		**116**	**97**
Finance expenses			
Interest expenses		-2,025	-2,101
Net loss from foreign exchange differences		-409	0
Other finance expenses		-2	-2
Total		**-2,436**	**-2,103**

19 Income tax and deferred tax

Income tax expenses

(EUR´000)	2024	2023
Current income tax expense	972	585
Deferred income tax income (-)/ expense	-59	328
Income tax expense in the statement of profit and loss	**913**	**912**

Income tax expense calculated on the Group's profit differs from actual income tax expense for the reasons explained in the following table. In 2024, the average effective tax rate was 22% (2023: 15%)

(EUR´000)	2024	2023
Total calculated income tax (Finland 20%, Lithuania 15%, Sweden 20.6%)	892	1 067
Adjustments for calculated income tax	9	-166
Income tax on dividends (Note 21)	12	11
Total income tax expense (Note 21)	**913**	**912**

Deferred income tax assets

(EUR´000)	31.12.2024	31.12.2023
Deferred income tax assets	687	731
Deferred income tax liability	39	32

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 3.93 (31.12.23: 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 2024, the Group had 138,500 (31 December 2023: 153,500) potential shares (Note 22). 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 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 reporting period, the average market price of the shares was 4.77 (2023: 5.04) euros.

	Unit	2024	2023
Profit attributable to owners of the parent company	EUR '000	3,175	5,160
Average number of shares in the period	Pcs '000	18,499	18,356
Basic earnings per share	EUR	0.17	0.28
Adjusted average number of shares in the period	Pcs '000	18,499	18,395
Diluted earnings per share	EUR	0.17	0.28

21 Information about line items in the statement of cash flows

(EUR´000)	Note	2024	2023
Corporate income tax			
Income tax expense in the statement of profit or loss	19	-913	-912
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability	14	591	-200
Income tax expense on dividends	19	12	11
Deferred income tax expense/income	19	59	327
Currency translation differences		-8	-18
Corporate income tax paid		**-259**	**-792**
Paid for investment properties			
Acquisitions of investment properties	7	-1,822	-5,175
Decrease (-)/ increase (+) of liability related to acquisition	13	-172	242
Paid for investment properties		**-1,994**	**-4,933**
Paid for property, plant and equipment			
Additions of property, plant and equipment	8	-894	-1,376
Decrease (-)/ increase (+) of liability related to additions of property, plant and equipment	13	-11	3
Addition of the right of use the asset		0	524
Other proceeds from investing activities		2	-3
Paid for property, plant and equipment		**-903**	**-852**
Paid for intangible assets			
Additions of intangible assets	10	-1,070	-398
Decrease (-)/ increase (+) of liability related to additions of intangible assets	13	-13	43
Currency translation differences		3	-3
Paid for intangible assets		**-1,080**	**-358**

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)	31.12.2024	31.12.2023
Balances with related parties:		
- Payables for goods and services	56	136
- Payables to Management and Supervisory Boards	96	66
- Bonus reserve for Management board members	42	98

(EUR´000)	2024	2023
Purchase of goods and services from related parties:		
- Lease of property plant and equipment from AS Harju KEK	89	111
- Other services from AS Entek and Ellex Raidla Advokaadibüroo OÜ	875	1,010
Sale of goods and services to related parties:		
- Sale of other services to AS Harju KEK	2	1
- Sale of goods and services to AS Entek	0	4
- Lease service for HeBA Clinic OÜ	3	1
Remuneration of the members of the Supervisory and Management Boards:		
- salary, bonuses, benefits and other remuneration	687	556
- social security tax	227	183

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

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 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 2024, the amount of share-based payments recognized as personnel expenses was 0.04 (2023: 0.04) million euros (Note 16 and 18).

