



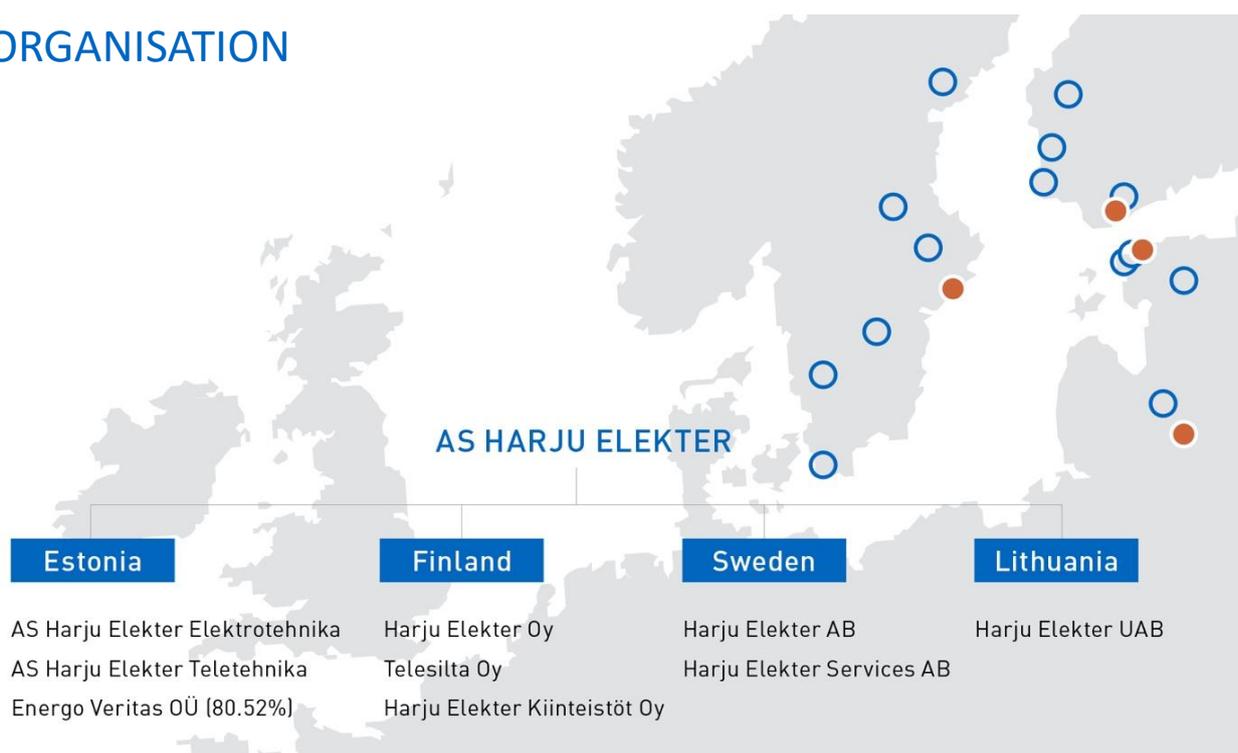
# CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE IV QUARTER AND 12 MONTHS OF 2022

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Financial year:	1 January – 31 December 2022
Reporting period:	1 January – 31 December 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, Borås, Luleå and Västerås

#### HARJU ELEKTER SERVICES AB

Industrial real estate holding company in Sweden

#### LC Development Fastigheter 17 AB (Harju Elekter Services AB 100% tütar)

Industrial real estate holding company in Sweden

### STRATEGICAL INVESTMENTS

#### ESTONIA

##### OÜ SKELETON TECHNOLOGIES GROUP (6.1%)

Developer and manufacturer of ultra-capacitors

#### 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 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**

- Supply Chain
- Regulations and Legislation
- Information Technology
- Financial risks
- Business ethics
- Corporate management
- Employees
- Environment
- Emergencies

## MANAGEMENT REPORT

### SUMMARY OF THE FOURTH QUARTER AND 12 MONTH RESULTS

#### Revenue and financial results

Harju Elekter earned revenue of 50.0 (2021 Q4: 43.6) million euros in the reporting quarter and 175.3 (2021: 152.8) million in the reporting year. Compared to the comparable periods, the quarterly and annual revenue growth was 14.7% and 14.8%.

The gross profit for the fourth quarter was 2,517 (2021 Q4: 4,703) thousand euros and the gross profit margin was 5.0% (2021 Q4: 10.8%). Operating loss (EBIT) was -2,063 (2021 Q4: operating profit 853) thousand euros. The operating margin of the fourth quarter was -4.1% (2021 Q4: 2.0%). The net loss for the reporting quarter was -2,482 (2021 Q4: net profit 894) thousand euros, of which the share of the owners of the parent company was -2,520 (2021 Q4: 888) thousand euros. Net loss per share in the last quarter was -0.14 (2021 Q4: net profit per share 0.05) euros. The result of the fourth quarter was most affected by a one-time expense of 1.0 million euros of inventory write-down and an increase of 1.5 million euros in the provision to cover unprofitable contracts.

The gross profit for 2022 was 12,269 (2021: 17,880) thousand euros and the gross profit margin was 7.0% (2021: 11.7%). The difficult year brought Harju Elekter a first operating loss (EBIT) of -4,546 (2021: operating profit 3,202) and a net loss of -5,567 (2021: net profit 2,610) thousand euros. Net loss per share was -0.31 (2021: net profit per share 0.15) euros. 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. Due to the dispute, the financial situation of the subsidiary Energo Veritas OÜ was in focus in the second half of the year, when the goodwill was impaired, and inventory was written down. Without taking one-time costs into account, the Group's business activities in the last half of the year would have been profitable and with better results than the year before.

#### Investments

During the reporting period, the Group invested a total of 15.2 (2021: 7.7) million euros in non-current assets, incl 1.8 (2021: 1.3) million euros in investment properties, 12.9 (2021: 5.7) million euros in property, plant, and equipment and 0.5 (2021: 0.7) million euros in intangible assets. In the last quarter, the Swedish subsidiary acquired a real estate company, LC Development Fastigheter 17 AB, which was created specifically for the construction of the Västerås factory, where the needs of Harju Elekter were taken into account in the construction process. The constructed building will be used for the Group's production activities. The acquisition of the company has been reflected as the acquisition of property, plant and equipment, and the total acquisition price of the land and building was 10.5 million euros. During the previous quarters, most of the investments 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, renovating buildings and a plot of land was 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 holding 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 (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 (2021: 0.27) million euros. The fair value of securities increased by 20 thousand in the reporting quarter, but in total decreased by 0.7 million euros in the reporting year, compared to a year earlier it increased by 0.5 million euros.

