



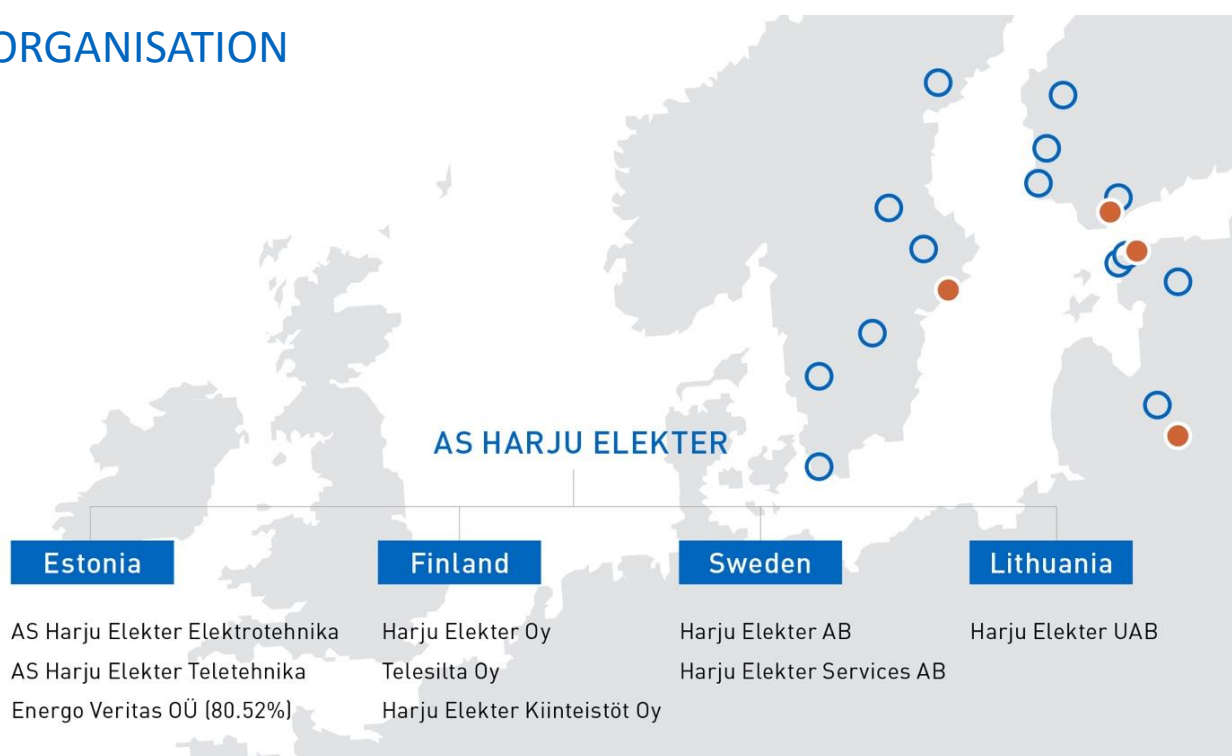
CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
I QUARTER
OF 2022

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Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2022
Reporting period:	1 January – 31 March 2022

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ORGANISATION



AS Harju Elekter's share in its subsidiaries is 100%, unless otherwise stated in the chart.

ESTONIA

AS HARJU ELEKTER

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

AS HARJU ELEKTER ELEKTROTEHNIKA

Manufacturer of electrical equipment for energy distribution, industrial and construction sectors, located in Keila

AS HARJU ELEKTER TELETEHNIKA

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

ENERGO VERITAS OÜ (81%)

A company trading in electrical materials

FINLAND

HARJU ELEKTER OY

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

TELESILTA OY

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

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company in Finland

LITHUANIA

HARJU ELEKTER UAB

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

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Sales office in Stockholm

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (6.14%)

Developer and manufacturer of ultra-capacitors

LATVIA

SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

FINLAND

IGL-TECHNOLOGIES OY (10%)

Developer of parking & e-mobility solutions for electric car chargers

Main activities

Harju Elekter is an international industrial group with more than 50 years of experience, being engaged in the development and production of electricity equipment and automation solutions. The customers of Harju Elekter are predominantly large distribution network, industrial and maritime companies in the Nordic countries. Part of the technical solutions of Harju Elekter are aimed at the renewable energy sector, offering complete plans for solar power plants, electric vehicle charging stations and other related solutions. The main activities are supported by a modern company producing sheet metal details and products.

Main customers



The business activities of the Group are divided in three main areas:



PRODUCTION – design, sales, production and after-sales service of electricity distribution, switching and conversion equipment as well as automation, process control and motor control equipment.



INDUSTRIAL REAL ESTATE – development of industrial real estate, project management, lease and associated services to lease partners and companies of the Harju Elekter Group.



OTHER ACTIVITIES – management of financial investments, retail and project-based sales of electrical goods and electrical installation work in shipbuilding.

Mission

As a responsible industrial group, Harju Elekter provides customers and partners with intelligent, high-quality and environmentally friendly electrical and automation solutions.

Vision

To become one of the largest electrical and automation equipment designers and manufacturers in the Nordic countries.

Values

- **DEVELOPMENT** – we are keen to learn and innovative.
We are constantly expanding our know-how to develop advanced products. We value innovative proposals and are ready to implement them.
- **COOPERATION** – we work as one team
We listen to our customers and collaborate with our partners to make products that meet and exceed our customers' expectations.
- **RELIABILITY** – no bargaining over quality
It is a great honor for us to make high-quality products. We make use of advanced technology and all our know-how to fulfill orders on time.

Goal

We want to be successful in the long term, adding value for shareholders and being the first choice for our customers and partners, and providing motivating work and development opportunities to our international team.

Risks

- Increase in competition
- Market risk
- Currency risk
- Lack of highly skilled specialists
- Rapid growth of wages
- Price of raw materials and availability components
- Worldwide pandemics
- Occupancy rate of rental premises
- Future of financial investments
- Information systems unplanned downtime and loss of data

MANAGEMENT REPORT

SUMMARY OF THE FIRST QUARTER RESULTS

Revenue

The consolidated revenue for the first quarter of 2022 was 37.3 (Q1 2021: 30.7) million euros, which increased by 21.5% compared to the comparable period. At the same time, revenue increased in all of the Group's largest target markets: Estonia, Finland, Sweden and Norway. The growth was ensured by long-term and large-scale contracts concluded at the beginning of last year.

