



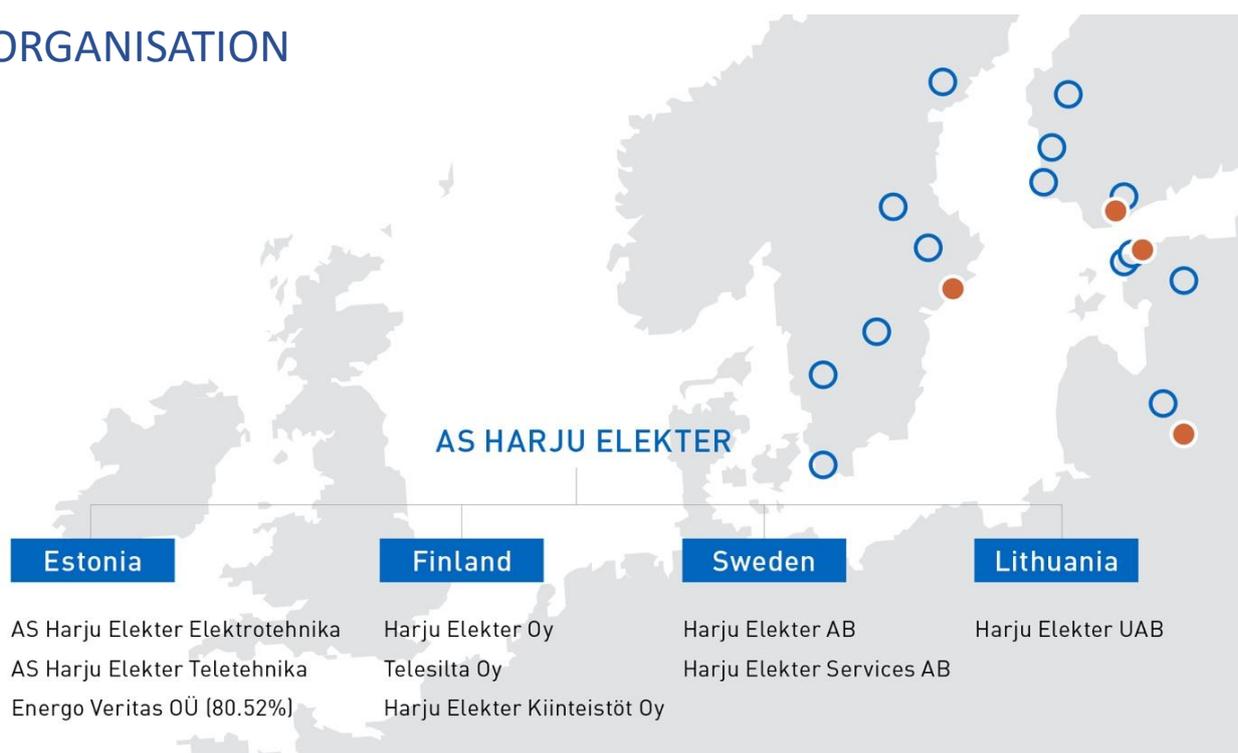
CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE III QUARTER AND 9 MONTH OF 2022

Business name:	AS Harju Elekter
Business registry code:	10029524
Address:	Paldiski mnt.31, 76606 Keila
Phone:	+372 67 47 400
E-mail:	info.he@harjuelekter.com
Internet homepage:	https://harjuelekter.com/
Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2022
Reporting period:	1 January – 30 September 2022

TABLE OF CONTENTS

ORGANISATION	3
MANAGEMENT REPORT	5
SUMMARY OF THE THIRD QUARTER AND 9 MONTH RESULTS	5
COMMENTARY FROM THE MANAGEMENT	8
CHANGES IN THE STRUCTURE OF THE GROUP	8
MAIN EVENTS	9
OPERATING RESULTS	11
<i>Revenue</i>	11
<i>Operating expenses</i>	12
PERSONNEL	13
SUPERVISORY, AUDIT COMMITTEE AND MANAGEMENT BOARDS	14
ANNUAL GENERAL MEETING OF SHAREHOLDERS	14
SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS	14
INTERIM FINANCIAL STATEMENT	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	17
CONSOLIDATED STATEMENT OF CASH FLOWS	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
NOTES TO INTERIM FINANCIAL STATEMENT	20
<i>Note 1 Accounting methods and valuation principles used in the consolidated interim report</i>	20
<i>Note 2 Financial investments</i>	20
<i>Note 3 Investment properties</i>	21
<i>Note 4 Property, plant and equipment; intangible assets</i>	21
<i>Note 5 Borrowings</i>	22
<i>Note 6 Share capital</i>	22
<i>Note 7 Segment reporting</i>	22
<i>Note 8 Basic and diluted earnings per share</i>	24
<i>Note 9 Information on the statement of cash flows line items</i>	25
<i>Note 10 Transactions with related parties</i>	25
<i>Note 11 Potential liabilities</i>	26
THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS	27

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

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (6.14%)

Developer and manufacturer of ultra-capacitors

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

Industrial real estate holding company in Sweden

Main activities

Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. We engineer, manufacture, and install electrification solutions for utilities, industries, infrastructure, public and commercial buildings. 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.



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 of 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 THIRD QUARTER AND 9 MONTH RESULTS

Revenue and financial results

The consolidated revenue for the third quarter and nine months of 2022 was the highest in history for Harju Elekter. Revenue was 46.1 (Q3 2021: 42.2) million euros in the reporting quarter and 125.3 (9M 2021: 109.2) million euros in the nine months.

The gross profit for the Q3 was 5,803 (Q3 2021: 5,026) thousand euros and the gross profit margin was 12.6% (Q3 2021: 11.9%). The consolidated operating profit (EBIT) was 1,691 (Q3 2021: 1,183) thousand euros. The operating margin for the third quarter was 3.7% (Q3 2021: 2.8%). The net profit for the Q3 was 1,406 (Q3 2021: 931) thousand euros of which the share of the owners of the parent company was 1,493 (Q3 2021: 915) thousand euros. The earnings per share were 0.08 euros (Q3 2021: 0.05) in the third quarter. Price negotiations conducted in previous quarters and unprofitable contracts being recognised as expenses have significantly improved the profitability of the quarter. The Group continues to focus on improving profitability. The operating profit of the third quarter was affected by the impairment of Energo Veritas OÜ goodwill by 0.4 million euros as a one-off expense (Note 11).

The gross profit for the nine months was 9,751 (9M 2021: 13,177) thousand euros and the gross profit margin was 7.8% (9M 2021: 12.1%). During the nine months, the operating loss (EBIT) was -2,482 (9M 2021: operating profit 2,350) thousand euros. In total, the Group's net loss for the nine months was -3,085 (9M 2021: net profit 1,716) thousand euros and earnings per share were -0.17 (9M 2021: 0.1) euros. The current year has been difficult for the Group. The continuing rise in input prices and supply chain problems forced the Group to critically reassess all ongoing works and agreements for the coming periods. Several completed projects proved to be more complex than originally planned and unprofitable, exacerbated in turn by the inefficiencies arising from supply constraints.

Investments

During the reporting period, the Group invested a total of 3.1 (9M 2021: 5.0) million euros in non-current assets, incl. 1.6 (9M 2021: 0.5) million euros in investment properties, 1.1 (9M 2021: 4.0) million euros in property, plant, and equipment and 0.4 (9M 2021: 0.5) 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, which today is filled with tenants. In addition, investments were made in production technology equipment, production and process management systems, renovated buildings and plot of land were acquired in Finland.