	Number of contracts	Number of shares potentially issued
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**
Quantity canceled during the period (2020)	-2	-15,000
As at 31 December 2024	**19**	**138,500**
Including the issued balance from the 2021 program		*84,500*
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

	Ownership and voting rights %					Equity (EUR´000)	
Name of the Subsidiaries	31.12.24	31.12.23	Location	Core business	Segment	31.12.24	31.12.23
AS Harju Elekter	100%	100%	Estonia	Production	Production	12,929	10,144
Harju Elekter Oy	100%	100%	Finland	Production	Production	8,703	8,910
Harju Elekter UAB	100%	100%	Lithuania	Production	Production	7,294	5,282
Harju Elekter AB	100%	100%	Sweden	Production	Production	-1,907	-2,264
Harju Elekter Kiinteistöt Oy	100%	100%	Finland	Management of industrial real estate	Real estate	2,950	3,068
Harju Elekter Services AB	100%	100%	Sweden	Management of industrial real estate	Real estate	-1,164	-607
Telesilta Oy	100%	100%	Finland	Electrical engineering works	Other activities	841	1,232
Energo Veritas OÜ	100%	100%	Estonia	Retail and wholesale	Other activities	-1,780	-1,694

In January 2024, the merger of the Swedish subsidiaries LC Development Fastigheter 17 AB with Harju Elekter Services AB was registered in the commercial register of AS Harju Elekter Group.

As of the reporting date, the Group has no subsidiaries with a non-controlling interest.

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

(EUR´000)	31.12.2024	31.12.2023
Estonia	40,324	39,416
Finland	7,997	7,857
Sweden	11,723	12,820
Lithuania	9,929	10,184
Total	**69,973**	**70,277**

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)	31.12.2024	31.12.2023
Cash and cash equivalents	1,253	59
Trade receivables	582	574
Receivables from Group companies	16,022	20,702
Other current receivables and prepayments	79	67
Total current assets	**17,936**	**21,402**
Investments in subsidiaries	14,794	14,794
Non-current receivables from subsidiaries	27,344	22,272
Other non-current financial investments	27,221	28,749
Investment properties	32,702	32,409
Property, plant and equipment	2,185	1,731
Intangible assets	727	190
Total non-current assets	**104,973**	**100,145**
TOTAL ASSETS	**122,909**	**121,547**

(EUR´000)	31.12.2024	31.12.2023
Borrowings	7,165	12,789
Trade payables	278	449
Payables to Group companies	108	813
Tax liabilities	254	206
Other liabilities and prepayments from customers	568	885
Total current liabilities	**8,373**	**15,142**
Borrowings	16,154	17,909
Other non-current liabilities	6,983	0
Total non-current liabilities	**23,137**	**17,909**
Total liabilities	**31,510**	**33,051**
Share capital	11,655	11,655
Share premium	3,306	3,306
Reserves	23,254	23,325
Retained earnings	53,184	50,210
Total equity	**91,399**	**88,496**
TOTAL LIABILITIES AND EQUITY	**122,909**	**121,547**

Statement of comprehensive income

(EUR´000)	2024	2023
Revenue	9,729	8,921
Cost of sales	-3,132	-3,098
Gross profit	**6,597**	**5,823**
Other income	127	113
Administrative expenses	-3,600	-3,614
Other expenses	-40	-33
Operating profit	**3,084**	**2,289**
Revenue from subsidiaries	2,405	920
Dividend income from available-for-sale financial assets	78	73
Interest income	1,413	1,316
Interest expenses	-1,407	-1,227
Loss from change of foreign exchange rates	-367	24
Profit from operating activities	**5,206**	**3,395**
Income tax	-12	-11
Profit for the period	**5,194**	**3,384**
Other comprehensive income/loss		
Gain/-loss from revaluation of financial assets	114	5,516
Total other comprehensive income/loss for the period	**114**	**5,516**
Comprehensive income/expense for the period	**5,308**	**8,900**