Financial result

The gross profit for the Q1 was 2,986 (Q1 2021: 3,844) thousand euros and the gross profit margin was 8.0% (Q1 2021: 12.5%). The consolidated operating loss (EBIT) was -1,125 (Q1 2021: operating profit 516) thousand euros. The operating margin for the first quarter was -3.0% (Q1 2021: 1.7%). The net loss for the Q1 was -1,294 (Q1 2021: net profit 297) thousand euros of which the share of the owners of the parent company was -1,308 (Q1 2021: 310) thousand euros. The earnings per share were -0.07 euros in the first quarter. Successive global challenges caused an adverse effect on the first-quarter results of Harju Elekter. Rising energy prices, continuing increases in material and key component prices, supply chain disruptions and rising inflation as a result of the ongoing crises in the world, are all factors that are inevitably having an impact on the company's profitability. In addition, there was a record order book in the first quarter, which could not be filled efficiently and with the desired profitability. In order to keep the production units running steadily, to increase the lower-than-expected security of supply in the first quarter and to prepare for the fulfilment of a record order book for the full year, the Group is committed to maintaining higher material stocks and entering into larger-scale agreements with suppliers in the coming periods.

Investments

During the first quarter, the Group invested a total of 1.5 (Q1 2021: 2.1) million euros in non-current assets, incl 1.0 million euros in investment properties, 0.4 (Q1 2021: 2.0) million euros in property, plant, and equipment and 0.1 (Q1 2021: 0.1) million euros in intangible assets. Most of the investments during the reporting period were directed to the construction of the Laohotell III production and warehouse complex, in the Allika Industrial Park, and to production technology equipment.

Non-current financial investments increased by 0.8 million euros to 24.4 million euros during the reporting period. The main changes were the partial sale of securities and the decrease in the fair value of 0.5 million. A total of 665 thousand euros was received from the partial sale of listed securities in the reporting quarter, of which the realized profit was 0.2 million euros. In the comparable period, 0.2 million euros were received from the sale of listed securities, of which the realized profit was 43 thousand euros. In the reporting quarter, Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10%.

Current assets

Current assets increased by 13.2 million, to 76,8 million euros during the reporting period. Most of the increase in current assets resulted from an increase in inventories by 10.3 million, to 37.7 million euros. In order to prevent the price increases planned by the suppliers due to the energy price hikes and the COVID crisis, materials for the known customer projects were stockpiled already at the end of the last year. With the start of the war in Ukraine, price pressure increased even more, we continued to gather raw materials. In addition, inventories also increased due work in progress and finished products, where the fulfilment of the existing orders has been postponed to future periods due to production stoppages related to lack of components or the health crisis. Of current assets, trade and other receivables also increased by 2.0 million to 35.7 million euros and prepayments by 2.0 million to 3.1 million euros.

Liabilities

As at the reporting date, the Group had liabilities in total of 75.2 (31.12.21: 60.7) million euros, of which current part accounted for 83.5%. During the reporting quarter current liabilities increased by 13.6 million euros to 62.8 million euros, incl. an increase in trade and other payables by 6.6 million euros and prepayments from customers increased 2.0 million euros. Borrowings have increased due to the growth of business volumes and increased financing of inventories. At the end of the period, current and non-current borrowings were respectively – 21.4 (31.12.21: 16.9) and 12.4 (31.12.21: 11.4) million euros. Long-term loans and leases were used in Estonia for real estate investments and investments in automatic production equipment, and in Lithuania for the expansion of the production building.

Key indicators

(EUR'000)

	3 months 2022	3 months 2021	+/-
Revenue	37,321	30,717	21.5%
Gross profit	2,986	3,844	-22.3%
EBITDA	-68	1,485	-104.6%
Operating profit/loss (-) (EBIT)	-1,125	516	-318.0%
Profit/loss (-) for the period	-1,294	297	-535.7%
Incl. attributable to owners of the parent company	-1,308	310	-521.9%
Earnings per share (EPS) (euros)	-0.07	0.02	-450.0%

Ratios

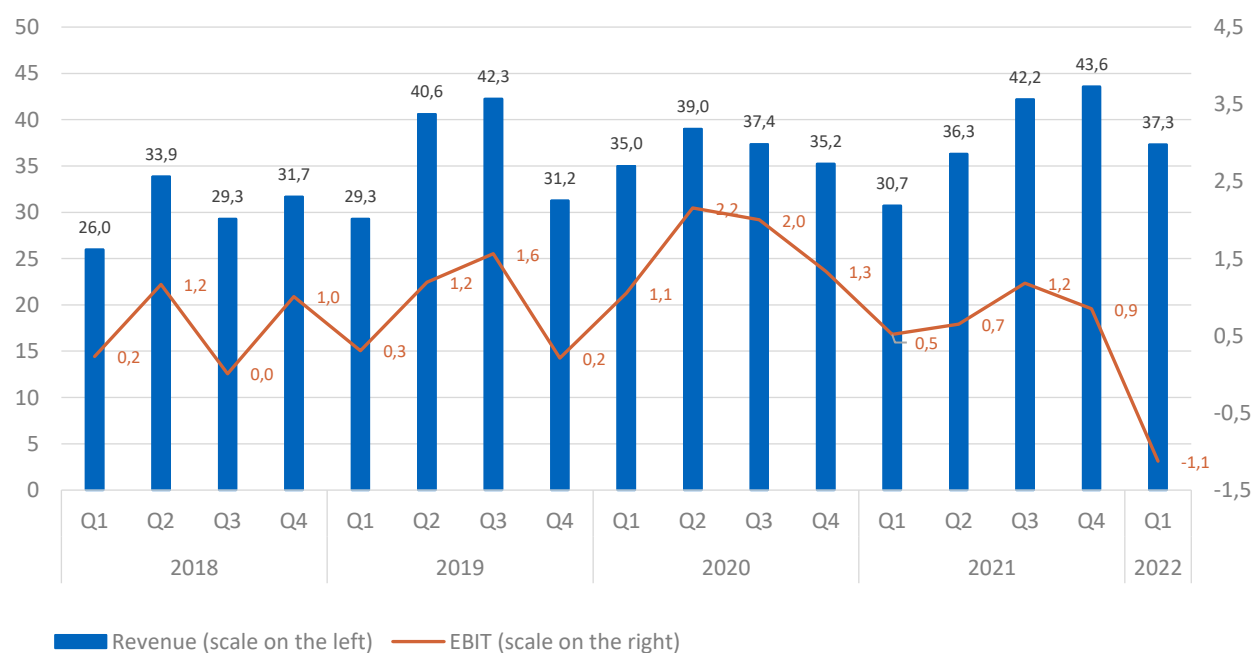
(%)