#### Current assets

Current assets increased by 15.4 million to 79.0 million euros during the reporting year. Most of the increase in current assets resulted from an increase in inventories by 9.6 million, to 37.1 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 during the first quarters. In the last quarter, the inventory of Energo Veritas OÜ was wrote-off by 1.0 million euros. By the end of the reporting period, materials accounted for 77% (31.12.21: 69%) of the total inventory. The remaining part includes work in progress and finished goods. 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. Trade and other receivables and prepayments decreased by 2.8 million to 32.7 million euros during the reporting year.

## Liabilities

At the reporting date, the Group had liabilities in total of 92.0 (31.12.21: 60.7) million euros, of which current part accounted for 77.5%. During the reporting year current liabilities increased by 22.0 million euros to 71.3 million euros, incl. an increase in prepayments from customers by 12.1 million euros. Most of the prepayments are intended to finance inventories acquired early for projects at the request of customers. Borrowings have increased by 16.8 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 – 24.4 (31.12.21: 16.9) and 20.7 (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 increased by 8.6 million euros to 9.2 million euros during the reporting year and decreased by 2.2 million euros to 0.6 million euros in the comparable period.

Total operating cash flows were 10.0 (2021 Q4: -0.4) in the reporting quarter and 7.2 (2021: -0.5) million euros in the reporting year. Production companies acquired a significant amount of materials for known customer projects, resulting in a total of 10.0 million euros being placed in inventories during a reporting year. Of the 14.6 million euros increase in business-related liabilities and prepaid income, the vast majority, 12.1 million euros, consisted of an increase in the prepayment made by customers.

During the reporting period 14.1 (2021: 7.0) million euros were allocated to investment activities. A total of 15.5 (2021: 8.4) million euros were paid for investments, of which the majority is related to the completed factory in Västerås, Sweden. A total of 1.3 (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. A total of 15.6 (2021: 8.1) million euros of current and non-current loans were received, of which 10 million euros were received at the end of the reporting year. The five-year loan from Coop Pank AS was used to cover the construction costs of the Västerås plant and the development of a new real estate project. Current and non-current loans were repaid by 1.8 (2021: 5.8) million euros, and the overdraft increased by 4.6 (2021: 6.4) million euros. All in all, 15.6 (2021: 5.3) million euros were received from financing activities.

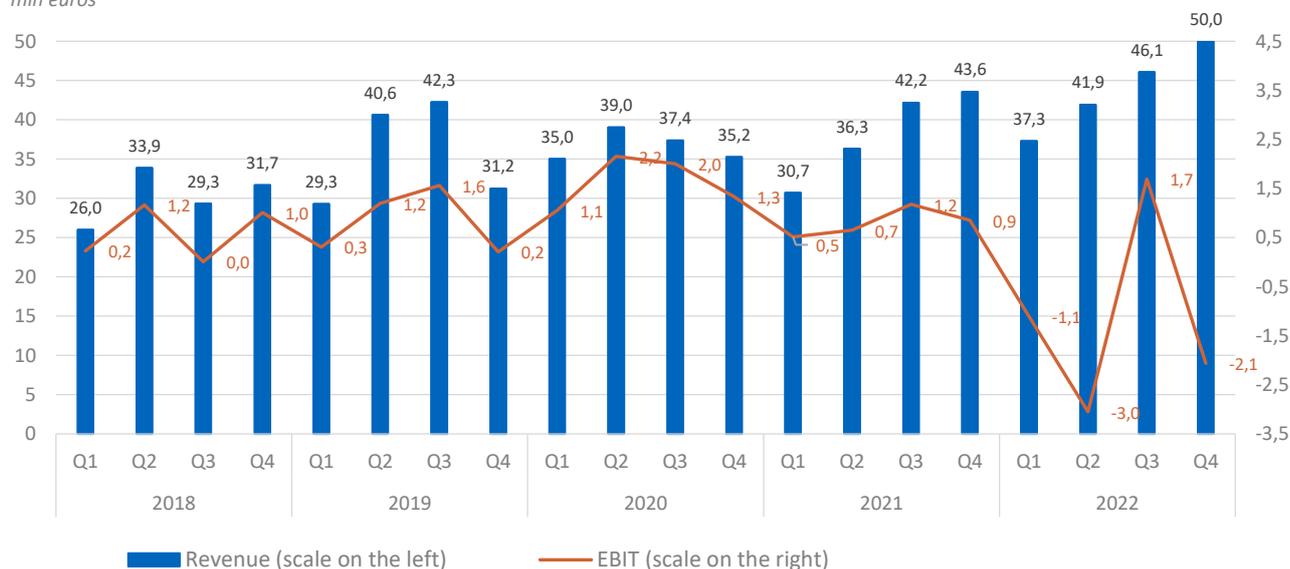
Key indicators (EUR'000)	Q4	Q4	+/-	12M	12M	+/-
	2022	2021		2022	2021	
Revenue	49,978	43,561	14.7%	175,293	152,757	14.8%
Gross profit	2,517	4,703	-46.5%	12,269	17,880	-31.4%
EBITDA	-943	1,939	-148.6%	217	7,220	-97.0%
Operating profit/loss (-) (EBIT)	-2,063	853	-341.9%	-4,546	3,202	-242.0%
Profit/loss (-) for the period	-2,482	894	-377.6%	-5,567	2,610	-313.3%
Incl. attributable to owners of the parent company	-2,520	888	-383.8%	-5,544	2,598	-313.4%
Earnings per share (EPS) (euros)	-0.14	0.05	-380.0%	-0.31	0.15	-306.7%
	<b>31.12.22</b>	<b>30.09.22</b>	<b>+/-</b>	<b>31.12.22</b>	<b>31.12.21</b>	<b>+/-</b>
Total current assets	78,958	79,879	-1.2%	78,958	63,544	24.3%
Total non-current assets	92,479	82,079	12.7%	92,479	84,013	10.1%
Total assets	171,437	161,958	5.9%	171,437	147,557	16.2%
Total liabilities	92,027	80,078	14.9%	92,027	60,711	51.6%

Ratios (%)	Q4	Q4	+/-	12M	12M	+/-
	2022	2021		2022	2021	
Distribution cost to revenue	2.9	2.9	0.0	3.2	3.4	-0.2
Administrative expenses to revenue	6.1	6.1	0.0	6.4	6.4	0.0
Labour cost to revenue	18.2	19.2	-1.0	19.6	20.1	-0.5
Gross margin (gross profit / revenue)	5.0	10.8	-5.8	7.0	11.7	-4.7
EBITDA margin (EBITDA / revenue)	-1.9	4.5	-6.4	0.1	4.7	-4.6
Operating margin (EBIT / revenue)	-4.1	2.0	-6.1	-2.6	2.1	-4.7
Net margin (profit/loss (-) for the period / revenue)	-5.0	2.1	-7.1	-3.2	1.7	-4.9
Inventory turnover (revenue / avg. inventories)	1.2	1.6	-0.4	5.5	6.6	-1.1
Return on equity (ROE) (profit/loss (-) for the period / avg.equity)	-3.1	1.1	-4.2	-6.7	3.3	-10.0
	<b>31.12.22</b>	<b>30.09.22</b>	<b>+/-</b>	<b>31.12.22</b>	<b>31.12.21</b>	<b>+/-</b>
Equity ratio (equity / total assets) (%)	46.3	50.6	-4.3	46.3	58.9	-12.6
Current ratio (current assets / current liabilities)	1.1	1.2	-0.1	1.1	1.3	-0.2
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)	0.6	0.5	0.1	0.6	0.7	-0.1