Statement of cash flows

(EUR´000)	2024	2023
Cash flows from operating activities		
Profit	5,194	3,384
Adjustments		
Depreciation, amortization and impairment losses	1,785	1,551
Profit on sale of non-current assets	-20	0
Finance income	-3,896	-2,309
Finance expenses	1,774	1,203
Income tax	12	11
Changes		
Changes in trade receivables	-2,601	-2,387
Changes in trade payables	-219	443
Interest paid	-1,438	-1,165
Total cash flow (-outflow) from operating activities	**591**	**731**
Cash flows from investing activities		
Payments for investment properties	-2,018	-4,933
Payments for property, plant and equipment	-226	-69
Payments for intangible assets	-598	-147
Proceeds from sale of property, plant and equipment	41	0
Proceeds from sale of financial investments	1,641	0
Change in overdraft balance	7,658	-5,794
Repayments of loans granted	4,512	6,784
Loans granted	-2,950	-10,500
Interest received	1,002	757
Dividends received	2,482	993
Total cash flow (-outflow) from investing activities	**11,544**	**-12,909**

(EUR´000)	2024	2023
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	0	898
Change in overdraft balance	-5,848	818
Proceeds from borrowings	0	6,141
Repayments of borrowings	-2,644	-2,748
Repayments of lease liabilities	-28	0
Dividends paid	-2,405	-914
Dividend income tax paid	-12	-11
Total cash flow (-outflow) from financing activities	**-10,937**	**4,184**
Total cash flows	**1,198**	**-7,994**
Cash and cash equivalents at the beginning of the period	**59**	**8,055**
Change in cash and bank accounts	1,198	-7,994
Effects of exchange rate differences	-4	-2
Cash and cash equivalents at the end of the period	**1,253**	**59**

Statement of changes in equity

(EUR´000)	Share capital	Share premium	Mandatory reserve	Revalu-ation reserve	Retained earnings	Total
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**
Profit for 2024	0	0	0	0	5,194	5,194
Other comprehensive income /-loss for 2024	0	0	0	-71	185	114
Total comprehensive income/-loss	**0**	**0**	**0**	**-71**	**5,379**	**5,308**
Transactions with the owners of Parent recognized directly in equity						
Dividends paid	0	0	0	0	-2,405	-2,405
Total transactions with the owners of Parent	**0**	**0**	**0**	**0**	**-2,405**	**-2,405**
Balance at 31 December 2024	**11,655**	**3,306**	**1,242**	**22,012**	**53,184**	**91,399**

(EUR´000)	2024	2023
Unconsolidated equity as at 31 December	**91,399**	**88,496**
Interests under control and significant influence:		
-Carrying amount	-14,794	-14,794
-Carrying amount under the equity method	14,428	16,296
Adjusted unconsolidated equity as at 31 December	**91,033**	**89,998**

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 2024.

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. The classification of the Group's liabilities as current or non-current will not change upon the adoption of the IAS 1 amendments.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2024

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. In the Group's opinion, this change has a minimal impact on the financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01 January 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 following new standards, interpretations, and amendments apply to reporting periods beginning after January 1, 2025:

- Amendments to IAS 21 Lack of Exchangeability
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IFRS 14, Regulatory Deferral Accounts

As of the approval date of this report, these have not yet been adopted by the European Union. In the Group's opinion, their adoption will not have a significant impact on the group's consolidated financial statements.

25.5 Subsidiaries

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 (EUR '000), 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.

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 applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on profits. Instead of the income tax payable on profits, the Estonian entities pay corporate income tax on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The tax rate is 22/78 on net dividends paid out. The condition for tax exemption is that the company that received the dividend and paid it forward had a stake of at least 10% in the respective company when the dividends were received. The lower tax rate of 14% or 14/86 of the net amount of dividends that previously applied to regular dividends is no longer applicable from January 1, 2025. It is possible to apply a transitional provision for redistribution of dividends taxed at a lower tax rate received before this date. Corporate income tax paid on dividends is recognized in the statement of comprehensive income as an income tax expense and in the statement of financial position as a deferred income tax liability to the extent of the planned dividend payment.