	3 months 2022	3 months 2021	+/-
Distribution cost to revenue	3.6	4.0	-0.4
Administrative expenses to revenue	7.1	7.2	-0.1
Labour cost to revenue	23.3	23.7	-0.4
Gross margin (gross profit / revenue)	8.0	12.5	-4.5
EBITDA margin (EBITDA / revenue)	-0.2	4.8	-5.0
Operating margin (EBIT / revenue)	-3.0	1.7	-4.7
Net margin (profit/loss (-) for the period / revenue)	-3.5	1.0	-4.5
Return on equity (ROE) (profit/loss (-) for the period/average equity)	-1.5	0.4	-1.9

	31.03.2022	31.03.2021	+/-
Equity ratio (equity / total assets) (%)	53.1	62.1	-9.0
Current ratio (current assets / current liabilities)	1.2	1.4	-0.2
Quick ratio ((current assets - inventories) / current liabilities)	0.7	0.8	-0.1

Quarterly Changes in Revenue and EBIT

mln euros



COMMENTARY FROM THE MANAGEMENT

For Harju Elekter the year began on an optimistic note with a record order book and the possible stabilisation of material prices. We also achieved partial success in a number of framework contract price negotiations, caused by the increase in input material prices. Nevertheless, the quarter was a difficult one. With the arrival of the Omicron strain, the Estonian production plant was hit by a strong wave of illness, where a quarter of the workers were out of line. This left a strong mark on our production efficiency. By mid-February, having sorted out the problems with the availability of materials, agreed with clients on the prices for framework contracts and recovered from a wave of illness, then the war began.

Only a minimal share of Harju Elekter's supplies originated from aggressor countries, and these were successfully replaced with European Union suppliers in the first days of the war. Our target markets have always been the Nordic and the Western European countries, and our customers are not located in Russia, Belarus, or Ukraine. Therefore, it can be safely argued that the hostilities are not having a direct impact on the operations of Harju Elekter. At the same time, we can see indirect effects. In a short period of time, the price of basic materials has risen by 50%, while the price of components has risen by 30-50%, all within the context of strong wage pressure and a labour shortage. The times ahead could be very difficult, but much will depend on the state of the global economy and the developments regarding the war in Ukraine.

Although we experienced yet another quarter of strong growth – with turnover up by more than 21% compared to 2021 – then unfortunately, as we moved from one crisis to another, we were no longer able to maintain profitability. To quickly remedy the situation, we have re-entered into price negotiations with our framework contract customers and sharply increased stock levels – by as much as 10 million euros compared to the end of 2021 – to strengthen sustainability. Already knowing in advance of a 30-50% increase in input material prices and a possible shortage, a strong stock level will allow us to maintain good customer relations and improve the success of upcoming negotiations. The order book for the coming quarters remains at record levels and Harju Elekter is delivering on its promises. Assessing today's strong customer portfolio, order books and inventory, and other preparations in line with the risk scenario, we will also be able to restore profitability in the coming quarters, and we can only hope that the war does not escalate.

MAIN EVENTS

Strategic Investments



Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10%. The cost of the additional investment was approximately 0.2 million euros. With the additional investment Harju Elekter sees an opportunity to strengthen the Group's activities in the field of e-mobility. In cooperation with IGL-Technologies Oy, Harju Elekter will continue to improve the availability of complete packages for electric car charging systems and expand the network in both the Nordic and Baltic markets. The role of Harju Elekter in the partnership has been the development, production, and sales of charging equipment hardware and the provision of technologically suitable software and operation of equipment at IGL.



New Customer Agreement



Harju Elekter UAB, signed a contract on 1 March 2022 with U.S. Steel Corporation (Exploratory Ventures LLC) to produce low voltage drives and MCC systems to control 1500 motors that will be used in new Big River Steel facility in Arkansas. Production and deliveries will take place until April 2023. The approximate volume of the contract is 10 million euros.

EVENTS AFTER THE REPORTING DATE



AS Harju Elekter signed a contract to dispose its 14% holding in SIA Energokomplekss to the company's managing director Kristaps Bleija to focus on its core business. Andres Allikmäe, who represented Harju Elekter in SIA Energokomplekss, resigned as a member of the Management Board on 4 April 2022.



Telesilta Oy signed a contract on 7 April 2022 with Uudenkaupungin Työvene Oy to provide turnkey delivery of electrical, automation, and navigation systems for trailing suction hopper dredger. The contract price is 2.5 million euros. The delivery will take place at the end of 2023 and the ship operator will be the Maritime Office in Gdynia, Poland.

OPERATING RESULTS

Revenue

Harju Elekter's revenue continued to grow strongly compared to the first quarters. The Group's revenue for the reporting quarter was 37.3 (Q1 2021: 30.7) million euros, increasing by 21.5% compared to the comparable period.