The value of the Group's non-current financial investments totalled 23.7 (31.12.21: 25.2) million euros as of the reporting date. Harju Elekter increased its stake in the technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros and sold a 14% holding in SIA Energokomplekss, to focus on its core business. A total of 1.3 (9M 2021: 1.0) million euros was received from the SIA Energokomplekss and partial sale of listed securities, of which the realized profit was 0.32 (9M 2021: 0.27) million euros. The fair value of securities decreased by 0.7 million euros in nine months, compared to a year earlier it increased by 0.4 million euros.

Current assets

Current assets increased by 16.3 million to 79.9 million euros during the nine months. Most of the increase in current assets resulted from an increase in inventories by 16.4 million, to 43.8 million euros. A year ago, the Group was facing difficulties with the availability of raw materials and components, which led to the decision to increase inventories of critical products. By the end of the reporting period, materials accounted for 79% (30.09.22: 69%) of the total inventory. The increase in the value of inventories has also been significantly influenced by the increase in the cost price of materials, components, and work in progress products, as well as by prepayments made for the acquisition of inventories. There are unfinished products in the warehouse, waiting for the arrival of the last components. Trade and other receivables decreased by 0.4 million to 34.1 million euros during the reporting period.

Liabilities

At the reporting date, the Group had liabilities in total of 80.1 (31.12.21: 60.7) million euros, of which current part accounted for 82.2%. During the nine months current liabilities increased by 16.6 million euros to 65.8 million euros, incl. an increase in trade and other payables by 8.2 million euros. The prepayments of customers increased by 3.4 million euros to 8.0 million euros, most of which are intended to finance inventories acquired early for projects at the request of customers. Borrowings have increased by 6.5 million euros due to the growth of business volumes and increased financing of inventories. At the end of the period, current and non-current borrowings were respectively -

20.7 (31.12.21: 16.9) and 14.2 (31.12.21: 11.4) million euros. Non-current loans and leases were used for real estate investments, expansion of the production building and investments in automatic production equipment.

Cash Flows

Cash and cash equivalents decreased by 0.1 million euros to 0.5 million euros during the nine months and decreased by 1.8 million euros to 1.0 million euros in the comparable period.

Total operating cash flows were -0.6 (Q3 2021: -0.5) in the reporting quarter and -2.8 (9M 2021: -0.1) million euros in nine months. Production companies acquired a significant amount of materials for known customer projects, resulting in a total of 16.4 million euros being placed in inventories over a period of nine months. Trade receivables and prepayments remained at the same level as at the end of last year, trade payables and prepayments increased by 12.9 million euros.

During the nine months 2.1 (9M 2021: 5.6) million euros were spent on investment activities. A total of 3.5 (9M 2021: 6.7) million euros were paid for investments, and 1.3 (9M 2021: 1.0) million euros were received from the sale of the listed securities and SIA Energokomplekss.

On May 24, dividends were paid for 2021 in the amount of 2.5 million euros, which was 0.3 million euros less than the year before. In addition, share capital contributions of 1.0 million euros were received within the share option program. During the nine months a total of 5.7 (9M 2021: 7.6) million euros of current and non-current loans were received and 1.7 (9M 2021: 5.3) million euros were repaid. The overdraft increased by 3.5 (9M 2021: 4.0) million euros. All in all, 5.0 (9M 2021: 3.8) million euros were earned from financing activities.

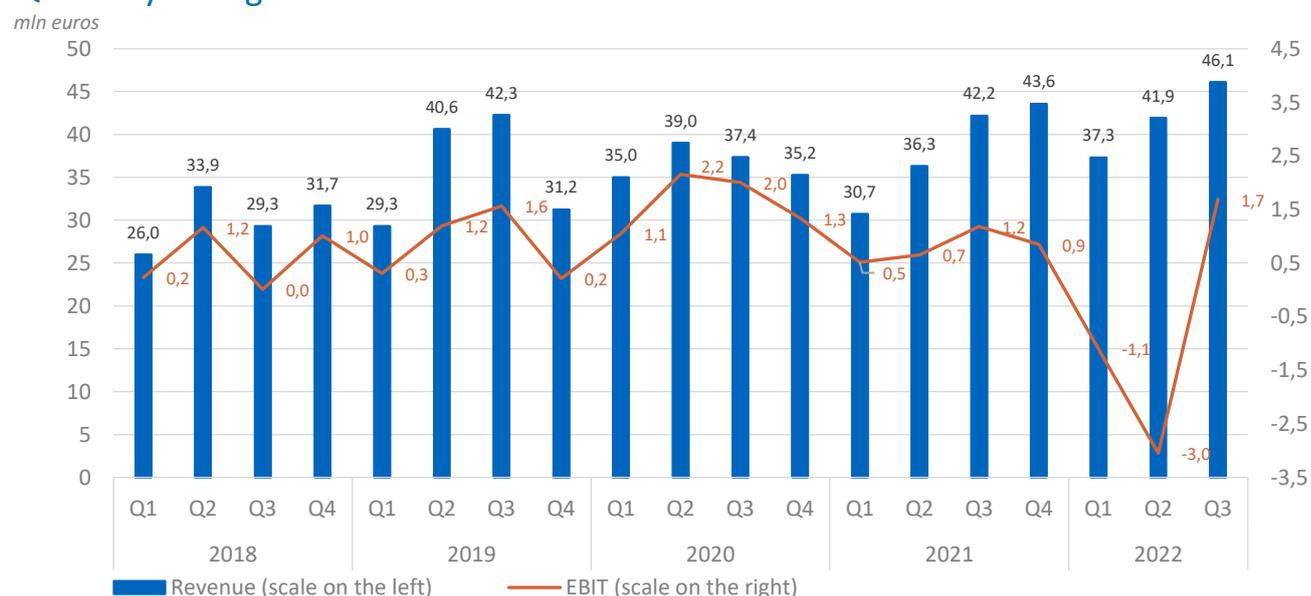
The impact of the Ukraine-Russia war

On 24 February 2022, Russia launched a large-scale military offensive against Ukraine. As a result, the European Union, the United States, the United Kingdom, and other countries have imposed a series of sanctions on Russia and Belarus. Although the Group has no assets or contract partners in the sanctioned countries, the military action had a significant impact on the economic activity of Harju Elekter. The biggest impact was the rapid increase in the price of materials and components after the start of the war. The war in Ukraine and the conflict with Russia are significantly increasing global risks to the functioning of supply chains already disrupted by the constraints imposed by the health crisis. In the case of some components, the Group continues to face a supply chain problem, with the waiting time being long. The Group is actively monitoring events on the market, looking for the best prices across the region, and has increased its inventory of critical materials and components at the start of the year. In addition to price increases, the war also affected the volume of sales orders for the Group. Firstly, work was not taken into the production on for which Russia would have been the final destination, and some contracts had to be cancelled or not renewed due to rapid price rises and supply difficulties. There has also been some negative impact from the rise in logistics prices. Geopolitical tensions and economic sanctions are also having an impact on stock markets, where volatility has increased significantly. The Group's risk assessments are reviewed on a regular basis.