## Quarterly Changes in Revenue and EBIT

mln euros



## COMMENTARY FROM THE MANAGEMENT

The fourth quarter and year of Harju Elekter are marked by record revenues, increasing by almost 15% compared to previous periods. Annual revenue of 175.3 (2021: 152.8) million euros exceeds the Group's turnover record achieved last year. The growth in sales volumes has been supported by sustained customer relationships based on long-term reliable cooperation.

However, by the end of a difficult crisis year, the first loss in company history had to be absorbed. We managed to improve the financial results in the second half of the year, but despite our efforts, we had to make one-time significant reserves and write-offs, which did not allow us to make a profit. Without one-time costs, the operating profit for the last quarter would have been 0.4 (2021 Q4: 0.9) and the second half operating profit would have been 2.5 (2021 II half: 2.0) million euros.

We have laid a solid foundation for 2023 and will continue with the process of creating a cohesively functioning Harju Elekter Group. We have brought all production companies under the common Harju Elekter brand, introduced the slogan '*Electrifying Tomorrow*', and, with the mergers, have left only the main company in each location – a production company with focused activities. We have modern factories and equipment in Estonia, Finland, Sweden, and Lithuania.

In Västerås, Sweden, a new production building of 6,300 m<sup>2</sup> was completed at the end of the year, which is the latest addition to our industrial real estate portfolio. With the completion of our modern and spacious factory, we decided to consolidate the various units of our Swedish subsidiary in Västerås, to ensure savings and a more cohesive and stronger local unit. The restructuring of the operations of Harju Elekter in Sweden will allow for more efficient production, lower logistics costs, and better security of supply to clients, which are prerequisites for profitable growth.

The Group has good liquidity and capitalisation, as well as a strong governance structure. In the last quarter of the year, we established a Group management team comprised of experts and began the more centralised management of companies, especially in financial management-control, production-supply chain, and sales-marketing. Harju Elekter's strategy, which is integrated with sustainability goals, will focus on increasing the sales volumes and profitability of industrial production and projects in the coming years.

In agreement with the Supervisory Board, the Management Board shall submit a dividend proposal together with the notice of submission of the annual report and the convening of the general meeting, and it will depend on how management assesses the results at the beginning of the year.

## CHANGES IN THE STRUCTURE OF THE GROUP

### Changes in the management

The 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. The Supervisory Board also extended the mandate of the members of the management board Tiit Atso and Aron Kuhi-Thalfeldt for a new 3-year period until 31 October 2025.

A new strong management team was created to manage the Harju Elekter Group centrally, which includes Tiit Luman (*Chief Commercial Officer*) and Erko Lepa (*Chief Operating Officer*) in addition to the members of the management board. The members of the management team of the Group are also members of the boards of all Harju Elekter subsidiaries, which makes decision-making and management faster and more efficient. The establishment of the management team aims to bring strong sector knowledge and experience to the management of the international group, to centralise key areas, and to shape a unified organisation.

### 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.



On 15 December Harju Elekter Services AB acquired 100% of the shares of LC Development Fastigheter 17 AB. The purchased real estate company LC Development Fastigheter 17 AB was created specifically for the construction of the Västerås factory, where the production needs of Harju Elekter were taken into account in the construction process. In the future, it is planned to merge the purchased company with Harju Elekter Services AB, which results from the Group's principle of keeping production activities and real estate management in separate companies.

## 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 m<sup>2</sup> 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.



On 21 December, Harju Elekter AB signed an agreement with Gävle Energi AB, for the upgrade of the distribution substation in Gävle with accompanying rebuilding and civil works of the project by February 2024. The total volume of the agreement is 1.6 million euros. This is yet another larger substation project for Harju Elekter AB in Sweden. Once completed, the station will contribute to meeting the need for electrical power, both for industrial and residential users.

### 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.



## New plant in Sweden



It was decided to concentrate the various units of Harju Elekter AB in Västerås, where a new production building of 6,282 m<sup>2</sup> was completed at the end of the year, which is wholly owned by Harju Elekter. The reorganisation of operations in Sweden will allow for more efficient production, lower logistics costs, and improved security of supply for customers, which is a prerequisite for profitable growth.



On 28 December, AS Harju Elekter and Coop Pank AS entered into a loan agreement in the amount of 10 million euros to finance the construction costs of Västerås plant in Sweden and the development of a new real estate project. The term of the investment loan with a variable interest rate based on Euribor is five years. The loan is secured by a mortgage of first ranking on the Harju Elekter property located at Paldiski mnt 31, Keila. Harju Elekter's cooperation with Coop Pank AS, which is based on Estonian capital, helps to strengthen the company's capitalisation, and creates the necessary prerequisites for the realisation of Harju Elekter's growth strategy.

## EVENTS AFTER THE REPORTING DATE



Harju Elekter AB signed an agreement with one of Sweden's leading data centre operators, atNorth which is expanding their data centre in Sweden with the addition of several new server halls. According to the agreement Harju Elekter will deliver and install transformers and switchgear for electrical power distribution for the new server halls of the atNorth data centre during 2023. The total volume of the agreement is about 2.7 million euros.



AS Harju Elekter has decided, by agreement between the parties, to terminate the contract with Harju Elekter AB's Managing Director Mikael Shwartz Jonsson. Mikael Shwartz Jonsson will continue as Managing Director until 28 February 2023, after which Martin Frank will take over as acting director. The search to find a new Managing Director for Harju Elekter AB begins now with a plan to fill the position within six months.



AS Harju Elekter and Nordecon Betoon OÜ (brand name NOBE) signed a contract for the construction of a new production building in Allika Tööstuspark. Together with the construction cost of the building, the total real estate investment will amount to 5 million euros, and the works will be completed in December 2023.