Revenue by business activities (EUR'000)	Q1 2022	Q1 2021	+/-	% Q1 2022	% Q1 2021
Manufacturing and sale of electrical equipment	30,752	25,851	19.0%	82.4%	84.2%
Retail and project-based sale of electrical products	2,914	1,575	85.0%	7.8%	5.1%
Other products	1,320	799	65.2%	3.5%	2.6%
Lease income	811	767	5.7%	2.2%	2.5%
Electrical works	957	1,258	-23.9%	2.6%	4.1%
Other services	567	467	21.4%	1.5%	1.5%
Total	37,321	30,717	21.5%	100.0%	100.0%

Revenue increased in almost all business areas, but most of the growth came from the sale of electrical equipment and from the project and retail sale of electrical goods. Growth in increased areas of activity came mainly from the sale of hermetic distribution transformers, distribution cabinets and substations. The slightly lower turnover compared to the previous period was generated by shipbuilding electrical works. Revenue from the sale of electrical equipment accounted for 82.4% and project and retail sale of electrical goods accounted for 7.8% of the Group's quarterly revenue. The remaining 9.8% of the revenue of the Group was earned from the sale of metal products, renting out industrial real estate, and electrical works in the shipbuilding sector.

The Group's operations are divided into three segments: Production, Real estate, and Other activities

Revenue by segment (EUR'000)	Q1 2022	Q1 2021	+/-	% Q1 2022	% Q1 2021
Production	32,746	27,212	20.3%	87.7%	88.6%
Real Estate	1,011	938	7.8%	2.7%	3.1%
Other activities	3,564	2,567	38.8%	9.6%	8.3%
Total	37,321	30,717	21.5%	100.0%	100.0%

The Group's core business, production, accounted for 87.7% of the Group's consolidated revenue. Thanks to the growth in sales volumes of companies manufacturing electrical equipment, the sales volume of the production segment increased by 20.3% to 32.7 million euros in the reporting quarter.

The real estate segment has seen a steady increase in sales revenue, mostly driven by the addition of built or renovated space and changes in rental prices. In the reporting quarter, sales revenue from rental spaces in the industrial parks in Keila, Allika and Haapsalu and from other real estate segment services amounted to 1.0 million euros, representing 2.7% of the Group's revenue. The Group will continue with its investments in real estate. Harju Elekter will complete the construction of its third production and warehouse complex in the second quarter of this year. Demand for new rental spaces is high and occupancy is 100%.

Revenue from other activities increased by 1.0 million euros quarter-on-quarter to 3.6 million euros. Revenue was affected by an increase in sales of retail and project-based sale of electrical products, while electrical work in the shipbuilding sector was declining year on year. Other activities accounted for 9.6% of the quarter's revenue.

The Group's largest target markets are Estonia, Finland, Sweden and Norway, where a total of 90.9% of the Group's products and services were sold. Success in revenue growth was achieved in all key markets. The decrease in revenue compared to a year ago occurred in smaller markets, including Germany.

Revenue by markets (EUR'000)	Q1 2022	Q1 2021	+/-	% Q1 2022	% Q1 2021
Estonia	6,897	5,068	36.1%	18.5%	16.5%
Finland	16,696	14,600	14.4%	44.7%	47.5%
Sweden	5,823	5,342	9.0%	15.6%	17.4%
Norway	4,508	1,869	141.2%	12.1%	6.1%
Netherlands	1,545	1,321	17.0%	4.1%	4.3%
Other	1,852	2,517	-26.4%	5.0%	8.2%
Total	37,321	30,717	21.5%	100.0%	100.0%

Estonia

Sales to the Estonian market increased by 36.1% to 6.9 million euros year-on-year. The increase was mainly due to the increase in sales of hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 18.5% of the consolidated revenue in the reporting quarter, which was 2.0 percentage points more than a year ago.

Finland

The Finnish market generated 2.1 million euros more revenue than a year earlier, totalling 16.7 million euros. The start of 2021 was affected the most by a decrease in orders due to the snowy and cold winter, the start of new long-term orders, but also some supply constraints and material shortages. The majority of the sales volume in the reporting quarter consisted of the sale of substations to Finnish electricity network companies. The planned sales volume of project sales in the reporting quarter was not achieved due to some component shortages and production stoppages caused by illness. During the reporting year, 44.7% of the Group's products and services were sold to the Group's largest market, Finland.

Sweden

Sales to the Swedish market increased by 9% comparing the reporting quarters, amounting to 5.8 million euros. Operating volumes have stabilized and targeted work continued. Sweden accounted for 15.6% (Q1 2021: 17.4%) of consolidated revenue in the reporting quarter, this time remaining the third largest market.

Norway

During the quarter, the Group's products and services worth 4.5 million euros were sold to the Norwegian market, which was 2.6 million euros more than in the same period of the previous year. The change in revenue is due to the low order volume in the comparison period. Looking at the longer term, it can be stated that the order volumes of the shipping sector have returned to the average level. The Norwegian market accounted for 12.1% of quarterly sales.

Others

When comparing the quarters, revenue from other markets decreased by 0.4 million to 3.4 million euros. Among them, sales to Germany decreased the most and sales to the Netherlands and Danish markets increased. Other markets accounted for 9.1% of the group's consolidated revenue.

Operating expenses

<i>(EUR'000)</i>	Q1 2022	Q1 2021	+/-	% Q1 2022	% Q1 2021
Cost of sales	34,335	26,873	27.8%	89.5%	88.7%
Distribution costs	1,350	1,214	11.2%	3.5%	4.0%
Administrative expenses	2,665	2,217	20.2%	7.0%	7.3%
Total operating expenses	38,350	30,304	26.6%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	1,057	969	9.1%	2.8%	3.2%
<i>incl. total labour cost</i>	8,711	7,285	19.6%	22.7%	24.0%
<i>incl. inclusive salary cost</i>	6,535	5,615	16.4%	17.0%	18.5%

The total operating expenses for the reporting quarter were 38.4 (Q1 2021: 30.3) million euros. The majority of the 26.6% increase in operating expenses was due to an increase in the cost of sales: 7.5 million euros year on year. In situations where the prices of components and materials have risen by several hundred per cent as a result of many crises, decisions had to be made whether to wait for the rise to slow down or to keep the process running. We chose the latter because customer trust is important. While at the beginning of the year, the price of materials and basic components was expected to stabilise and even fall slightly, then the war in Ukraine that started at the end of February once again upset the plans. Various sanctions against Russia and Belarus, disrupted supply chains with Ukraine, and rising energy prices are further fuelling inflation around the world. Thus, challenges remain in terms of rising prices for materials and components, and rising wages for skilled labour. The increased costs of goods and services sold exceeded the growth rate of revenue by 6.3 percentage points, reducing the gross margin by 4.5 percentage points, to 8.0 per cent, from comparable quarterly figures.