Key indicators (EUR'000)	Q3	Q3	+/-	9M	9M	+/-
	2022	2021		2022	2021	
Revenue	46,081	42,168	9.3%	125,315	109,195	14.8%
Gross profit	5,803	5,026	15.5%	9,751	13,177	-26.0%
EBITDA	3,182	2,158	47.5%	1,161	5,281	-78.0%
Operating profit/loss (-) (EBIT)	1,691	1,183	42.9%	-2,482	2,350	-205.6%
Profit/loss (-) for the period	1,406	931	51.0%	-3,085	1,716	-279.8%
Incl. attributable to owners of the parent company	1,493	915	63.2%	-3,024	1,710	-276.8%
Earnings per share (EPS) (euros)	0.08	0.05	60.0%	-0.17	0.10	-270.0%
	30.09.22	30.06.22	+/-	30.09.22	31.12.21	+/-
Total current assets	79,879	71,677	11.4%	79,879	63,544	25.7%
Total non-current assets	82,079	82,510	-0.5%	82,079	84,013	-2.3%
Total assets	161,958	154,187	5.0%	161,958	147,557	9.8%
Total liabilities	80,078	74,838	7.0%	80,078	60,711	31.9%
	30.09.22	30.06.22	+/-	30.09.22	31.12.21	+/-

Ratios (%)	Q3	Q3	+/-	9M	9M	+/-
	2022	2021		2022	2021	
Distribution cost to revenue	2.7	3.5	-0.8	3.3	3.7	-0.4
Administrative expenses to revenue	5.9	5.7	0.2	6.5	6.5	0.0
Labour cost to revenue	16.2	17.4	-1.2	20.2	20.4	-0.2
Gross margin (gross profit / revenue)	12.6	11.9	0.7	7.8	12.1	-4.3
EBITDA margin (EBITDA / revenue)	6.9	5.1	1.8	0.9	4.8	-3.9
Operating margin (EBIT / revenue)	3.7	2.8	0.9	-2.0	2.2	-4.2
Net margin (profit/loss (-) for the period / revenue)	3.1	2.2	0.9	-2.5	1.6	-4.1
Inventory turnover (revenue / avg. inventories)	1.1	1.7	-0.6	3.5	4.9	-1.4
Return on equity (ROE) (profit/loss (-) for the period / avg.equity)	1.8	1.1	0.7	-3.7	2.2	-5.9
	30.09.22	30.06.22	+/-	30.09.22	31.12.21	+/-
Equity ratio (equity / total assets) (%)	50.6	51.5	-0.9	50.6	58.9	-8.3
Current ratio (current assets / current liabilities)	1.2	1.2	0.0	1.2	1.3	-0.1
Debt ratio (total liabilities/ total assets)	0.5	0.5	0.0	0.5	0.4	0.1
Quick ratio ((current assets - inventories) / current liabilities)	0.5	0.6	-0.1	0.5	0.7	-0.2

Quarterly Changes in Revenue and EBIT



COMMENTARY FROM THE MANAGEMENT

Harju Elekter's results in the third quarter gave reason to rejoice for a moment. We achieved record revenues with our main activity, along with improved profitability. However, in today's unstable situation, it is difficult to predict the future and the continuation of profitability. State bodies have said that it is necessary to prepare for power outages and a difficult winter. Harju Elekter's financiers, i.e., the banks, have not missed the opportunity in the difficult situation to raise the interest rates of their customers with changes in their risk assessment which, in turn, increases the possibility of liquidity problems. The reality is that our customer order portfolio continues to be record-breaking, and we are working every day to raise prices, solve supply problems, and prepare for new framework procurements.

The increase in the revenue of Harju Elekter is due to the increased fulfilment of orders, but also due to successful price negotiations with several international customers. For example, in the framework procurements for substation supplies in Finland and Sweden, customers have been accommodating price corrections and have understood that the sustainability of the supplier is also the customer's concern. New price negotiations are once again ahead in the fourth quarter, as the prices of several components continue an increase trend. Only the decrease in the price of sheet metal and copper brings some relief.

We continued restructuring of the Group, during which the management and structure of the Group will be streamlined, and the focus will be set on the main activity and efficient production. During the past quarter, we formed a strong and experienced Group management team for managing centrally Group's core functions. In the structure of the Group's companies, we decided to proceed with the implementation of changes on the principle of 'one property, one manufacturing enterprise' to increase efficiency. Based on this, we decided to merge the production companies operating in Keila - AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika. To increase the Group's profitability, we will keep the focus on our core business – the design, production, and installation of sustainable electrical power distribution equipment – and continue to exit non-core businesses and areas of activity. In this regard, a number of difficult decisions are ahead for the Group.

CHANGES IN THE STRUCTURE OF THE GROUP

Changes in the Management

Supervisory board of AS Harju Elekter elected Mr. Priit Treial as the new Member of the Board and Chief Financial Officer of the company, taking office on 14 November 2022 and his term of office is three years.

Intra-Group Restructuring



In order to harmonise management and increase synergies, AS Harju Elekter is merging its plants in Estonia- AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika. The assets, rights and obligations of AS Harju Elekter Teletehnika will be transferred in their entirety to AS Harju Elekter Elektrotehnika. The procedures necessary for the merger to enter into force are expected to be completed during the first quarter of 2023.

In order to ensure a smooth merger process, Harju Elekter recalled Indrek Ulmas from the Management Board of AS Harju Elekter Elektrotehnika, and elected Alvar Sass as a new Member of the Management Board with term of office for three years, until 2 October 2025. Until the merger of the subsidiaries is registered in the business register, Alvar Sass will act as the Managing Director of Harju Elekter Elektrotehnika and Harju Elekter Teletehnika.

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 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.



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.

Increase of Share Capital



The Supervisory Board of AS Harju Elekter increased the share capital of the company by 170,700 euros by issuing new ordinary shares. The increase of the share capital was triggered by the need to issue new shares to the key persons of Harju Elekter Group, incl. the members of the governing bodies, leading specialists, and engineers, participating in the option program approved with the resolution of the general meeting on 3 May 2018. A total of 75 current and former employees participated in the share issue, subscribing for a total of 270,953 shares. The new shares to be issued during the increase of share capital shall grant the right to dividend for the financial year started on 1 January 2022. After the increase of the share capital, Harju Elekter has a total of 18,289,508 ordinary shares without nominal value and the share capital amounts to 11,522,390 euros.

New Customer Agreements



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.



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.



On the 7th of June, AS Harju Elekter signed a letter of intent with Reimax Electronics OÜ for the design, construction, and long-term lease of the production building at Allika Industrial Park. The design of the nearly 6,000 m² building is planned for the third quarter of this year and will be completed by the end of 2023 at the latest. The construction cost is approximately 6.5 million euros.



In the beginning of July Harju Elekter AB signed an electricity project contract with Region Stockholm, the administrative body responsible for public transport. This contract will serve as the basis for the upgrading of the rectifier station of the Odenplan metro station by February 2024. The approximate volume of the contract is 1.7 million euros. The new project of Harju Elekter with Region Stockholm, which manages the Stockholm metro, represents the continuation of cooperation that already started with the modernisation of the Slussen metro in autumn 2020 and Albano and Rådhuset metro stations in spring 2021.



AS Harju Elekter Elektrotehnika signed on 26 July a three-year contract with CERN, the European Organization for Nuclear Research, for the supply of low voltage switchgear for a total estimated volume

over 1 million euros, with an option for a two-year extension. For Harju Elekter, the contract provides an opportunity to collaborate innovatively with an international research organization and contribute to the development of research technology.

Changes in Contracts



AS Harju Elekter Elektrotehnika will not renew the contract with Enefit Connect OÜ (before the transfer of the contract Elektrilevi OÜ) with the capacity of the prefabricated compact secondary substations with the capacities of 630 kVA and 1000 kVA and the accompanying components. The significantly changed economic environment, where the prices of input materials, components and energy have risen sharply since the outbreak of the war in Ukraine, does not favour the continuation of the contract under the previously agreed conditions, which is why it was decided not to renew the contract for the next 24 months. The contract expires on 28 February 2023.