Deferred income tax is provided on post-acquisition retainedearnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future. The maximum income tax liability which would accompany the distribution of Company's retained earnings is disclosed in the notes to the consolidated financial statements.

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% (2023: 20%), Sweden 20,6% (2023: 20,6%) and Lithuania 15% (2023: 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 "Prepayments from customers ".

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)

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)	31.12.2024		31.12.2023	
	EUR	SEK	EUR	SEK
Assets	6	29,458	518	17,077
Liabilities	322	-31,792	-322	-18,859
Open currency position	**328**	**-2,334**	**196**	**-1,782**
Revenue	71	25,329	1,738	30,907
Expenses	-281	-33,154	-7,436	-34,000
Open currency position	**-210**	**-7,825**	**-5,698**	**-3,093**

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)	2024	2023
Impact of SEK exchange rate +5.55% (2023: +8.94%)	-1,171	42
Impact of SEK exchange rate -5.55% (2023: -8.94%)	-2,079	-1,427

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 2024 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	31.12.2024	31.12.2023
Fixed rate financial liabilities	11	2,895	6,375
Variable rate financial liabilities	11	27,128	36,493
Total	11	**30,023**	**42,868**

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 271 (31.12.2023: +/- 365) 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	31.12.2024	31.12.2023
a3		1,075	29
aa3		895	168
baa1		597	964
baa2		1,063	0
baa3		143	220
Total	11	**3,773**	**1,381**

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	31.12.2024	31.12.2023
Cash and cash equivalents	2	3,773	1,381
Trade receivables, contract assets and other receivables	3	29,606	38,837
Total		**33,379**	**40,218**

As at 31 December 2024, the Group's exposure to credit risk was 33.4 million euros and as 31 December 2023 it was 40.2 million euros. Management considers that the Group has no significant risk of a credit loss exceeding the amount already recognized.

Of the amount of trade receivable at 31 December 2024, 0.3 million euros had not been collected by 28 February 2025.

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 an impact on the ability of customers to pay for 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 2024, 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 2024 and 31 December 2023 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 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**
31 December 2024							
Expected loss rate		0.01%	0.01%	0.01%	0.01%	46.22%	
Trade receivables	3	12,429	1,717	496	168	471	15,281
Contract assets	3	14,349	0	0	0	0	14,349
Other receivables	3	42	0	0	0	0	42
Total loss allowance		**2**	**0**	**0**	**0**	**218**	**220**

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. As at the end of the financial year, the Group's available funds amounted to 3.8 (31.12.2023: 1.4) million euros and total liabilities to 62.7 (31.12.2023: 88.4) million euros. The current ratio and liquidity ratio of the Group were 1.3 and 0.8 in 2024 and 1.2 and 0.6 in 2023, respectively.

Analysis of the Group's undiscounted financial liabilities by maturity

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	1,755
Trade payables	13	17,048	0	0	17,048
Other liabilities	13	925	0	0	925
Total		**23,452**	**16,437**	**27,494**	**66,458**
31 December 2024					
Borrowings		2,691	8,072	21,432	32,195
Lease payables		98	295	989	1,382
Trade payables	13	12,894	0	0	12,894
Other liabilities	13	170	0	0	170
Total		**15,853**	**8,367**	**22,421**	**46,641**

Trade payables are settled according to the payment due date stated on the invoice, usually within 30–60 days.

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 0.025 million 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	31.12.2024	31.12.2023
Interest-bearing borrowings	11	30,023	42,868
Cash and cash equivalents	2, 27.2	-3,773	-1,381
Net debt		**26,250**	**41,487**
Total equity		91,033	89,998
Total capital		**117,283**	**131,485**
Debt to capital ratio		22.4%	31.6%
Total assets		153,697	178,375
Equity ratio		59.2%	50.5%

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 2024 and 2023, 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

Tulumaks

(EUR´000)	31.12.2024	31.12.2023
Retained earnings	52,937	51,982
Maximum possible dividend distributable to owners	39,543	42,000
Potential income tax expense on dividend distribution	**13,394**	**9,982**

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 2024.