## OPERATING RESULTS

### Revenue

Revenue by business activities (EUR '000)	Q4 2022	Q4 2021	+/-	12M 2022	12M 2021	+/-	% 12M 2022	% 12M 2021
Electrical equipment	43,698	35,631	22.6%	148,223	126,656	17.0%	84.6%	82.9%
Retail and project-based sale of electrical products	1,534	3,423	-55.2%	9,754	10,658	-8.5%	5.6%	7.0%
Other products	1,845	1,114	65.6%	5,953	3,946	50.9%	3.4%	2.6%
Lease income	815	798	2.1%	3,326	3,131	6.2%	1.9%	2.0%
Electrical works	1,984	1,736	14.3%	5,445	6,047	-10.0%	3.1%	4.0%
Other services	102	859	-88.1%	2,592	2,319	11.8%	1.4%	1.5%
<b>Total</b>	<b>49,978</b>	<b>43,561</b>	<b>14.7%</b>	<b>175,293</b>	<b>152,757</b>	<b>14.8%</b>	<b>100.0%</b>	<b>100.0%</b>

The Group's revenue for the reporting quarter was 50.0 million euros, which is 14.7% more than a year earlier. A similar growth, 14.8%, was provided by the revenue of the reporting year, reaching a total of 175.3 million euros. The majority of the increase in revenue in the reporting quarter was due to the increase in sales of low-voltage equipment, substations and electric car chargers. The revenue of electrical equipment was 43.7 million euros in the fourth quarter and 148.2 million euros in the reporting year, which is 22.6% and 17.0% more than a year earlier. Revenue in the project and retail sales of electrical goods decreased due to canceled unprofitable contracts and stopped sales activities in Estonia. The revenue of the activity fell by 55.2% in the quarter comparison and by 8.5% in the year comparison.

Revenue by segment (EUR'000)	Q4 2022	Q4 2021	+/-	12M 2022	12M 2021	+/-	% 12M 2022	% 12M 2021
Production	46,233	37,695	22.7%	157,558	133,507	18.0%	89.9%	87.4%
Real Estate	1,020	1,008	1.2%	4,363	3,801	14.8%	2.5%	2.5%
Other activities	2,725	4,858	-43.9%	13,372	15,449	-13.4%	7.6%	10.1%
<b>Total</b>	<b>49,978</b>	<b>43,561</b>	<b>14.7%</b>	<b>175,293</b>	<b>152,757</b>	<b>14.8%</b>	<b>100.0%</b>	<b>100.0%</b>



The revenue of the production segment increased by 22.7% in the reporting quarter and by 18.0% during the year, being 46.2 and 157.6 million euros, respectively. The growth came mainly 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 92.5% of the consolidated revenue for the quarter and 89.9% of the consolidated revenue for 2022.



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 1.0 million euros, which is almost the same as the year before. Reporting year revenue from the real estate segment increased by 14.8%, amounting to 4.4 million euros. The real estate segment accounted for 2.0% of the Group's consolidated revenue in the fourth quarter and 2.5% of the year revenue.



Revenue from other activities decreased by 2.1 million euros compared to both periods, being 2.7 million euros in the last quarter and 13.4 million euros in the reporting year. The decrease in revenue was influenced by the decrease in project and retail sales of electrical products in Estonia and electrical works in the shipbuilding sector in Finland. Other activities accounted for 5.5% of the Group's consolidated revenue in the fourth quarter and 7.6% of the year revenue.

Revenue by markets (EUR'000)	Q4 2022	Q4 2021	+/-	12M 2022	12M 2021	+/-	% 12M 2022	% 12M 2021
Estonia	7,617	6,527	16.7%	30,296	25,993	16.6%	17.3%	17.0%
Finland	21,253	17,902	18.7%	81,829	70,918	15.4%	46.7%	46.4%
Sweden	7,080	10,379	-31.8%	22,844	27,611	-17.3%	13.0%	18.1%
Norway	8,899	4,244	109.7%	21,821	13,195	65.4%	12.4%	8.6%
Netherlands	842	1,685	-50.0%	6,732	4,975	35.3%	3.8%	3.3%
Other	4,287	2,824	51.8%	11,771	10,065	16.9%	6.8%	6.6%
<b>Total</b>	<b>49,978</b>	<b>43,561</b>	<b>14.7%</b>	<b>175,293</b>	<b>152,757</b>	<b>14.8%</b>	<b>100.0%</b>	<b>100.0%</b>

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 89.7% (2021 Q4: 89.6%) of the Group's products and services were sold in the reporting quarter.



Despite the decline in sales of electrical equipment for retail and project sales, sales to the Estonian market increased by approximately 16.6% in both periods. In the reporting quarter, 7.6 (2021 Q4: 6.5) and 30.3 (2021: 26.0) million euros were earned from Estonia in the reporting year, making up 15.2% and 17.3% of the consolidated revenue, respectively (2021 Q4 and 12M: 15.0% and 17.0%). The growth came mainly from the increase in the sales volume of substations and cable distribution cabinets.



In the reporting quarter, revenue from the Finnish market was 18.7% more than the year before, totaling 21.3 million euros. In 2022, with 81.8 (2021: 70.9) million euros earned, the Finnish market grew the most in monetary value compared to the main markets. The majority of the increase in revenue came from the sale of substations to Finnish electricity network companies, supported by 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, 42.5% (2021 Q4: 41.1%) and within the reporting year 46.7% (2021: 46.4%) of Harju Elekter products and services were sold to the Group's largest market.



Sales to the Swedish market decreased by 31.8% compared to the reporting quarters and by 17.3% compared to twelve months, being 7.0 and 22.8 million euros, respectively. The 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 14.2% (2021 Q4: 23.8%) of the consolidated revenue of the reporting quarter and 13.0% (2021: 18.1%) of the year 2022 revenue.



The fourth quarter's revenue from the Norwegian market doubled compared to the previous year, amounting to 8.9 (2021 Q4: 4.2) million euros. The revenue earned in 2022 from the Norwegian market was 21.8 million euros, which is 65.4% more than the previous year. The increase in revenue in both periods is due to the low order volume of the shipping sector in the comparison period. The Norwegian market accounted for 17.8% (2021 Q4: 9.7%) of the consolidated revenue of the reporting quarter and 12.4% (2021: 8.6%) of the annual revenue.

Revenue from other markets increased by 13.8% to 5.1 million euros compared to the fourth quarter of last year. Revenue for the reporting year to other markets totaled 18.5 (2021: 15.0) million euros. Compared to last year, the revenue from the German and Latvian markets decreased and increased for the Netherlands and the USA. Other markets accounted for 10.3% (2021 Q4: 10.4%) of the consolidated revenue of the reporting quarter and 10.6% (2021: 9.9%) of the annual revenue.