The Group's distribution costs increased by 0.1 million to 1.4 million euros, accounting for 3.5% of the Group's operating expenses and 3.6% of revenue. Administrative expenses increased by 0.4 million to 2.7 million euros, accounting for 7.0% of the Group's operating expenses and 7.1% of revenue for the reporting quarter. However, the increase in distribution and administrative expenses was lower than the increase in revenue.

Labour costs increased with quarterly comparison, amounting to 8.7 (Q1 2021: 7.3) million euros. The ratio of labor costs to the Group's revenue decreased by 0.4 percentage points to 23.3% year-on-year. The average monthly salary per employee of the Group during the reporting year was 2,490 euros, which was 4% more than in the previous period. A majority of the growth in labour costs and average wages was attributed to the significant increase in staff and wage pressure due to labour shortages in all markets.

Depreciation of non-current assets totalled 1.1 (Q1 2021: 1.0) million euros in the reporting quarter. The increase in depreciation compared to the first quarters was due to the addition of several investments and, in particular, the expansion of the Lithuanian plant.

PERSONNEL

As a socially responsible company, we value and develop our employees by providing them with new challenges while implementing succession planning activities.

During the reporting quarter, the HR department had to face a situation that no one had encountered before – helping war refugees. In cooperation with local authorities, a quick way was found to support the families of the Ukrainians working in the Group.

At the end of the reporting period, the group employed 894 people, which is 101 employees more than a year ago. In the first quarter, the Group employed an average of 875 people, which was on average 93 employees more than in the comparable period. The biggest increases were in the Lithuanian, Estonian and Finnish manufacturing companies, as rising production volumes and congestion in production due to delays in the supply chain created the need to recruit new staff. In the reporting quarter, 6.5 (Q1 2021: 5.6) million euros were paid to employees as salaries and remuneration. Salary costs increased due to higher project sales and record orders for the year.

	Average numbers of employees		Numbers of employees				
	Q1 2022	Q1 2021	31.03.22	31.03.21	+/-	% 31.03.22	% 31.03.21
Estonia	390	356	402	368	34	45,0%	46,4%
Finland	159	133	159	133	26	17,8%	16,8%
Lithuania	253	222	259	221	38	29,0%	27,9%
Sweden	73	71	74	71	3	8,2%	8,9%
Total	875	782	894	793	101	100,0%	100,0%

SUPERVISORY AND MANAGEMENT BOARDS

The Supervisory Board of AS Harju Elekter has 5 members with the following membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (Member of the Estonian Association of Engineers and Committee of Energy of the Academy of Sciences), Mr. Aare Kirsme (Member of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ) and Mr. Andres Toome (consultant, Managing Director of OÜ Tradematic).

Management Board of AS Harju Elekter has two members as of the reporting date: Mr. Tiit Atso (Chairman of the Group), and Mr. Aron Kuhi-Thalfeldt (Member of the Management Board, Head of the Real Estate and Energy Division).

Information about the education and career of the members of the management and Supervisory Boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at <http://www.harjuelekter.com//company/governing-bodies/>.

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	3M 2022	2021	2020	2019	2018
Opening price (euros)	7.44	5.24	4.26	4.12	5.00
Highest price (euros)	7.74	10.50	5.26	5.20	6.68
Lowest price (euros)	5.40	5.20	3.20	4.01	3.89
Closing price (euros)	6.92	7.44	5.18	4.21	4.12
Traded shares (pcs)	333,900	2,048,865	1,160,598	531,415	1,100,773
Turnover (in million euros)	2.30	15.85	4.99	2.35	5.98
Capitalisation (in million euros)	124.69	134.06	91.89	74.68	73.09
Average number of the shares (pcs)	18,018,555	17,855,220	17,739,880	17,739,880	17,739,880
EPS (euros)	-0.07	0.15	0.31	0.14	0.09

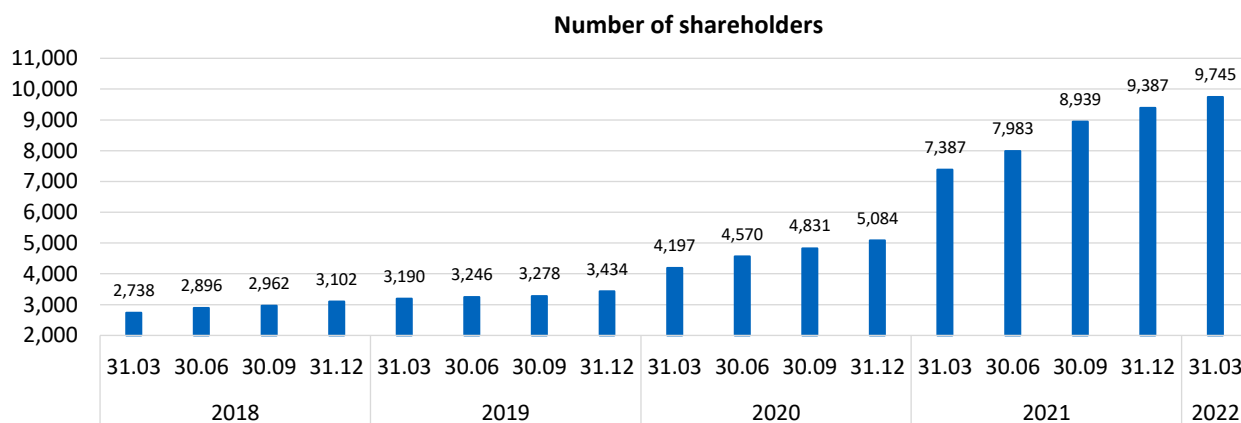
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2017 – 31 March 2022 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 31 March 2022:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	41.4	AS Harju KEK	30.90
1.0 – 10.0%	8	0.1	21.0	ING Luxembourg S.A.	10.54
0.1 – 1.0 %	55	0.6	15.1	Endel Palla	6.97
< 0.1%	9,680	99.3	22.5	Shareholders holding under 5%	51.59
Total	9,745	100.0	100.0	Total	100.00

As of 31 March 2022, AS Harju Elekter had 9,745 shareholders. The number of shareholders increased during the reporting quarter by 358 members. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 30.90% of AS Harju Elekter's share capital. On 31 March 2022, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 13.30% of AS Harju Elekter shares. The complete list of shareholders of AS Harju Elekter is available on the website of the Nasdaq CSD <https://nasdaqcsd.com/statistics/en/shareholders>.



