

CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
IV QUARTER AND
12 MONTH
OF 2021

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Financial year:	1 January – 31 December 2021
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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

LITHUANIA

HARJU ELEKTER UAB

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

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Sales office in Stockholm

* A more detailed overview of the changes in the Group structure can be found on page 7

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (6.14%)

Developer and manufacturer of ultra-capacitors

LATVIA

SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

FINLAND

IGL-Technologies Oy (5.5%)

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

Main activities

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

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

- **Production** – designing, selling, manufacturing, and after-sales servicing of power distribution, switching and converting devices and automation, process control and industrial control equipment.
- **Industrial real estate** – developing of industrial real estate, project management, renting and the accompanying services to rental partners and to the Harju Elekter Group companies.
- **Other operations** – financial investment management, retail and project-based sale of electrical products, and electrical installation works in shipbuilding.

Mission

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

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 to our international team motivating work and development opportunities.

Vision

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

Values

Development - We are keen to learn and innovative

Cooperation - We operate as a team

Reliability - No bargaining in quality

Risks

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

SUPERVISORY AND MANAGEMENT BOARDS

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

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

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

MANAGEMENT REPORT

SUMMARY OF THE FOURTH QUARTER AND 12 MONTH RESULTS

Revenue

Revenue for the Q4 of 2021 was 43.6 (Q4 2020: 35.2) million euros and the revenue for the 2021 year was 152.8 (2020: 146.6) million euros.

Financial result

The shortage in raw materials that began at the start of the year, significant price increases for both materials and services, and accelerating growth of labour costs affected profitability also in the last quarter. The gross profit for the Q4 was 4,703 (Q4 2020: 5,585) thousand euros and the gross profit margin was 10.8% (Q4 2020: 15.8%). Quarterly operating profit (EBIT) was lower than in the comparable quarter, being 853 (Q4 2020: 1,335) thousand euros, operating margin decreased to 2.0%. The net profit for the Q4 was 894 (Q4 2020: 1,159) thousand euros of which the share of the owners of the parent company was 888 (Q4 2020: 1,165) thousand euros. The earnings per share were 0.05 (Q4 2020: 0.07) euros.

The gross profit for the year 2021 was 17,880 (2020: 21,209) thousand euros and the gross profit margin was 11.7% (2020: 14.5%). In the twelve months, the operating profit (EBIT) was 3,202 (2020: 6,546) thousand euros. In total, the Group's net profit for 2021 was 2,610 (2020: 5,528) thousand euros and earnings per share was 0.15 (2020: 0.31) euros.

Investments

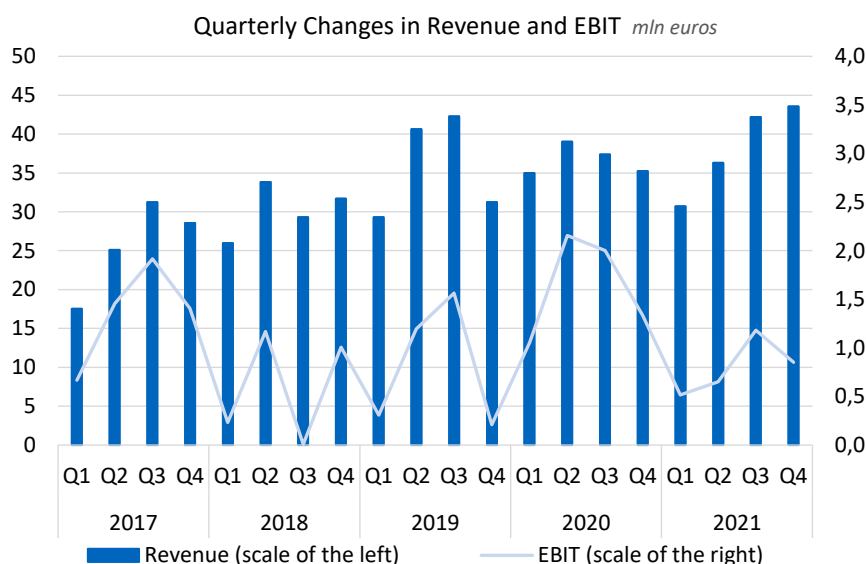
During 2021, the Group invested a total of 7.7 (2020: 8.1) million euros in non-current assets, incl 1.3 (2020: 3.1) million euros in investment properties, 5.7 (2020: 4.6) million euros in property, plant, and equipment and 0.7 (2020: 0.3) million euros in intangible assets. The Group directed the majority of the investments during the reporting period, i.e. 2.5 million euros, to the expansion of the Lithuanian plant, which was completed in the summer. The total cost of the investment was 5.5 million euros. In addition, preparations for the construction of the production and storage complex in the Allika Industrial Park, Laohotell III, were launched and investments were made in production technology and in solar power plants. In connection with the expansion of the production of the Elektra electric vehicle chargers in Finland, an additional production area of 1,140 m² was acquired in the reporting quarter in Ulvila, near the current production facilities. As of the reporting date, the total value of the Group's non-current financial investments was 25.2 (31.12.20: 11.9) million euros. The net gain on the revaluation of financial assets in the reporting quarter was 3.9 million euros. The main part of the 2021 revaluation of financial assets was due to the change in the estimated fair value of the investment in OÜ Skeleton Technologies Group by 11.8 million euros, to 21.8 million euros. During an additional financing round, AS Harju Elekter invested 1.2 million euros in the company during the reporting year. Furthermore, Harju Elekter Oy acquired a holding of 5.5% in the technology company IGL-Technologies Oy. The transaction price was 0.25 million euros. During 2021 one million euros was received from the partial sale of securities, of which the realized profit was 0.3 million euros. The fair value of securities increased by 0.5 million euros during the reporting year compared to a decrease of 0.5 million euros in the comparable period. At the end of the reporting period, the value of non-current assets in the statement of financial position comprised 56.9% of total assets, i.e., 84.0 (31.12.20: 56.9% i.e 65.7) million euros.