### Operating expenses

(EUR'000)	Q4 2022	Q4 2021	+/-	12M 2022	12M 2021	+/-	% 12M 2022	% 12M 2021
Cost of sales	47,460	38,858	22.1%	163,024	134,876	20.9%	90.7%	90.0%
Distribution costs	1,449	1,260	15.0%	5,578	5,259	6.1%	3.1%	3.5%
Administrative expenses	3,037	2,655	14.4%	11,194	9,703	15.4%	6.2%	6.5%
<b>Total operating expenses</b>	<b>51,946</b>	<b>42,773</b>	<b>21.4%</b>	<b>179,796</b>	<b>149,838</b>	<b>20.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>incl. depreciation, amortization, impairment</i>	<i>1,119</i>	<i>1,086</i>	<i>3.0%</i>	<i>4,763</i>	<i>4,018</i>	<i>18.5%</i>	<i>2.6%</i>	<i>2.7%</i>
<i>incl. total labour cost</i>	<i>9,113</i>	<i>8,383</i>	<i>8.7%</i>	<i>34,433</i>	<i>30,650</i>	<i>12.3%</i>	<i>19.2%</i>	<i>20.5%</i>
<i>incl. inclusive salary cost</i>	<i>7,376</i>	<i>6,806</i>	<i>8.4%</i>	<i>27,124</i>	<i>23,863</i>	<i>13.7%</i>	<i>15.1%</i>	<i>15.9%</i>

The Group's operating expenses totalled 51.9 (2021 Q4: 42.8) million euros in the reporting quarter and 179.8 (2021: 149.8) million in the reporting year. The majority of the increase in operating expenses was due to the increase in the cost of sales respectively, 22.1% in the quarter and 20.9% in the year. 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. A write-down of 1.0 million euros on the inventories of Energo Veritas OÜ was included in the expenses of the reporting quarter, as the Group has no control over the stocks seized by Enefit Connect due to ongoing disputes. In addition, the provision for unprofitable contracts was increased by 1.5 million euros.

The growth rate of costs of sales exceeded the growth rate of revenue by 7.4 and 6.1 percentage points, respectively, in the comparison of the fourth quarters and years. The gross profit margin decreased by 5.8 percentage points to 5.0 percent compared to the indicators of the comparable quarter. The gross profit margin for the reporting year was 7.0% (2021: 11.7%)

Distribution costs increased by 0.2 million to 1.4 million euros compared to the fourth quarter the year before, making up 2.8% of the Group's operating expenses and 2.9% of revenue. Administrative expenses increased by 0.4 million euros to 3.0 million euros year-on-year, making up 5.8% of the Group's operating expenses and 6.1% of the revenue. The total distribution costs for 2022 were 5.6 (2021: 5.3) and general administration costs were 11.1 (2021: 9.7) million euros. The write-down of the goodwill of Energo Veritas OÜ in the value of 0.4 million euros was included in the administrative expenses of the financial year, which also affected the annual depreciation of non-current assets. Depreciation of property, plant and equipment and intangible assets totalled 1.1 million euros in the fourth quarter, and 4.8 million euros during the reporting year, increasing by 3% and 18.5% compared to the comparable period. The increase in depreciation comparing years 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 a quarterly comparison, labour costs increased by 8.7%, amounting to 9.1 million euros. In yearly comparison, labour costs increased by 3.8 million, being 34.4 million euros. The ratio of labour costs to the Group's revenue was 18.2% (2021 Q4: 19.2%) in the reporting quarter and 19.6% (2021: 20.1%) of the year's results. The average monthly salary per employee of the Group during the year was 2,573 (2021: 2,412) euros, which was 6.7% 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 to wage pressure due to labour shortages in all markets.

## 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 889 people, which was 24 employees more than a year ago. In the reporting quarter, the Group employed an average of 871 people, which was on average 15 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, 7.4 (2021 Q4: 6.8) million euros were paid to employees as salaries and remuneration.



	Average numbers of employees				Numbers of employees				
	Q4 2022	Q4 2021	12M 2022	12M 2021	31.12.22	31.12.21	+/-	% 31.12.22	% 31.12.21
Estonia	349	378	373	374	350	381	-31	39.4%	44.0%
Finland	167	148	165	144	176	152	24	19.8%	17.6%
Lithuania	285	252	271	232	291	256	35	32.7%	29.6%
Sweden	70	78	69	75	72	76	-4	8.1%	8.8%
<b>Total</b>	<b>871</b>	<b>856</b>	<b>878</b>	<b>825</b>	<b>889</b>	<b>865</b>	<b>24</b>	<b>100.0%</b>	<b>100.0%</b>

## 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 three members from 14 November 2022: Mr. Tiit Atso (Chairman of the Group), Mr. Aron Kuhl-Thalfeldt (Member of the Management Board, Head of the Real Estate and Energy Division) and Mr. Priit Treial (Chief Financial Officer).

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	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)	5.01	7.44	5.18	4.21	4.12
Traded shares (pcs)	929,491	2,048,865	1,160,598	531,415	1,100,773
Turnover (in million euros)	5.60	15.85	4.99	2.35	5.98
Capitalisation (in million euros)	91.63	134.06	91.89	74.68	73.09
Average number of the shares (pcs)	18,134,463	17,855,220	17,739,880	17,739,880	17,739,880
EPS (euros)	-0.31	0.15	0.31	0.14	0.09

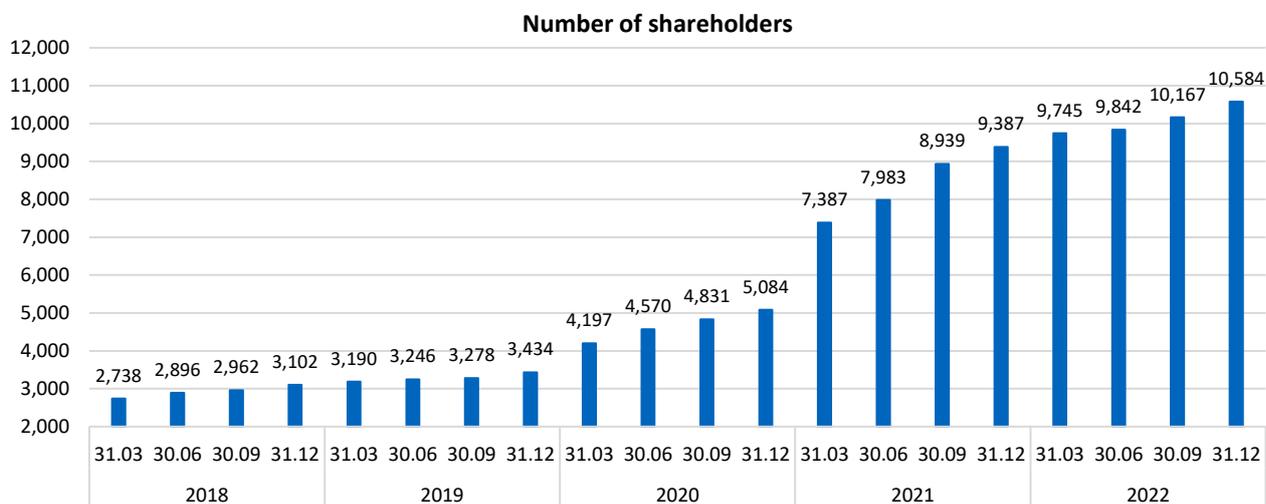
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2017 – 31 December 2022 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 31 December 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	20.3	ING Luxembourg S.A.	10.39
0.1 – 1.0 %	56	0.5	15.3	Endel Palla	7.46
< 0.1%	10,519	99.4	23.6	Shareholders holding under 5%	51.71
<b>Total</b>	<b>10,584</b>	<b>100.0</b>	<b>100.0</b>	<b>Total</b>	<b>100.00</b>