Energo Veritas OÜ has cancelled two framework contracts with Enefit Connect OÜ for the supply of hermetic distribution transformers. From 2021 onwards, change in the market situation in terms of price levels, availability of raw materials as well as delivery deadlines have made it difficult for Energo Veritas OÜ to comply with the framework contracts concluded with Enefit Connect OÜ on the agreed terms, and the war in Ukraine further aggravated it. On 20 September 2022, Enefit Connect OÜ filed a claim against Energo Veritas OÜ for a breach of the framework agreements for a total amount of 1,374,645.38 euros. The amount includes fines for delays, non-fulfilment of orders, and failure to ensure emergency reserves. In addition, Enefit Connect OÜ notified its intention to file a claim for an amount of 2,094,249 euros arising from the difference between the prices agreed in the framework agreements and the prices of the agreements awarded by Enefit Connect OÜ as a result of the dynamic procurement system. This is a loss for the future, as Enefit Connect OÜ has not yet made any payments in excess of the price stated in the framework agreement as of 20 September 2022. Energo Veritas OÜ is of the opinion that the framework agreements have been cancelled and the framework agreements have been lawfully withdrawn from and does not admit or concede the merits of the claim or the existence of an infringement. (Note 11)

Recognitions and Anniversaries



The city of Panevėžys recognized Harju Elekter UAB with #PanevėžysJungias awards. The company received the award "Cooperation in increasing people's potential" for the training academy and the award "Cooperation in improving the business environment" for good cooperation with the Panevėžys city government.



On September 30, AS Harju Elekter celebrated a quarter of a century since going public. During 25 years on the stock exchange, the Group has increased its turnover 22 times, and the company's market value has increased almost 10 times. Harju Elekter is the most stable dividend payer on the Tallinn Stock Exchange - it is the only company in Estonia that has paid dividends every year since its listing.



OPERATING RESULTS

Revenue

Revenue by business activities (EUR'000)	Q3 2022	Q3 2021	+/-	9M 2022	9M 2021	+/-	% 9M 2022	% 9M 2021
Manufacturing and sale of electrical equipment	38,897	35,168	10.6%	104,525	91,026	14.8%	83.4%	83.4%
Retail and project-based sale of electrical products	2,629	3,203	-17.9%	8,220	7,235	13.6%	6.6%	6.6%
Other products	1,175	946	24.2%	4,108	2,832	45.1%	3.2%	2.6%
Lease income	863	791	9.1%	2,510	2,333	7.6%	2.0%	2.1%
Electrical works	1,427	1,449	-1.5%	3,460	4,310	-19.7%	2.8%	3.9%
Other services	1,090	611	78.4%	2,492	1,459	70.8%	2.0%	1.4%
Total	46,081	42,168	9.3%	125,315	109,195	14.8%	100.0%	100.0%

The Group's revenue for the reporting quarter was 46.1 (Q3 2021: 42.2) million euros, growing by 9.3% compared to the comparable period. Revenue for nine months increased by 14.8% year-on-year, being 125.3 (9M 2021: 109.2) million euros. In the comparison of both periods, revenue increased in manufacturing companies and the real estate sector. Manufacturing and sales of electrical equipment accounted for the majority of the increase, rising by 3.7 million euros in the quarter comparison and 13.5 million euros in the nine-month comparison. The most significant projects were a custom-made global data center power supply equipment, which was manufactured at Harju Elekter's Lithuanian plant. It took just over half a year to create the prefabricated container solutions. The development and design process and innovative production took part in collaboration with our international partners and the engineers from our various production units and resulted in a complex full-load test. The revenue of electrical works in the shipbuilding sector in both periods was below the results of the previous year. Shipyards have experienced difficulties with the availability of sheet metal, which slows down production and in turn delays the fulfilment of our services. In addition, the volume of larger project orders has decreased significantly. The Finnish Government's new funding plans for the construction of border guard vessels will support the recovery of work volume in the sector. Unprofitable contracts cancelled in the retail and project-based sale of electrical products lowered the revenue of the reporting quarter, which was 0.6 million euros less than in the previous year.

Revenue by segment (EUR'000)	Q3 2022	Q3 2021	+/-	9M 2022	9M 2021	+/-	% 9M 2022	% 9M 2021
Production	41,168	36,968	11.4%	111,325	95,811	16.2%	88.8%	87.7%
Real Estate	1,205	945	27.5%	3,343	2,792	19.7%	2.7%	2.6%
Other activities	3,708	4,255	-12.9%	10,647	10,592	0.5%	8.5%	9.7%
Total	46,081	42,168	9.3%	125,315	109,195	14.8%	100.0%	100.0%



The revenue of the production segment increased by 11.4% in the reporting quarter and by 16.2% in nine months, being 41.2 and 111.3 million euros, respectively. The growth mainly came from the increase in the sales volume of substations, cable distribution cabinets and solar panel systems. Compared to the previous year, the Finnish subsidiary's product range has seen the addition of the ElektrA family of electric vehicle charging stations, for which a rapid increase in demand has also been observed. The production segment accounted for 89.3% of the Group's consolidated revenue in the third quarter and 88.8% of the nine-month revenue.



The real estate segment has seen a steady increase in revenue, mostly driven by the addition of built or renovated spaces and changes in rental prices. The sale of renewable energy has also increased. In the reporting quarter, revenue from rental spaces in the industrial parks in Keila, Allika and Haapsalu and from other services of real estate segment amounted to 1.2 million euros, which is 27.5% more than a year earlier. The nine-month revenue from the real estate segment increased by 19.7%, amounting to 3.3 million euros. The real estate segment accounted for 2.6% of the Group's consolidated revenue in the third quarter and 2.7% of the nine-month revenue.



Revenue from other activities decreased by 0.5 million euros year-on-year to 3.7 million euros. The nine-month revenue remained at the same level compared to the previous year, totaling 10.6 million euros. The decrease in revenue was influenced by the decrease in project and retail sales of electrical products and electrical works in the shipbuilding sector. Other activities accounted for 8.0% of the Group's consolidated revenue in the third quarter and 8.5% of the nine-month revenue.

Revenue by markets (EUR '000)	Q3 2022	Q3 2021	+/-	9M 2022	9M 2021	+/-	% 9M 2022	% 9M 2021
Estonia	8,915	7,508	18.7%	22,679	19,466	16.5%	18.1%	17.8%
Finland	21,816	20,029	8.9%	60,576	53,016	14.3%	48.3%	48.6%
Sweden	6,442	5,767	11.7%	15,764	17,231	-8.5%	12.6%	15.8%
Norway	5,508	5,082	8.4%	12,922	8,952	44.3%	10.3%	8.2%
Netherlands	543	959	-43.4%	5,890	3,290	79.0%	4.7%	3.0%
Other	2,857	2,823	1.2%	7,484	7,240	3.4%	6.0%	6.6%
Total	46,081	42,168	9.3%	125,315	109,195	14.8%	100.0%	100.0%

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 92.6% (Q3 2021: 91%) of the Group's products and services were sold in the reporting quarter.



The Group's Estonian companies contribute to the home market activities by participating in potential electrical equipment procurements, offering different industrial rental spaces for corporate customers, and selling electrical equipment for retail and project sales. In the third quarter revenue to the Estonian market was 8.9 (Q3 2021: 7.5) and in nine months 22.7 (9M 2021: 19.5) million euros, making up 19.3% and 18.1% (Q3 and 9M 2021: 17.8%) of the consolidated revenue, respectively. The growth mainly came from the increase in the sales volume of substations and cable distribution cabinets.



In the reporting quarter, revenue in Finland was 1.8 million euros more than the year before, a total of 21.8 million euros. In nine months, 60.6 (9M 2021: 53.0) million euros were earned from the Finnish market. The majority of the increase in revenue came from the sale of substations to Finnish electricity network companies, the growth in the volume of car heating and charging equipment, and solar panel systems. The lower-than-usual revenue in the same period of previous year were mainly affected by a decrease in orders due to the snowy and cold winter, the start of new long-term orders, as well as some supply constraints and material shortages. In the reporting quarter, 47.3% (Q3 2021: 47.5%) and within nine months 48.3% (9M 2021: 48.6%) of Harju Elekter products and services were sold to the Group's largest market.