The contingent income tax liability is calculated based on the maximum tax rate of 22/78. Upon the payment of dividends in 2024, the Group is able to use the reduced 14% tax rate on 55 (2023: 82) thousand euros.

29 Events after the reporting date

In December, the Supervisory Board of AS Harju Elekter Group decided to expand the Management Board of AS Harju Elekter Group to five members in line with the approval of the Group's new development strategy. Erko Lepa and Tiit Luman from the current management team will join the Board. As of January 1, 2025, the Management Board of AS Harju Elekter Group will consist of:

- Tiit Atso – chairman of the management board
- Priit Treial – financial management
- Aron Kuhi-Thalfeldt – real estate
- Erko Lepa – manufacturing and supply chain
- Tiit Luman – sales, marketing and product management

Management Board's Confirmation of the Consolidated Annual Report

The Management Board confirms that the 2024 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.

21 March 2025

Tiit Atso Chairman of the Management Board	/ Signed digitally /
Priit Treial Member of the Management Board	/ Signed digitally /
Aron Kuhi-Thalfeldt Member of the Management Board	/ Signed digitally /
Erko Lepa Member of the Management Board	/ Signed digitally /
Tiit Luman Member of the Management Board	/ Signed digitally /

Independent auditor's report

To the Shareholders of AS Harju Elekter Group

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 2024, 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 21 March 2025.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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.

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, www.pwc.ee

Translation note:

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Independence

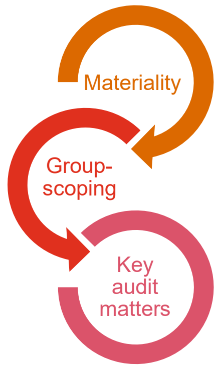
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59[1] of the Auditors Activities Act of the Republic of Estonia.

During the period from 1 January 2024 to 31 December 2024 we have provided trainings to the Company and its subsidiaries.

Our audit approach

Overview



- Overall group audit materiality is EUR 1,740 thousand, which represents approximately 1% of Group’s consolidated revenue.
- A full scope audit was carried out by the Group audit team or under our supervision by other firms in the PwC network in all major Group companies, which accounted for 90% of the Group's assets and 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, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	The overall Group audit materiality is EUR 1,740 thousand.
How we determined it	Overall Group materiality represents approximately 1% of Group's consolidated revenue.
Rationale for the materiality benchmark applied	We have applied this benchmark, as we consider revenue to be a key performance indicator that determines the Group's value and is monitored by the Group's management, investors, analysts and creditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition (for further information, refer to Notes 25 "Basis of preparation and significant accounting policies", 17 "Segment reporting" and 18 "Explanation of items in the profit and loss account"). In 2024, the Group has recognised revenue of EUR 174 million. Revenue consists mainly of sales of electrical equipment and products in the amount of EUR 161 million and revenue from electrical works and other services in the amount of EUR 9 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 as well from selection of the rest of the 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 significant 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 journal entries impacting revenue and checked the underlying supporting evidence of entries selected based on risk assessment. 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 90% 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 Statement of the Chairman of the Management Board, the Management report (including the Consolidated Sustainability Statement), the Corporate Governance Report, the Remuneration Report, Profit allocation proposal and Supplementary Annexes (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 (excluding the Consolidated Sustainability Statement on which a separate assurance report is issued by us) 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 (excluding the Consolidated Sustainability Statement) 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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If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact. 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 2024 (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).