As of 31 December 2022, AS Harju Elekter had 10,584 shareholders. The number of shareholders increased during the reporting quarter by 417 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 31 December 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	31.12.2022	31.12.2021
<b>Current assets</b>			
Cash and cash equivalents		9,152	574
Trade and other receivables		31,612	33,689
Prepayments		1,126	1,844
Inventories		37,068	27,437
<b>Total current assets</b>		<b>78,958</b>	<b>63,544</b>
<b>Non-current assets</b>			
Deferred income tax assets		1,008	690
Non-current financial investments	2	23,731	25,222
Investment properties	3	24,756	23,903
Property, plant and equipment	4	35,740	26,654
Intangible assets	4	7,244	7,544
<b>Total non-current assets</b>		<b>92,479</b>	<b>84,013</b>
<b>TOTAL ASSETS</b>	7	<b>171,437</b>	<b>147,557</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Borrowings	5	24,385	16,912
Prepayments from customers		16,827	4,659
Trade and other payables		24,502	24,490
Tax liabilities		3,478	3,156
Current provisions	11	2,103	35
<b>Total current liabilities</b>		<b>71,295</b>	<b>49,252</b>
Borrowings	5	20,732	11,426
Other non-current liabilities		0	33
<b>Total non-current liabilities</b>		<b>20,732</b>	<b>11,459</b>
<b>Total liabilities</b>		<b>92,027</b>	<b>60,711</b>
<b>Equity</b>			
Share capital	6	11,523	11,352
Share premium		2,509	1,601
Reserves		17,768	18,716
Retained earnings		47,771	55,315
<b>Total equity attributable to the owners of the parent company</b>		<b>79,571</b>	<b>86,984</b>
Non-controlling interests		-161	-138
<b>Total equity</b>		<b>79,410</b>	<b>86,846</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>171,437</b>	<b>147,557</b>

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	Q4 2022	Q4 2021	12M 2022	12M 2021
Revenue	7	49,978	43,561	175,293	152,757
Cost of sales		-47,461	-38,858	-163,024	-134,877
<b>Gross profit</b>		<b>2,517</b>	<b>4,703</b>	<b>12,269</b>	<b>17,880</b>
Distribution costs		-1,449	-1,260	-5,578	-5,259
Administrative expenses		-3,037	-2,655	-11,194	-9,703
Other income		9	114	351	513
Other expenses		-103	-49	-394	-229
<b>Operating profit/loss (-)</b>	7	<b>-2,063</b>	<b>853</b>	<b>-4,546</b>	<b>3,202</b>
Finance income		48	57	122	129
Finance costs		-476	-101	-853	-353
<b>Profit/loss (-) before tax</b>		<b>-2,491</b>	<b>809</b>	<b>-5,277</b>	<b>2,978</b>
Income tax	9	9	85	-290	-368
<b>Profit/loss (-) for the period</b>		<b>-2,482</b>	<b>894</b>	<b>-5,567</b>	<b>2,610</b>
<b>Profit /loss (-) attributable to:</b>					
Owners of the parent company		-2,520	888	-5,544	2,598
Non-controlling interests		38	6	-23	12
<b>Earnings per share</b>					
Basic earnings per share (euros)	8	-0.14	0.05	-0.31	0.15
Diluted earnings per share (euros)	8	-0.14	0.05	-0.30	0.14

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q4 2022	Q4 2021	12M 2022	12M 2021
<b>Profit/loss (-) for the period</b>		<b>-2,482</b>	<b>894</b>	<b>-5,567</b>	<b>2,610</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-47	-44	-208	-57
<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	20	3,900	-726	12,269
<b>Total comprehensive income for the period</b>		<b>-27</b>	<b>3,856</b>	<b>-614</b>	<b>12,477</b>
<b>Other comprehensive income</b>		<b>-2,509</b>	<b>4,750</b>	<b>-6,181</b>	<b>15,087</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		-2,547	4,744	-6,158	15,075
Non-controlling interests		38	6	-23	12