Sales to the Swedish market increased by 11.7% compared to the reporting quarters but decreased by 8.5% compared to nine months, being 6.4 and 15.8 million euros, respectively. The nine-month benchmark for the Swedish market was high, as the Swedish subsidiary had more projects underway than usual in the local market in the same period last year. Sweden accounted 14.0% (Q3 2021: 13.7%) of the consolidated revenue of the reporting quarter and 12.6% (9M 2021: 15.8%) of the nine-month revenue.



During the reporting quarter 5.5 (Q3 2021: 5.1) million euros worth of Group products and services were sold on the Norwegian market. The revenue earned from the Norwegian market in nine months was 12.9 million euros, which was 44% more than in the same period of the previous year. Revenue increases in both periods are due to low order volume in the comparison periods. The Norwegian market accounted for 12.0% (Q3 2021: 12.1%) of the quarter's revenue and 10.3% (9M 2021: 8.2%) of the nine-month revenue.

Due to the decline in the Netherlands market, the year-on-year revenue to other markets fell by 10%, to 3.4 million euros. Nine-month revenue to other markets totalled 13.4 (9M 2021: 10.5) million euros. Compared to the same period last year, sales to Germany decreased and sales to the Netherlands and US markets increased. Other markets accounted for 7.4% (Q3 2021: 9.0%) of the consolidated revenue of the reporting quarter and 10.7% (9M 2021: 9.6%) of the nine-month revenue.

Operating expenses

(EUR '000)	Q3 2022	Q3 2021	+/-	9M 2022	9M 2021	+/-	% 9M 2022	% 9M 2021
Cost of sales	40,278	37,142	8.4%	115,564	96,018	20.4%	90.4%	89.7%
Distribution costs	1,264	1,469	-14.0%	4,128	3,999	3.2%	3.2%	3.7%
Administrative expenses	2,728	2,393	14.0%	8,157	7,048	15.7%	6.4%	6.6%
Total operating expenses	44,270	41,004	8.0%	127,849	107,065	19.4%	100.0%	100.0%
<i>incl. depreciation, amortization, impairment</i>	1,491	975	52.9%	3,643	2,931	24.3%	2.8%	2.7%
<i>incl. total labour cost</i>	7,468	7,337	1.8%	25,320	22,266	13.7%	19.8%	20.8%
<i>incl. inclusive salary cost</i>	6,202	5,512	12.5%	19,748	17,056	15.8%	15.4%	15.9%

The Group's business expenses totalled 44.3 (Q3 2021: 41.0) million euros in the reporting quarter and 127.8 (9M 2021: 107.1) million in nine months. The majority of the increase in operating expenses was due to the increase in the

cost of sales respectively, 8.4% in the quarter and 20.4% in nine months. Increases in the cost of materials and components as a result of several global crises, rising salaries for skilled labour, and inefficiencies in production due to delays in the supply of needed components, made it necessary to critically re-evaluate the contracts for long-term projects and their potential profitability outcomes. In the previous quarter, the Group set up several reserves to cover potential costs and expensed losses on already concluded transactions. The growth rate of the costs of sales was lower than the growth rate of revenue by 0.9 percentage points in the reporting quarter. The gross profit margin increased by 0.7 percentage points to 12.6 percent compared to the indicators of the comparable quarter. The nine-month gross profit margin was 7.8% (9M 2021: 12.1%).

Distribution costs decreased by 0.2 million to 1.3 million euros quarter-on-quarter, making up 2.9% of the Group's operating expenses and 2.7% of revenue. Administrative expenses increased by 0.3 million euros to 2.7 million euros quarter-on-quarter, accounting for 6.2% of the Group's operating expenses and 5.9% of revenue. An impairment for goodwill of Energo Veritas OÜ in the amount of 0.4 million euros was included in the administrative expenses during the current quarter. The total distribution costs for the nine months were 4.1 (9M 2021: 4.0) and administrative expenses were 8.2 (9M 2021: 7.0) million euros.

In a quarterly comparison, labour costs increased by 1.8%, amounting to 7.5 million euros. In the nine-month comparison, labor costs increased by 3.0 million, being 25.3 million euros. The ratio of labour costs to the Group's revenue was 16.2% (Q3 2021: 17.4%) in the reporting quarter and 20.2% (9M 2021: 20.4%) in the nine months. The average monthly salary per employee of the Group during the nine months was 2,488 (9M 2021: 2,328) euros, which was 6.9% 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 property, plant and equipment and intangible assets totalled 1.1 million euros in the third quarter, and 3.2 million euros during the nine months, increasing by 10% compared to the comparable period. The increase in depreciation comparing the second quarters was due to the addition of several investments and, in particular, by completion of the expansion of the Lithuanian factory in the third quarter of 2021. In addition, the goodwill impairment of Energo Veritas OÜ was 0.4 million euros, more detailed information is provided in Appendix 11.

PERSONNEL

Harju Elekter contributes to the next generation of engineering professionals by supporting academic learning through internships and knowledge sharing. Harju Elekter organises excursions for young people, participates in student events and job fairs, and offers practical work experience. The aim of the academy located in Lithuania is to attract young people to the field of engineering and to improve the qualifications of existing employees. During the reporting period, we were engaged in supporting the comprehensive development of employees, strengthening teams, improving internal communication, and creating a system for recognising employees. Harju Elekter promotes a healthy lifestyle by organising Group-wide exercise competitions.

At the end of the reporting period, the Group employed 871 people, which was 24 employees more than a year ago. In the reporting quarter, the Group employed an average of 876 people, which was on average 34 employees more than in the comparable period. The largest increases were in Lithuanian and Finnish manufacturing companies, where the increase in production volumes resulting from the new production space and the overcapacity in production due to delays in the supply chain have created the need to recruit new staff. In the reporting quarter, 6.2 (Q3 2021: 5.5) million euros were paid to employees as salaries and remuneration.



	Average numbers of employees				Numbers of employees				
	Q3 2022	Q3 2021	9M 2022	9M 2021	30.09.22	30.09.21	+/-	% 30.09.22	% 30.09.21
Estonia	369	385	381	372	367	378	-11	42.1%	44.6%
Finland	168	148	164	143	169	151	18	19.4%	17.8%
Lithuania	270	233	267	226	269	244	25	30.9%	28.8%
Sweden	69	76	69	73	66	74	-8	7.6%	8.8%
Total	876	842	881	814	871	847	24	100.0%	100.0%

SUPERVISORY, AUDIT COMMITTEE AND MANAGEMENT BOARDS

In connection with the expiry of the term of office of the members of the Supervisory Board, the shareholders elected a new Supervisory Board from 4 May 2022, in the following composition: Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ), Andres Toome (consultant, Managing Director of OÜ Tradematic), Aare Kirsme (Member of the Supervisory Board of AS Harju KEK), Arvi Hamburg (Member of the Estonian Association of Engineers and Committee of Energy of the Academy of Sciences), Märt Luuk (Member of the Supervisory Board of AS Harju KEK) and Risto Vahimets (Ellex, Head of M&A, partner). The new Chairman of the Supervisory Board is Triinu Tombak. She has been the Member of the Supervisory Board of AS Harju Elekter from 1997 to 2007 and from 2012 to date.

The Supervisory Board of AS Harju Elekter decided on May 20th, 2022, to appoint Risto Vahimets as the new member of the Audit Committee and Andres Toome as the chairman of the Audit Committee.

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). Supervisory board of AS Harju Elekter elected Mr. Priit Treial as the new Member of the Board and Chief Financial Officer of the company, taking office on 14 November 2022 and his term of office is three years.

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/>.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

On 28 April, 2022, the Annual General Meeting (AGM) of Shareholders of AS Harju Elekter was held, in which 65 shareholders and their authorized representatives participated, representing a total of 11,581,806 votes, being 64.28% of the total votes.