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.03.2022	31.12.2021	31.03.2021
Current assets				
Cash and cash equivalents		286	574	2,614
Trade and other receivables		35,663	33,689	26,663
Prepayments		3,119	1,844	1,454
Inventories		37,692	27,437	21,104
Total current assets		76,760	63,544	51,835
Non-current assets				
Deferred income tax assets		776	690	569
Non-current financial investments	2	24,410	25,222	12,373
Investment properties	3	24,603	23,903	23,375
Property, plant and equipment	4	26,303	26,654	24,068
Intangible assets	4	7,659	7,544	7,186
Total non-current assets		83,751	84,013	67,571
TOTAL ASSETS	7	160,511	147,557	119,406
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	21,354	16,912	11,317
Prepayments from customers		6,681	4,659	2,760
Trade and other payables		31,063	24,490	20,703
Tax liabilities		3,663	3,156	2,454
Current provisions		51	35	35
Total current liabilities		62,812	49,252	37,269
Borrowings	5	12,401	11,426	7,921
Other non-current liabilities		33	33	65
Total non-current liabilities		12,434	11,459	7,986
Total liabilities		75,246	60,711	45,255
Equity				
Share capital	6	11,352	11,352	11,176
Share premium		1,601	1,601	804
Reserves		18,278	18,716	7,123
Retained earnings		54,158	55,315	55,211
Total equity attributable to the owners of the parent company		85,389	86,984	74,314
Non-controlling interests		-124	-138	-163
Total equity		85,265	86,846	74,151
TOTAL LIABILITIES AND EQUITY		160,511	147,557	119,406

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	3 months 2022	3 months 2021
Revenue	7	37,321	30,717
Cost of sales		-34,335	-26,873
Gross profit		2,986	3,844
Distribution costs		-1,350	-1,214
Administrative expenses		-2,665	-2,217
Other income		56	172
Other expenses		-152	-69
Operating profit/loss (-)	7	-1,125	516
Finance income		39	17
Finance costs		-119	-98
Profit/loss (-) before tax		-1,205	435
Income tax	9	-89	-138
Profit/loss (-) for the period		-1,294	297
Profit /loss (-) attributable to:			
Owners of the parent company		-1,308	310
Non-controlling interests		14	-13
Earnings per share			
Basic earnings per share (euros)	8	-0.07	0.02
Diluted earnings per share (euros)	8	-0.07	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 moths 2022	3 months 2021
Profit/loss (-) for the period		-1,294	297
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Impact of exchange rate changes of a foreign subsidiaries		20	-23
<i>Items that will not be reclassified to profit or loss</i>			
Gain on sales of financial assets	2	151	43
Net gain/loss (-) on revaluation of financial assets	2	-521	365
Total comprehensive income for the period		-350	385
Other comprehensive income		-1,644	682
Total comprehensive income attributable to:			
Owners of the Company		-1,658	695
Non-controlling interests		14	-13

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3 months 2022	3 months 2021
Cash flows from operating activities			
Profit/loss (-) for the period		-1,294	297
<u>Adjustments</u>			
Depreciation and amortization	3,4	1,057	969
Gain on sale of property, plant and equipment		-2	0
Share-based payments	10	63	72
Finance income		-39	-17
Finance costs		119	98
Income tax	9	89	138
<u>Changes</u>			
Changes in trade receivables and prepayments		-3,195	122
Changes in inventories		-10,255	-2,535
Changes in trade payables and prepayments		8,850	3,164
Corporate income tax paid	9	-210	-392
Interest paid		-136	-102
Total cash flow (-outflow) from operating activities		-4,953	1,814
Cash flows from investing activities			
Payments for investment properties	9	-726	-25
Payments for property, plant and equipment	9	-318	-2,072
Payments for intangible assets		-175	-84
Acquisition of financial investments	2	-223	-248
Proceeds from sale of property, plant and equipment		6	0
Proceeds from sale of other financial investments	2	665	200
Dividends received		0	3
Received interests		1	0
Total cash flow (-outflow) from investing activities		-770	-2,226
Cash flows from financing activities			
Change in overdraft balance	5	5,054	-610
Proceeds from borrowings	5	1,059	1,627
Repayment of borrowings	5	-377	-589
Repayments of lease liabilities	5	-324	-283
Total cash flow (-outflow) from financing activities		5,412	145
Total net cash flow (-outflow)		-311	-267
Cash and cash equivalents at the beginning of the period		574	2,843
Changes in cash and cash equivalents		-311	-267
Effect of exchange rate fluctuations on cash and cash equivalents		23	38
Cash and cash equivalents at the end of the period		286	2,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 31 March	Share capital	Share premium	Reserves	Retained earnings	Attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at 1 January 2021	11,176	804	6,709	54,858	73,547	-150	73,397
Comprehensive income							
Profit for the period	0	0	0	310	310	-13	297
Other comprehensive income	0	0	342	43	385	0	385
Total comprehensive income	0	0	342	353	695	-13	682
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	72	0	72	0	72
Total transactions with owners	0	0	72	0	72	0	72
Balance at 31 March 2021	11,176	804	7,123	55,211	74,314	-163	74,151
Balance at 01 January 2022	11,352	1,601	18,716	55,315	86,984	-138	86,846
Comprehensive income							
Profit for the period	0	0	0	-1,308	-1,308	14	-1,294
Other comprehensive income	0	0	-501	151	-350	0	-350
Total comprehensive income	0	0	-501	-1,157	-1,658	14	-1,644
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	63	0	63	0	63
Total transactions with owners	0	0	63	0	63	0	63
Balance at 31 March 2022	11,352	1,601	18,278	54,158	85,389	-124	85,265

NOTES TO INTERIM FINANCIAL STATEMENT

Note 1 Accounting methods and valuation principles used in the consolidated interim report

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31 March 2022 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Harju Elekter Oy, Harju Elekter Kiinteistöt Oy, Telesilta Oy, Harju Elekter AB, Harju Elekter Services AB and Harju Elekter UAB (the "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since 30 September 1997; 30.90% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 "Interim Financial Reporting" on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31 December 2021. The interim report should be read in conjunction with the Group's annual report of 2021, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for the first quarter of 2022 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor reviewed by auditors and only includes the consolidated reports of the Group.