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	12M 2022	12M 2021
<b>Cash flows from operating activities</b>			
Profit/loss (-) for the period		-5,567	2,610
<u>Adjustments</u>			
Depreciation and amortization, impairment	3,4	4,764	4,018
Gain on sale of property, plant and equipment		-37	-25
Share-based payments	10	189	227
Finance income		-120	-129
Finance costs		851	353
Income tax	9	290	368
<u>Changes</u>			
Changes in trade receivables and prepayments		3,054	-7,443
Changes in inventories		-9,983	-8,814
Changes in trade payables and prepayments		14,631	9,308
Corporate income tax paid	9	-286	-616
Interest paid		-602	-345
<b>Total cash flow (-outflow) from operating activities</b>		<b>7,184</b>	<b>-488</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties	9	-2,119	-1,057
Payments for property, plant and equipment	9	-12,715	-4,857
Payments for intangible assets		-468	-698
Acquisition of financial investments	2	-227	-1,749
Proceeds from sale of property, plant and equipment		50	42
Proceeds from sale of other financial investments	2	1,315	981
Dividends received		74	119
Received interests		1	8
Other proceeds from investing activities		0	190
<b>Total cash flow (-outflow) from investing activities</b>		<b>-14,089</b>	<b>-7,021</b>
<b>Cash flows from financing activities</b>			
Change in overdraft balance	5	4,583	6,414
Proceeds from borrowings	5	15,616	8,063
Repayment of borrowings	5	-1,788	-5,804
Repayments of lease liabilities	5	-1,328	-1,476
Proceeds from the share issue		1,049	946
Dividends paid		-2,523	-2,838
Dividends income tax paid		-55	-18
<b>Total cash flow (-outflow) from financing activities</b>		<b>15,554</b>	<b>5,287</b>
<b>Total net cash flow (-outflow)</b>		<b>8,649</b>	<b>-2,222</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
Changes in cash and cash equivalents		8,649	-2,222
Effect of exchange rate fluctuations on cash and cash equivalents		-71	-47
<b>Cash and cash equivalents at the end of the period</b>		<b>9,152</b>	<b>574</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 31 December	Share capital	Share premium	Reserves	Retained earnings	Attributable to owners of the parent company	Non-controlling interests	Total equity
<b>Balance at 1 January 2021</b>	<b>11,176</b>	<b>804</b>	<b>6,709</b>	<b>54,858</b>	<b>73,547</b>	<b>-150</b>	<b>73,397</b>
<b>Comprehensive income</b>							
Profit for the period	0	0	0	2,598	2,598	12	2,610
Other comprehensive income	0	0	12,212	265	12,477	0	12,477
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>12,212</b>	<b>2,863</b>	<b>15,075</b>	<b>12</b>	<b>15,087</b>
<b>Transactions with owners recognized directly in equity</b>							
Share capital contribution	176	797	0	0	973	0	973
Share-based payments (Note 8,10)	0	0	-205	432	227	0	227
Dividends	0	0	0	-2,838	-2,838	0	-2,838
<b>Total transactions with owners</b>	<b>176</b>	<b>797</b>	<b>-205</b>	<b>-2,406</b>	<b>-1,638</b>	<b>0</b>	<b>-1,638</b>
<b>Balance at 31 December 2021</b>	<b>11,352</b>	<b>1,601</b>	<b>18,716</b>	<b>55,315</b>	<b>86,984</b>	<b>-138</b>	<b>86,846</b>
<b>Comprehensive income</b>							
Profit for the period	0	0	0	-5,544	-5,544	-23	-5,567
Other comprehensive income	0	0	-934	320	-614	0	-614
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-934</b>	<b>-5,224</b>	<b>-6,158</b>	<b>-23</b>	<b>-6,181</b>
<b>Transactions with owners recognized directly in equity</b>							
Share capital contribution	171	908	0	0	1,079	0	1,079
Share-based payments (Note 8,10)	0	0	-14	203	189	0	189
Dividends	0	0	0	-2,523	-2,523	0	-2,523
<b>Total transactions with owners</b>	<b>171</b>	<b>908</b>	<b>-14</b>	<b>-2,320</b>	<b>-1,255</b>	<b>0</b>	<b>-1,255</b>
<b>Balance at 30 September 2022</b>	<b>11,523</b>	<b>2,509</b>	<b>17,768</b>	<b>47,771</b>	<b>79,571</b>	<b>-161</b>	<b>79,410</b>

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 31 December 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, Harju Elekter UAB and LC Development Fastigheter 17 AB (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 fourth quarter and 12 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

	31.12.2022	31.12.2021
Listed securities (fair value through other comprehensive income)	1,433	2,898
Other equity investments (fair value through other comprehensive income)	22,287	22,315
Other financial assets through profit or loss	11	9
<b>Total</b>	<b>23,731</b>	<b>25,222</b>
Changes	<b>12M 2022</b>	<b>12M 2021</b>
<b>1. Financial assets at fair value through other comprehensive income</b>		
Carrying amount at the beginning of the period	25,213	11,911
Acquisitions	227	1,749
Sale of financial assets	-995	-716
Change in fair value through other comprehensive income	-726	12,269
<b>Carrying amount at the end of the period</b>	<b>23,719</b>	<b>25,213</b>
<b>2. Financial assets at fair value through profit and loss</b>		
Carrying amount at the beginning of the period	9	7
Change in fair value through profit and loss	3	2
<b>Carrying amount at the end of the period</b>	<b>12</b>	<b>9</b>
<b>Total carrying amount at the end of the period</b>	<b>23,731</b>	<b>25,222</b>

A total of 1.3 million euros was received from the financial investments during year. Realized gain on sale of financial assets in the amount of 0.3 million euros was recognized through other comprehensive income. During the 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 twelve months, increased by 0.5 thousand euros in 2021.

As of 31 December 2022, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (31.12.2021: 21.8) million euros and in the shares of IGL-Technologies Oy in the amount

of 0.5 (31.12.2021: 0.25) million euros. Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros 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 6.1%.

### Note 3 Investment properties

	Note	12M 2022	12M 2021
Balance at the beginning of the period		23,903	23,605
Additions	7	1,858	1,321
Depreciation	7	-983	-970
Reclassification from property, plant and equipment	4	-22	-53
<b>At the end of the period</b>		<b>24,756</b>	<b>23,903</b>

### Note 4 Property, plant and equipment; intangible assets

	Note	12M 2022	12M 2021
<b>1. Property, plant and equipment</b>			
Balance at the beginning of the period		26,654	22,494
Additions to right-of-use assets		-443	880
Additions	7	12,917	5,741
Sales and write-off in carrying amount		-14	-17
Depreciation	7	-3,114	-2,714
Reclassification from inventories		0	233
Reclassification to investment properties	3	22	53
Impact of exchange rate changes		-282	-16
<b>At the end of the period</b>		<b>35,740</b>	<b>26,654</b>
<b>2. Intangible assets</b>			
Balance at the beginning of the period		7,544	7,199
Additions	7	468	680
Amortization	7	-257	-334
Impairment of goodwill		-410	0
Impact of exchange rate changes		-101	-1
<b>At the end of the period</b>		<b>7,244</b>	<b>7,544</b>

### Note 5 Borrowings

	31.12.2022	31.12.2021
<b>Current borrowings</b>		
Current bank loans	18,735	14,152
Current portion of non-current bank loans	2,630	1,485
Current portion of non-current lease liabilities	792	1,261
Other current loans	2,228	14
<b>Total current borrowings</b>	<b>24,385</b>	<b>16,912</b>

	31.12.2022	31.12.2021
<b>Non-current borrowings</b>		
Non-current bank loans	19,640	9,171
Non-current loans	109	0
Non-current lease liabilities	983	2,255
<b>Total non-current borrowings</b>	<b>20,732</b>	<b>11,426</b>
<b>Total borrowings</b>	<b>45,117</b>	<b>28,338</b>
<b>Changes in borrowings</b>	<b>12M 2022</b>	<b>12M 2021</b>
<b>Loans and borrowings at the beginning of the period</b>	<b>28,338</b>	<b>19,088</b>
Change in overdraft balances	4,583	6,414
Received non-current loans through acquisition of company	109	0
Received non-current loans	13,402	8,063
Repayments of non-current loans	-1,788	-5,058
Other received and repaid loans	2,214	-746
New lease liabilities	251	2,031
Repayments of non-current lease liabilities	-1,328	-1,476
Impact of exchange rate changes	-664	22
<b>Loans and borrowings at the end of the period</b>	<b>45,117</b>	<b>28,338</b>

## Note 6 Share capital

	31.12.2022	31.12.2021
Share capital (thousand euros)	11,523	11,352
Number of shares (pcs)	18,289,508	18,018,555
Book value of a share (euros)	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, two main segments are distinguished: Production and Real Estate. Non-segmented areas of activity are grouped under Other activities, where each area of activity does not have a large enough share to form a separately reported segment.