The AGM approved the 2021 annual report and profit distribution and decided to pay dividends amounting to 0.14 euros per share, totalling 2.5 million euros. The list of the shareholders entitled to the dividends was fixed on 16 May 2022 at the end of the business day of the settlement system. The dividends were transferred to the shareholders' bank accounts on 24 May 2022.



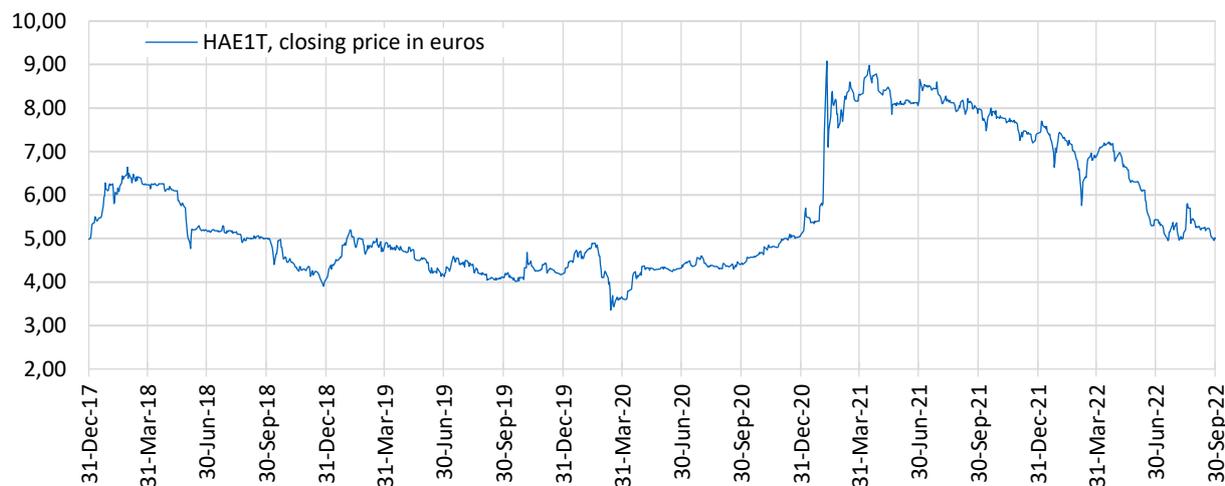
The AGM of Shareholders also elected a new 6-member Supervisory Board for the next five years and approved the remuneration principles for the members of the Management Board and the amendment to the Articles of Association of AS Harju Elekter.

The new Chairman of the Supervisory Board is Triinu Tombak.

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	9M 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)	4.85	5.20	3.20	4.01	3.89
Closing price (euros)	5.05	7.44	5.18	4.21	4.12
Traded shares (pcs)	619,222	2,048,865	1,160,598	531,415	1,100,773
Turnover (in million euros)	3.90	15.85	4.99	2.35	5.98
Capitalisation (in million euros)	91.32	134.06	91.89	74.68	73.09
Average number of the shares (pcs)	18,082,781	17,855,220	17,739,880	17,739,880	17,739,880
EPS (euros)	-0.17	0.15	0.31	0.14	0.09

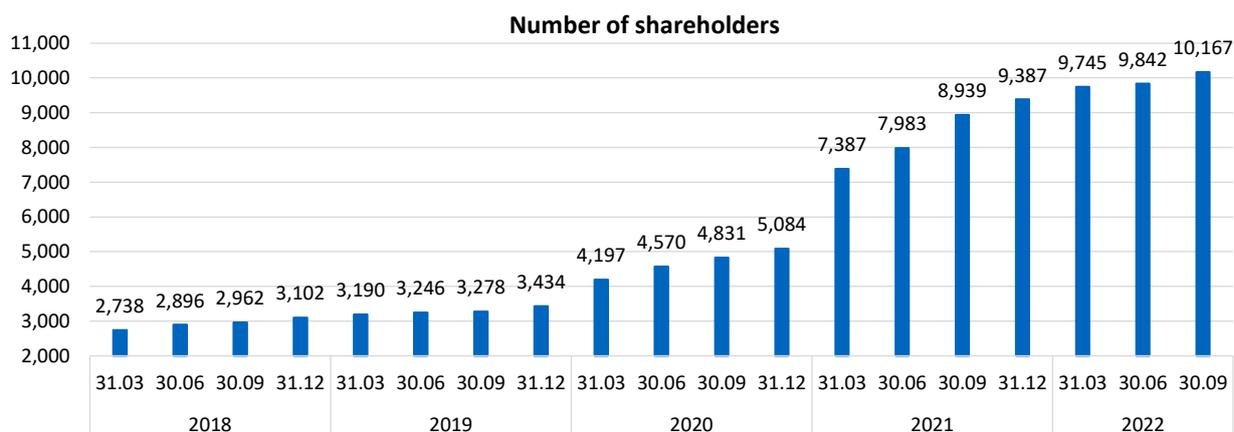
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2017 – 30 September 2022 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 30 September 2022:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	40.8	AS Harju KEK	30.44
1.0 – 10.0%	7	0.1	19.8	ING Luxembourg S.A.	10.39
0.1 – 1.0 %	57	0.6	16.4	Endel Palla	6.91
< 0.1%	10,101	99.3	23.0	Shareholders holding under 5%	52.26
Total	10,167	100.0	100.0	Total	100.00

As of 30 September 2022, AS Harju Elekter had 10,167 shareholders. The number of shareholders increased during the reporting quarter by 325 members. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which holds 30.44 0% of AS Harju Elekter's share capital. On 30 September 2022, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 4.12% 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	30.09.2022	31.12.2021	30.09.2021
Current assets				
Cash and cash equivalents		504	574	997
Trade and other receivables		34,069	33,689	32,467
Prepayments		1,497	1,844	1,601
Inventories		43,809	27,437	26,150
Total current assets		79,879	63,544	61,215
Non-current assets				
Deferred income tax assets		756	690	572
Non-current financial investments	2	23,707	25,222	21,321
Investment properties	3	24,754	23,903	23,369
Property, plant and equipment	4	25,490	26,654	24,750
Intangible assets	4	7,372	7,544	7,467
Total non-current assets		82,079	84,013	77,479
TOTAL ASSETS	7	161,958	147,557	138,694
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	20,667	16,912	12,585
Prepayments from customers		8,021	4,659	4,958
Trade and other payables		32,720	24,490	23,830
Tax liabilities		3,881	3,156	2,870
Current provisions		535	35	93
Total current liabilities		65,824	49,252	44,336
Borrowings	5	14,222	11,426	12,252
Other non-current liabilities		32	33	63
Total non-current liabilities		14,254	11,459	12,315
Total liabilities		80,078	60,711	56,651
Equity				
Share capital	6	11,523	11,352	11,352
Share premium		2,509	1,601	1,601
Reserves		17,756	18,716	14,807
Retained earnings		50,291	55,315	54,427
Total equity attributable to the owners of the parent company		82,079	86,984	82,187
Non-controlling interests		-199	-138	-144
Total equity		81,880	86,846	82,043
TOTAL LIABILITIES AND EQUITY		161,958	147,557	138,694