The financial statements are presented in euros, which is the Group's functional and presentation currency. The consolidated interim financial statement has been drawn up in thousands of euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Note 2 Financial investments

	31.03.2022	31.12.2021	31.03.2021
Listed securities (fair value through other comprehensive income)	1,943	2,898	3,278
Other equity investments (fair value through other comprehensive income)	22,458	22,315	9,089
Other financial assets through profit or loss	9	9	6
Total	24,410	25,222	12,373
Changes	3M 2022	12M 2021	3M 2021
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period	25,213	11,911	11,911
Acquisitions	223	1,749	248
Sale of financial assets	-514	-716	-157
Change in fair value through other comprehensive income	-521	12,269	365
Carrying amount at the end of the period	24,401	25,213	12,367
2. Financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	9	7	7
Change in fair value through profit and loss	0	2	-1
Carrying amount at the end of the period	9	9	6
Total carrying amount at the end of the period	24,410	25,222	12,373

A total of 665 thousand euros was received from the partial sale of the listed securities in the reporting quarter. Realized gain on sale of financial assets in the amount of 150 thousand euros was recognized through other comprehensive income. In Q1 2021, 200 thousand euros were received from the sale of securities listed on the stock exchange, of which the realized profit was 43 thousand euros. The fair value of securities decreased by 521 thousand euros in first quarter, increased by 365 thousand euros in Q1 2021.

As of 31 March 2022, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (31.03.2021: 8.8) million euros, in the shares of SIA Energokomplekss in the amount of 0.2 (31.03.2021: 0.3) million euros and in the shares of IGL-Technologies Oy in the amount of 0.5 (31.03.2021: 0) million euros.

In the reporting quarter, Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10%.

AS Harju Elekter acquired a 10% stake in OÜ Skeleton Technologies Group on 3 June 2015. The company is engaged in the development and production of supercapacitors and is gradually increasing production. The assessment of future cash flows of the OÜ Skeleton Technologies Group includes significant uncertainty. The measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. In assessing the fair value of the company, the Group's management based the assessment on the issue price of the new shares used in the financing rounds, the economic indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and weighted the marketability of instrument. As of the reporting date, the registered holding of Harju Elekter in OÜ Skeleton Technologies Group is 6.14%.

Note 3 Investment properties

	Note	3M 2022	12M 2021	3M 2021
Balance at the beginning of the period		23,903	23,605	23,605
Additions	7	964	1,321	12
Depreciation	7	-242	-970	-243
Reclassification from property, plant and equipment	4	-22	-53	0
Impact of exchange rate changes		0	0	1
At the end of the period		24,603	23,903	23,375

Note 4 Property, plant and equipment; intangible assets

	Note	3M 2022	12M 2021	3M 2021
1. Property, plant and equipment				
Balance at the beginning of the period		26,654	22,494	22,494
Additions to right-of-use assets		0	880	0
Additions	7	391	5,741	1,995
Sales and write-off in carrying amount		-7	-17	0
Depreciation	7	-755	-2,714	-647
Reclassification from inventories		0	233	233
Reclassification to investment properties	3	22	53	0
Impact of exchange rate changes		-2	-16	-7
At the end of the period		26,303	26,654	24,068
2. Intangible assets				
Balance at the beginning of the period		7,544	7,199	7,199
Additions	7	175	680	66
Amortization	7	-60	-334	-79
Impact of exchange rate changes		0	-1	0
At the end of the period		7,659	7,544	7,186

Note 5 Borrowings

	31.03.2022	31.12.2021	31.03.2021
Current borrowings			
Current bank loans	19,206	14,152	7,128
Current portion of non-current bank loans	1,191	1,485	2,831
Current portion of non-current lease liabilities	943	1,261	823
Other current loans	14	14	535
Total current borrowings	21,354	16,912	11,317
Non-current borrowings			
Non-current bank loans	10,146	9,171	6,082
Non-current lease liabilities	2,255	2,255	1,839
Total non-current borrowings	12,401	11,426	7,921
Total borrowings	33,755	28,338	19,238
Changes in borrowings	3M 2022	12M 2021	3M 2021
Loans and borrowings at the beginning of the period	28,338	19,088	19,088
Change in overdraft balances	5,054	6,414	-610
Received non-current loans	1,059	8,063	1,627
Repayments of non-current loans	-377	-5,058	-365
Other received and repaid loans	0	-746	-224
New lease liabilities	0	2,031	0
Repayments of non-current lease liabilities	-324	-1,476	-283
Impact of exchange rate changes	6	22	5
Loans and borrowings at the end of the period	33,756	28,338	19,238

Note 6 Share capital

	31.03.2022	31.12.2021	31.03.2021
Share capital (thousand euros)	11,352	11,352	11,176
Number of shares (pcs)	18,018,555	18,018,555	17,739,880
Book value of a share (euros)	0.63	0.63	0.63

In 2021, AS Harju Elekter increased the share capital of the company by 175,565.25 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. A total of 278,675 ordinary shares were subscribed for at a book value of 0.63 euros per share, the issue price was 3.49 euros per share. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,352 thousand euros divided into 18.1 million ordinary shares without a nominal value.

Note 7 Segment reporting

In the consolidated financial statements, three segments are distinguished: Production, Real Estate and Other activities.

Production - manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Kiinteistöt Oy, Harju Elekter Oy, Harju Elekter UAB, Harju Elekter AB and Harju Elekter Services AB.

Real estate - real estate development, maintenance and leasing, services related to the maintenance of real estate and production capacity and intermediation of services. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments. The entity in this business segment is the Parent company.

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

and Telesilta Oy. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes.