Translation note:

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Quality management requirements and professional ethics

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 7 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

Original report is signed in Estonian language

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

21 March 2025
Tallinn, Estonia

Translation note:

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Independent Practitioner's Limited Assurance Report on AS Harju Elekter Group Consolidated Sustainability Statement

To the shareholders of AS Harju Elekter Group

Limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability statement of AS Harju Elekter Group (the "Company"), included in Consolidated Sustainability Statement 2024 of the Management Report 2024 (the "Consolidated Sustainability Statement"), as at 31 December 2024 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the Consolidated Sustainability Statement (the "Process") is in accordance with the description set out in note Description of the processes to identify and assess material impacts, risks, and opportunities (IRO-1); and
- compliance of the disclosures in note Taxonomy of sustainable economic activities in the European Union within the Environmental Information section of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance engagements other than audits or reviews of historical financial information* ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

AS PricewaterhouseCoopers
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pwc

Our independence and quality management

We have complied 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 (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Management (Estonia) 1 (revised), which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the Consolidated Sustainability Statement

Management Board of the Company is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Statement in accordance with the ESRS and for disclosing this Process in note Description of the processes to identify and assess material impacts, risks, and opportunities (IRO-1) of the Consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management Board of the Company is further responsible for the preparation of the Consolidated Sustainability Statement, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in note Taxonomy of sustainable economic activities in the European Union within the Environmental Information section of the Consolidated Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal control that the Management Board determines is necessary to enable the preparation of the Consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

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Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Inherent limitations in preparing the Consolidated Sustainability Statement

In reporting forward-looking information in accordance with ESRS, Management Board of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Statement, in relation to the Process, include:

- obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- designing and performing procedures to evaluate whether the Process is consistent with the Company's description of its Process set out in note Description of the processes to identify and assess material impacts, risks, and opportunities (IRO-1).

Our other responsibilities in respect of the Consolidated Sustainability Statement include:

- identifying where material misstatements are likely to arise, whether due to fraud or error; and
- designing and performing procedures responsive to where material misstatements are likely to arise in the Consolidated Sustainability Statement. 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.

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Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Statement. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the Consolidated Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Company's internal documentation of its Process; and
- evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Company was consistent with the description of the Process set out in note Description of the processes to identify and assess material impacts, risks, and opportunities (IRO-1).

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Statement, we:

- obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Statement by:
  - obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the Consolidated Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control.
  - obtaining an understanding of the roles and responsibilities in the preparation of the Consolidated Sustainability Statement, including communication within the Group and between the Management Board and those charged with governance.
- evaluated whether the information identified by the Process is included in the Consolidated Sustainability Statement;
- evaluated whether the structure and the presentation of the Consolidated Sustainability Statement is in accordance with the ESRS;
- performed inquiries of relevant personnel and analytical procedures on selected information in the Consolidated Sustainability Statement;
- performed substantive assurance procedures on selected information in the Consolidated Sustainability Statement;
- where applicable, compared disclosures in the Consolidated Sustainability Statement with the corresponding disclosures in the consolidated financial statements and Management Report;
- evaluated the methods, assumptions and data for developing estimates and forward-looking information;
- obtained an understanding of the Company's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement.

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Other matter

The comparative information included in the Consolidated Sustainability Statement of the Company as at 31 December 2023 and for the year then ended was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

AS PricewaterhouseCoopers

Original report is signed in Estonian language

Janno Hermanson
Certified auditor in charge, auditor’s certificate no.570

21 March 2025
Tallinn, Estonia

Translation note:

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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 2024	49,762,244
Net profit for 2024	3,174,768
Total distributable profit as at 31 December 2024	52,937,012

The Management Board proposes to distribute profit as follows:

	EUR
As dividends (0.15 euros per share)	2,774,816
Balance of retained earnings after profit distribution	50,162,196

Tiit Atso / Signed digitally / 21 March 2025
Chairman of the Management Board

Supplementary Annexes

Formulas to calculate ratios

Formulas used to calculate the ratios set out on pages 69 and 87:

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)

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