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	Q3 2022	Q3 2021	9M 2022	9M 2021
Revenue	7	46,081	42,168	125,315	109,195
Cost of sales		-40,278	-37,142	-115,564	-96,018
Gross profit		5,803	5,026	9,751	13,177
Distribution costs		-1,264	-1,469	-4,128	-3,999
Administrative expenses		-2,728	-2,393	-8,157	-7,048
Other income		0	39	342	400
Other expenses		-120	-20	-290	-180
Operating profit/loss (-)	7	1,691	1,183	-2,482	2,350
Finance income		0	3	74	71
Finance costs		-146	-95	-377	-252
Profit/loss (-) before tax		1,545	1,091	-2,785	2,169
Income tax	9	-139	-160	-300	-453
Profit/loss (-) for the period		1,406	931	-3,085	1,716
Profit /loss (-) attributable to:					
Owners of the parent company		1,493	915	-3,024	1,710
Non-controlling interests		-87	16	-61	6
Earnings per share					
Basic earnings per share (euros)	8	0.08	0.05	-0.17	0.10
Diluted earnings per share (euros)	8	0.08	0.05	-0.17	0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q3 2022	Q3 2021	9M 2022	9M 2021
Profit/loss (-) for the period		1,406	931	-3,085	1,716
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-96	-8	-161	-13
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	0	320	265
Net gain/loss (-) on revaluation of financial assets	2	112	49	-746	8,369
Total comprehensive income for the period		16	41	-587	8,621
Other comprehensive income		1,422	972	-3,672	10,337
Total comprehensive income attributable to:					
Owners of the Company		1,412	956	-3,708	10,331
Non-controlling interests		10	16	36	6

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9M 2022	9M 2021
Cash flows from operating activities			
Profit/loss (-) for the period		-3,085	1,716
<u>Adjustments</u>			
Depreciation and amortization, impairment	3,4	3,643	2,931
Gain on sale of property, plant and equipment		-8	-17
Share-based payments	10	150	174
Finance income		-73	-71
Finance costs		375	252
Income tax	9	300	453
<u>Changes</u>			
Changes in trade receivables and prepayments		-57	-6,017
Changes in inventories		-16,373	-7,527
Changes in trade payables and prepayments		12,970	8,743
Corporate income tax paid	9	-273	-474
Interest paid		-385	-257
Total cash flow (-outflow) from operating activities		-2,816	-94
Cash flows from investing activities			
Payments for investment properties	9	-1,716	-304
Payments for property, plant and equipment	9	-1,103	-4,076
Payments for intangible assets		-424	-532
Acquisition of financial investments	2	-227	-1,749
Proceeds from sale of property, plant and equipment		20	33
Proceeds from sale of other financial investments	2	1,315	981
Dividends received		72	66
Received interests		2	4
Total cash flow (-outflow) from investing activities		-2,061	-5,577
Cash flows from financing activities			
Change in overdraft balance	5	3,436	4,041
Proceeds from borrowings	5	5,716	7,649
Repayment of borrowings	5	-1,687	-5,282
Repayments of lease liabilities	5	-1 002	-840
Proceeds from the share issue		1,049	946
Dividends paid		-2,523	-2,838
Dividends income tax paid		-55	-10
Total cash flow (-outflow) from financing activities		5,022	3,831
Total net cash flow (-outflow)		57	-1,840
Cash and cash equivalents at the beginning of the period		574	2,843
Changes in cash and cash equivalents		57	-1,840
Effect of exchange rate fluctuations on cash and cash equivalents		-127	-6
Cash and cash equivalents at the end of the period		504	997

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 30 September	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	1,710	1,710	6	1,716
Other comprehensive income	0	0	8,356	265	8,621	0	8,621
Total comprehensive income	0	0	8,356	1,975	10,331	6	10,337
Transactions with owners recognized directly in equity							
Share capital contribution	176	797	0	0	973	0	973
Share-based payments (Note 8,10)	0	0	-258	432	174	0	174
Dividends	0	0	0	-2,838	-2,838	0	-2,838
Total transactions with owners	176	797	-258	-2,406	-1,691	0	-1,691
Balance at 30 September 2021	11,352	1,601	14,807	54,427	82,186	-144	82,043
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	-3,024	-3,024	-61	-3,085
Other comprehensive income	0	0	-907	320	-587	0	-587
Total comprehensive income	0	0	-907	-2,704	-3,611	-61	-3,672
Transactions with owners recognized directly in equity							
Share capital contribution	171	908	0	0	1,079	0	1,079
Share-based payments (Note 8,10)	0	0	-53	203	150	0	150
Dividends	0	0	0	-2,523	-2,523	0	-2,523
Total transactions with owners	171	908	-53	-2,320	-1,294	0	-1,294
Balance at 30 September 2022	11,523	2,509	17,756	50,291	82,079	-199	81,880

On April 28, 2022, the Annual General Meeting of shareholders of AS Harju Elekter was held; it approved the 2021 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.14 euro per share for 2021, totalling 2,523 thousand euros. The dividends were paid to the shareholders on 24 May 2022 by a transfer to the bank account of the shareholder.

AS Harju Elekter increased the share capital of the company by 170,700 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The total proceeds from the share issue amounted to 1,079 thousand euros of which the share premium was 908 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,523 thousand euros divided into 18.3 million ordinary shares without a nominal value.

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 30 September 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; 30.44% 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 third quarter and 9 month 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

	30.09.2022	31.12.2021	30.09.2021
Listed securities (fair value through other comprehensive income)	1,412	2,898	3,057
Other equity investments (fair value through other comprehensive income)	22,287	22,315	18,256
Other financial assets through profit or loss	8	9	8
Total	23,707	25,222	21,321
Changes	9M 2022	12M 2021	9M 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	227	1,749	1,749
Sale of financial assets	-995	-716	-716
Change in fair value through other comprehensive income	-746	12,269	8,369
Carrying amount at the end of the period	23,699	25,213	21,313
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	-1	2	1
Carrying amount at the end of the period	8	9	8
Total carrying amount at the end of the period	23,707	25,222	21,321

A total of 1.3 million euros was received from the financial investments during the nine months. Realized gain on sale of financial assets in the amount of 0.3 million euros was recognized through other comprehensive income. During the nine months of 2021, 1.0 million euros were received from the sale of securities listed on the stock exchange, of which the realized profit was 0.3 thousand euros. The fair value of securities decreased by 0.7 million euros during nine months, increased by 0.4 thousand euros in nine months of 2021.

As of 30 September 2022, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (30.09.2021: 18.0) million euros and in the shares of IGL-Technologies Oy in the amount of 0.5 (30.09.2021: 0.25) million euros. Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10% and sold a 14% holding in SIA Energokomplekss to the company's managing director Kristaps Bleija, to focus on its core business.

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	9M 2022	12M 2021	9M 2021
Balance at the beginning of the period		23,903	23,605	23,605
Additions	7	1,600	1,321	491
Depreciation	7	-725	-970	-727
Reclassification from property, plant and equipment	4	-22	-53	0
Impact of exchange rate changes		-2	0	0
At the end of the period		24,754	23,903	23,369

Note 4 Property, plant and equipment; intangible assets

	Note	9M 2022	12M 2021	9M 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		71	880	0
Additions	7	1,114	5,741	4,010
Sales and write-off in carrying amount		-15	-17	-17
Depreciation	7	-2,323	-2,714	-1,959
Reclassification from inventories		0	233	233
Reclassification to investment properties	3	22	53	0
Impact of exchange rate changes		-33	-16	-11
At the end of the period		25,490	26,654	24,750
2. Intangible assets				
Balance at the beginning of the period		7,544	7,199	7,199
Additions	7	424	680	515
Amortization	7	-185	-334	-245
Impairment of goodwill	11	-410	0	0
Impact of exchange rate changes		-1	-1	-2
At the end of the period		7,372	7,544	7,467

Note 5 Borrowings

	30.09.2022	31.12.2021	30.09.2021
Current borrowings			
Current bank loans	17,588	14,152	11,779
Current portion of non-current bank loans	522	1,485	417
Current portion of non-current lease liabilities	284	1,261	277
Other current loans	2,273	14	112
Total current borrowings	20,667	16,912	12,585
Non-current borrowings			
Non-current bank loans	11,904	9,171	10,247
Non-current lease liabilities	2,318	2,255	2,005
Total non-current borrowings	14,222	11,426	12,252
Total borrowings	34,889	28,338	24,837
Changes in borrowings	9M 2022	12M 2021	9M 2021
Loans and borrowings at the beginning of the period	28,338	19,088	19,088
Change in overdraft balances	3,436	6,414	4,041
Received non-current loans	3,457	8,063	7,649
Repayments of non-current loans	-1,687	-5,058	-4,635
Other received and repaid loans	2,259	-746	-647
New lease liabilities	71	2,031	165
Repayments of non-current lease liabilities	-1,002	-1,476	-840
Impact of exchange rate changes	17	22	16
Loans and borrowings at the end of the period	34,889	28,338	24,837