The Group assesses the performance of its operating segments on the basis of revenue and operating profit. Based on the assessment of the Parent company's Management Board, inter-segment transactions are carried out on ordinary market terms that do not differ substantially from the terms agreed in transactions conducted with third parties. Unallocated assets comprise the Parent company's other receivables, prepayments, and other financial investments. Unallocated liabilities consist of the Parent company's (in Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

	Note	Production	Real Estate	Other activities	Elimination	Consolidated
3 months 2022						
Revenue from external customers		32,746	1,011	3,564	0	37,321
Inter-segment revenue		253	437	88	-778	
Segment revenue		32,999	1,447	3,653	-778	37,321
Operating profit		-1,516	510	-196	77	-1,125
Segment assets		101,645	27,114	30,213	-22,538	136,434
Unallocated assets						24,077
<i>incl. Financial investments</i>						23,918
<i>incl. Other receivables and prepayments</i>						159
Total assets						160,511
Capital expenditure	3,4	484	964	82	0	1,530
Depreciation and amortization	3,4	632	242	188	-5	1,057
3 months 2021						
Revenue from external customers		27,212	938	2,567	0	30,717
Inter-segment revenue		67	467	56	-590	
Segment revenue		27,279	1,405	2,623	-590	30,717
Operating profit		169	389	30	-72	516
Segment assets		75,122	25,638	21,576	-15,394	106,942
Unallocated assets						12,464
<i>incl. Financial investments</i>						12,367
<i>incl. Other receivables and prepayments</i>						97
Total assets						119,406
Capital expenditure	3,4	2,007	12	55	0	2,074
Depreciation and amortization	3,4	517	243	215	-6	969

Revenue by geographic regions (customer location)

	3M 2022	3M 2021
Estonia	6,904	5,068
Finland	16,696	14,600
Sweden	5,823	5,342
Norway	4,508	1,869
Netherlands	1,538	1,321
Other	1,852	2,517
Total revenue	37,321	30,717

Revenue by business activities

	3M 2022	3M 2021
Manufacturing and sale of electrical equipment	30,752	25,851
Retail and project-based sale of electrical products	2,914	1,575
Other products	1,320	799
Lease income	811	884
Electrical works	957	1,258
Other services	567	350
Total	37,321	30,717

Note 8 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the reporting period with the weighted average number of shares issued during the period.

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 31 March 2022, the Group had a total of 762,968 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the Nasdaq Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros. From the 2018 round, 278,675 shares were converted last year.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round, 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros, 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 January to 31 March 2022, the average market price of the shares was 6.89 (Q1 2021: 7.63) euros.

	Unit	3M 2022	3M 2021
Profit attributable to equity holders of the parent company	EUR '000	-1,308	310
Average number of shares outstanding	Pc '000	18,019	17,740
Basic earnings per share	EUR	-0.07	0.02
Adjusted number of shares during the period	Pc '000	18,080	17,848
Diluted earnings per share	EUR	-0.07	0.02

Note 9 Information on the statement of cash flows line items

	Note	3M 2022	3M 2021
Corporate income tax			
Income tax expense in the statement of profit or loss		-89	-138
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-34	-199
Dividend income tax expense		0	1
Income tax expense on dividends		-87	-55
Impact of exchange rate changes		0	-1
Corporate income tax paid		-210	-392
Paid for investment properties			
Acquisitions of investment properties	3	-964	-12
Liability decrease (-)/ increase (+) incurred by the acquisitions		238	-13
Paid for investment properties		-726	-25
Paid for property, plant and equipment			
Acquisitions of property, plant and equipment	4	-391	-1,995
Liability decrease (-)/ increase (+) incurred by the acquisitions		73	-77
Paid for property, plant and equipment		-318	-2,072

Note 10 Transactions with related parties

The related parties of AS Harju Elekter are Members of the Management Board and the Supervisory Board of the Group, their close associates, and companies significantly influenced or controlled by the aforementioned persons. The Group's management comprises members of the Parent company's Supervisory and Management Boards. During the reporting period, the Group has made transactions with related parties as follows:

	31.12.2022	31.12.2021	31.03.2021
Balances with related parties:			
- Payables for goods and services	223	93	48
- Payables to Management and Supervisory Boards	92	37	106
	3M 2022	12M 2021	3M 2021
Purchase of goods and services from related parties:			
- Lease of property, plant and equipment from AS Harju KEK	21	118	21
- Other services from AS Entek	314	599	124
Sale of goods and services to related parties:			
- Other services for AS Harju KEK	2	3	1
- Sale of goods to AS Entek	0	3	2
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	124	413	151
- Social security tax	41	133	50

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. The chairman of the Supervisory Board has the right to receive severance pay in the amount of 6 months' salary of the development director. 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.

Share-based payments

In June 2018, 124 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 351,925 shares. and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 7,500 shares, comprising 52,500 shares in total. The subscription period for the shares was 16.07.2021. A total of 96 current and former employees of Harju Elekter participated in the share issue related to the exercise of the stock option programme, subscribing for a total of 278,675 shares for 972,575.75 euros.

In June 2019, 94 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 339,100 shares, and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 8,000 shares, comprising 64,000 shares in total.

In June 2020, additional 66 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 347,468 shares, and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 10,000 shares, comprising 60,000 shares in total.

In June 2021, ten more option agreements were concluded with the members of the management board of the Group company on subscription rights for a total of 100,000 shares. In December of the reporting year, an additional twelve option agreements were entered into with the Group's employees and members of the company's management bodies, for a total of another 35,750 shares.

As at the reporting date, the total number of potential ordinary shares to be issued was 762,968. During the reporting quarter, share-based payments recognized as labour costs totalled to 63 (Q1 2021: 72) thousand euros, of which the share of the members of the Management and Supervisory Boards was 11 (Q1 2021: 12) thousand euros. The pricing of the option is disclosed in Note 8.

THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements for the first quarter of 2022 as set out on pages 13 to 23 and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the Parent company and consolidated companies as a Group; and reflects significant transactions with related parties;
- the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and
- AS Harju Elekter and its subsidiaries are going concerns.

Tiit Atso Chairman of the Management Board 26 April 2022



Aron Kuhi-Thalfeldt Member of the Management Board 26 April 2022