**Production** - manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter 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
<b>12 months 2022</b>						
Revenue from external customers		157,558	4,363	13,372	0	175,293
Inter-segment revenue		1,042	1,704	259	-3,005	
<b>Segment revenue</b>		<b>158,600</b>	<b>6,067</b>	<b>13,631</b>	<b>-3,005</b>	<b>175,293</b>
<b>Operating profit</b>		<b>-2,002</b>	<b>2,344</b>	<b>-4,697</b>	<b>-191</b>	<b>-4,546</b>
Segment assets		112,098	34,422	34,800	-32,710	148,113
Unallocated assets						23,324
<i>incl. Financial investments</i>						23,233
<i>incl. Other receivables and prepayments</i>						91
<b>Total assets</b>						<b>171,437</b>
Capital expenditure	3,4	13,137	1,858	248	0	15,243
Right-of-use assets	3,4	0	0	251	0	251
Depreciation and amortization	3,4	2,651	983	1,156	-26	4,764
<b>12 months 2021</b>						
Revenue from external customers		133,507	3,801	15,449	0	152,757
Inter-segment revenue		583	1,759	185	-2,527	
<b>Segment revenue</b>		<b>134,090</b>	<b>5,560</b>	<b>15,634</b>	<b>-2,527</b>	<b>152,757</b>
<b>Operating profit</b>		<b>1,296</b>	<b>2,022</b>	<b>-461</b>	<b>345</b>	<b>3,202</b>
Segment assets		88,534	26,384	28,317	-20,703	122,532
Unallocated assets						25,025
<i>incl. Financial investments</i>						24,953
<i>incl. Other receivables and prepayments</i>						72
<b>Total assets</b>						<b>147,557</b>
Capital expenditure	3,4	5,787	1,321	634	0	7,742
Right-of-use assets		105	0	775	0	880
Depreciation and amortization	3,4	2,222	970	849	-23	4,018

#### Revenue by geographic regions (customer location)

	12M 2022	12M 2021
Estonia	30,296	25,993
Finland	81,829	70,918
Sweden	22,844	27,611
Norway	21,821	13,195
Netherlands	6,732	4,975
Other	11,771	10,065
<b>Total revenue</b>	<b>175,293</b>	<b>152,757</b>

#### Revenue by business activities

	12M 2022	12M 2021
Manufacturing and sale of electrical equipment	148,223	126,656
Retail and project-based sale of electrical products	9,754	10,658
Other products	5,953	3,946
Lease income	3,326	3,131
Electrical works	5,445	6,047
Other services	2,592	2,319
<b>Total revenue</b>	<b>175,293</b>	<b>152,757</b>

## 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 December 2022, the Group had a total of 500,568 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 October to 31 December 2022, the average market price of the shares was 5.47 (2021 Q4: 7.63) euros and during the period from 1 January to 31 December 2022, the average market price of the shares was 6.09 (2021: 7.73) euros.

	Unit	Q4 2022	Q4 2021
Profit attributable to equity holders of the parent company	EUR '000	-2,520	888
Average number of shares outstanding	Pc '000	18,290	18,019
Basic earnings per share	EUR	-0,14	0,05
Adjusted number of shares during the period	Pc '000	18,299	18,095
Diluted earnings per share	EUR	-0.14	0.05
	Unit	12M 2022	12M 2021
Profit attributable to equity holders of the parent company	EUR '000	-5,544	2,598
Average number of shares outstanding	Pc '000	18,134	17,855
Basic earnings per share	EUR	-0,31	0,15
Adjusted number of shares during the period	Pc '000	18,216	17,963
Diluted earnings per share	EUR	-0.30	0.14

## Note 9 Information on the statement of cash flows line items

	Note	12M 2022	12M 2021
<b>Corporate income tax</b>			
Income tax expense in the statement of profit or loss		-290	-368
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		243	-89
Dividend income tax expense		55	18
Income tax expense on dividends		-317	-176
Impact of exchange rate changes		23	-1
<b>Corporate income tax paid</b>		<b>-286</b>	<b>-616</b>
<b>Paid for investment properties</b>			
Acquisitions of investment properties	3	-1,858	-1,321
Liability decrease (-)/ increase (+) incurred by the acquisitions		-261	264
<b>Paid for investment properties</b>		<b>-2,119</b>	<b>-1,057</b>
<b>Paid for property, plant and equipment</b>			
Acquisitions of property, plant and equipment	4	-12,917	-4,970
Liability decrease (-)/ increase (+) incurred by the acquisitions		202	-77
Other proceeds from investing activities		0	190
<b>Paid for property, plant and equipment</b>		<b>-12,715</b>	<b>-4,857</b>

## 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. Also AS Harju KEK which owns 30.44% of the shares of AS Harju Elekter. 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
<b>Balances with related parties:</b>		
- Payables for goods and services	106	93
- Payables to Management and Supervisory Boards	66	37
	12M 2022	12M 2021
<b>Purchase of goods and services from related parties:</b>		
- Other services, Lease of property, plant from AS Harju KEK	68	118
- Other services from AS Entek	731	599
<b>Sale of goods and services to related parties:</b>		
- Other services to AS Harju KEK	2	3
- Sale of goods and services to AS Entek	2	3
<b>Remuneration of the Management and Supervisory Boards:</b>		
- Salary, bonuses, additional other remuneration (incl. severance pay)	446	413
- Social security tax	147	133

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 500,568. During the reporting period, share-based payments recognized as labour costs totalled to 189 (2021: 227) thousand euros, of which the share of the members of the Management and Supervisory Boards was 15 (2021: 60) thousand euros. The pricing of the option is disclosed in Note 8.

## Note 11 Provisions

In May 2022 Energo Veritas OÜ cancelled the framework contracts with Enefit Connect OÜ for the supply of hermetic distribution transformers. Enefit Connect OÜ submitted a claim to Energo Veritas for contractual penalty, for compensation for damages and for penalties, totalling 3.5 million euros. The claim amount is derived from breach of contracts and 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. Energo 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. The Group made a provision of 1.95 million euros to cover the unprofitable contract.

Energo Veritas OÜ does not acknowledge the claim. Harju Elekter assessed, considering the fact that inventories being arrested by the court has caused the company to suspend its business activities, if a compromise is not reached then with high probability the situation will result in economic difficulties, liquidity crises and insolvency of Energo Veritas OÜ. Irrespective of the final claim amount by Enefit Connect OÜ it is unlikely that Energo Veritas will continue its business operations.

## 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 fourth quarter and twelve month of 2022 as set out on pages 17 to 27 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

21 February 2023



Priit Treial

Member of the Management Board

21 February 2023



Aron Kuhi-Thalfeldt

Member of the Management Board

21 February 2023