Note 6 Share capital

	30.09.2022	31.12.2021	30.09.2021
Share capital (thousand euros)	11,523	11,352	11,352
Number of shares (pcs)	18,289,508	18,018,555	18,018,555
Book value of a share (euros)	0.63	0.63	0.63

On 15 July 2022, the Supervisory Board of AS Harju Elekter decided to increase the share capital of the company by 170,700 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The subscription term was 15 July 2022, and the issue price was 3.98 euros per share. A total of 270,953 ordinary shares were subscribed for at a book value of 0.63 euros per share. The total proceeds from the share issue amounted to 1,079 thousand euros of which the share premium was 908 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,523 thousand euros divided into 18.3 million ordinary shares without a nominal value. The new shares to be issued during the increase of share capital shall grant the right to dividend for the financial year started on 1 January 2022.

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
9 months 2022						
Revenue from external customers		111,325	3,343	10,647	0	125,315
Inter-segment revenue		963	1,271	247	-2,481	
Segment revenue		112,288	4,614	10,894	-2,481	125,315
Operating profit		-2,884	1,908	-1,643	137	-2,482
Segment assets		104,708	28,070	30,431	-24,562	138,647
Unallocated assets						23,311
<i>incl. Financial investments</i>						23,212
<i>incl. Other receivables and prepayments</i>						99
Total assets						161,958
Capital expenditure	3,4	1,289	1,600	249	0	3,138
Right-of-use assets	3,4	0	0	71	0	71
Depreciation and amortization	3,4	1,958	725	974	-14	3,643
9 months 2021						
Revenue from external customers		95,811	2,792	10,592	0	109,195
Inter-segment revenue		390	1,342	138	-1,870	
Segment revenue		96,201	4,134	10,730	-1,870	109,195
Operating profit		736	1,543	-208	279	2,350
Segment assets		84,692	25,947	27,494	-20,573	117,560
Unallocated assets						21,134
<i>incl. Financial investments</i>						21,054
<i>incl. Other receivables and prepayments</i>						80
Total assets						138,694
Capital expenditure	3,4	3,894	491	631	0	5,016
Depreciation and amortization	3,4	1,581	727	643	-20	2,931

Revenue by geographic regions (customer location)

	9M 2022	9M 2021
Estonia	22,679	19,466
Finland	60,576	53,016
Sweden	15,764	17,231
Norway	12,922	8,952
Netherlands	5,890	3,290
Other	7,484	7,240
Total revenue	125,315	109,195

Revenue by business activities

	9M 2022	9M 2021
Manufacturing and sale of electrical equipment	104,525	91,026
Retail and project-based sale of electrical products	8,220	7,235
Other products	4,108	2,832
Lease income	2,510	2,333
Electrical works	3,460	4,310
Other services	2,492	1,459
Total revenue	125,315	109,195

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 30 September 2022, the Group had a total of 447,468 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 and 2019 rounds, 549,628 shares were converted.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 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 July to 30 September 2022, the average market price of the shares was 5.21 (Q3 2021: 8.19) euros and during the period from 1 January to 30 September 2022, the average market price of the shares was 6.29 (9M 2021: 7.75) euros.

	Unit	Q3 2022	Q3 2021
Profit attributable to equity holders of the parent company	EUR '000	1,493	915
Average number of shares outstanding	Pc '000	18,211	17,935
Basic earnings per share	EUR	0.08	0.05
Adjusted number of shares during the period	Pc '000	18,296	18,104
Diluted earnings per share	EUR	0.08	0.05
	Unit	9M 2022	9M 2021
Profit attributable to equity holders of the parent company	EUR '000	-3,024	1,710
Average number of shares outstanding	Pc '000	18,083	17,805
Basic earnings per share	EUR	-0.17	0.10
Adjusted number of shares during the period	Pc '000	18,138	17,903
Diluted earnings per share	EUR	-0.17	0.10

Note 9 Information on the statement of cash flows line items

	Note	9M 2022	9M 2021
Corporate income tax			
Income tax expense in the statement of profit or loss		-300	-453
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		37	27
Dividend income tax expense		55	10
Income tax expense on dividends		-65	-58
Corporate income tax paid		-273	-474
Paid for investment properties			
Acquisitions of investment properties	3	-1,600	-491
Liability decrease (-)/ increase (+) incurred by the acquisitions		-116	187
Paid for investment properties		-1,716	-304
Paid for property, plant and equipment			
Acquisitions of property, plant and equipment	4	-1,114	-4,010
Liability decrease (-)/ increase (+) incurred by the acquisitions		11	-66
Paid for property, plant and equipment		-1,103	-4,076

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:

	30.09.2022	31.12.2021	30.09.2021
Balances with related parties:			
- Payables for goods and services	74	93	45
- Payables to Management and Supervisory Boards	54	37	41
	9M 2022	12M 2021	9M 2021
Purchase of goods and services from related parties:			
- Other services, Lease of property, plant from AS Harju KEK	62	118	98
- Other services from AS Entek	658	599	390
Sale of goods and services to related parties:			
- Other services for AS Harju KEK	1	3	2
- Sale of goods and services to AS Entek	2	3	3
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	331	413	328
- Social security tax	109	133	109

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.

Share-based payments

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

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. As at the reporting date, 35,750 subscription rights have been cancelled. 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 2021, 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 447,468. During the reporting period, share-based payments recognized as labour costs totalled to 150 (9M 2021: 174) thousand euros, of which the share of the members of the Management and Supervisory Boards was 11 (9M 2021: 38) thousand euros. The pricing of the option is disclosed in Note 8.

Lisa 11 Potential liabilities

Energio Veritas OÜ cancelled the framework contracts with Enefit Connect OÜ for the supply of hermetic distribution transformers. Enefit Connect OÜ submitted a claim for a contractual penalty totalling 1.4 million euros to the subsidiary of the Group for a breach of framework contracts. In addition, Enefit Connect OÜ informed of its intention to file a claim in the amount of 2.1 million euros which arose from the difference between the prices agreed in the framework contracts and the prices in the contracts awarded by Enefit Connect OÜ as a result of procurements in the dynamic procurement system. This is a loss that will occur in the future, as Enefit Connect OÜ has not yet made any payments in excess of the price stated in the framework contract.

Energio Veritas OÜ does not acknowledge the claims made by Enefit Connect OÜ, and no compromise that would satisfy the counterparties was reached during the negotiations. Although the outcome of the dispute only affects the subsidiary and its going concern, the Group's Management Board has assessed the gravity of the situation and adopted a conservative stance.

The possibility is taken into account that the dispute may last for years which, regardless of the final outcome, may create a liquidity crisis for the subsidiary which, in turn, will have a negative impact on the Group. In the event that the subsidiary is unable to meet its obligations within a reasonable time or in full, the maximum possible impact on the Group is in the magnitude of 3.5 million euros, which necessitates the write-down of the loan claims of the parent company of the Group in the amount of 2.5 million euros and the Group's investment of 1.0 million euros in the subsidiary. In the reporting quarter, the Group wrote down Energio Veritas OÜ's goodwill in the amount of 0.4 million euros. The potential or the realised cost will have no effect on cash flow.

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 third quarter and nine month of 2022 as set out on pages 15 to 26 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

25 September 2022



Aron Kuhl-Thalfeldt

Member of the Management Board

25 September 2022

