

Hexest Materials AS – Owner’s Expectations

HEXEST MATERIALS AS

Tallinn, Suur-Ameerika 1, registry code 17268480

Sole Shareholder’s Decision

Date in digital signature

Tallinn

Establishment of Owner’s Expectations

The sole shareholder of Hexest Materials AS, the Republic of Estonia (number of votes 1000, constituting 100% of all votes determined by shares), represented in the company by the Ministry of Finance through the Minister of Finance Jürgen Ligi,

based on § 298 (1) point 10 and § 305 (1) of the Commercial Code, § 5 of the State Assets Act, and point 4.5.2 of the company’s Articles of Association,

adopted the following decision:

To establish the owner’s expectations for Hexest Materials AS in the wording attached.

(Signed digitally)

Jürgen Ligi

Minister of Finance

Attachment 1. Owner’s Expectations for Hexest Materials AS

Owner’s Expectations for Hexest Materials AS

June 2025

Reasons for State Participation in Hexest Materials AS

The decision of the state to establish Hexest Materials AS and manage its participation arises from both economic and strategic objectives. The purpose of managing the state’s participation is to earn revenue and create the capability for explosive production in the defense industry park developed by the state, which supports the development of the defense industry, promotes exports, and ensures the production capacity necessary for national defense.

The main activity of the company is the production of military explosive RDX and other organic base chemicals related to explosive production.

Strategic Objectives 2025–2028

- Carry out preparatory activities and studies for ordering technology, building the plant, and making the investment decision.

- Involve a strategic investor while maintaining a controlling stake for the state (voting majority over 50%, but not more than 2/3).
- Establish a plant for the production of RDX explosive, which will start full-scale production no later than 2028.

Financial Objectives 2025–2028

- Return on Equity Objective

The state has established Hexest Materials AS with the assumption that the planned plant will be able to generate market-based profit, meaning the return on capital must exceed the cost of capital. Investments for building the plant will be implemented during 2025–2028; profit is not expected during this period.

- Capital Structure Objective

The goal is to attract capital from a strategic investor, raise debt capital, and apply for support from European Union programs aimed at strengthening the defense industry. The exact capital structure objective must be developed before making the investment decision.

- Dividend Objective

No owner income is expected during 2025–2028.

Other Objectives

- Serve as a good example for Estonian companies in terms of good governance practices, social responsibility, and high business culture, following the principles of responsible corporate governance and integrating them into the company's daily operations, management, and strategy.
- Avoid direct and indirect business relations with the Russian Federation and the Republic of Belarus.
- Establish an effective internal control system.
- Invest in research and development in the company's field of activity.