Current assets

The Group's current assets in total grew by 13.8 million to 63.5 million euros during the reporting period, including a decrease in cash by 2.3 million to 0.6 million, an increase in trade and other receivables by 6.5 million to 33.7 million euros and an increase in inventories by 8.6 million to 27.4 million euros. The decrease in funds is mainly due to investments in property, plant and equipment, financial assets, and inventories, but also due to dividends paid out. Inventories increased both on account of products in progress and finished products, as well as on account of raw materials and supplies. In order to obviate the planned price increases from suppliers, the necessary materials for known customer projects were purchased and ordered in advance.

Liabilities

As at the reporting date, the Group had liabilities in total of 60.7 (31.12.20: 42.1) million euros, of which current part accounted for 81.1%. During the 2021 current liabilities increased by 14.3 million euros to 49.3 million euros, incl. an increase in trade and other payables by 8.7 million euros and prepayments from customers increased 0.5 million euros. At the end of the period, current and non-current liabilities were respectively - 16.9 (31.12.20: 12.1) and 11.4 (31.12.20: 7.0) million euros. Long-term loans and leases were used in Estonia for real estate investments and investments in automatic production equipment, and in Lithuania for the expansion of the production building.

Consolidated 12 months
REVENUE**152.8** million euros
(2020: 146.6)Consolidated 12 months
EBIT**3.2** million euros
(2020: 6.5)Consolidated 12 months
NET PROFIT**2.6** million euros
(2020: 5.5)Consolidated 12 months
REVENUE CHANGE**4.2%**Consolidated 12 months
EBIT CHANGE**-51.1%**

Key indicators

(EUR'000)

	Q4 2021	Q4 2020	+/-	12 months 2021	12 months 2020	+/-
Revenue	43,561	35,243	23.6%	152,757	146,614	4.2%
Gross profit	4,703	5,585	-15.8%	17,880	21,209	-15.7%
EBITDA	1,939	2,400	-19.2%	7,221	10,340	-30.2%
Operating profit (EBIT)	853	1,335	-36.1%	3,202	6,546	-51.1%
Profit for the period	894	1,159	-22.9%	2,610	5,528	-52.8%
Incl. attributable to owners of the parent company	888	1,165	-23.8%	2,598	5,563	-53.3%
Earnings per share (EPS) (euros)	0.05	0.07	-23.8%	0.15	0.31	-53.3%

Ratios

(%)

	Q4 2021	Q4 2020	+/-	12 months 2021	12 months 2020	+/-
Distribution cost to revenue	2.9	6.3	-3.4	3.4	4.0	-0.6
Administrative expenses to revenue	6.1	6.1	0.0	6.4	6.3	0.1
Labour cost to revenue	19.2	20.8	-1.6	20.1	18.6	1.5
Gross margin (gross profit / revenue)	10.8	15.8	-5.0	11.7	14.5	-2.8
EBITDA margin (EBITDA / revenue)	4.5	6.8	-2.3	4.7	7.1	-2.4
Operating margin (EBIT / revenue)	2.0	3.8	-1.8	2.1	4.5	-2.4
Net margin (profit for the period / revenue)	2.1	3.3	-1.2	1.7	3.8	-2.1
Return on equity (ROE) (profit for the period/average equity)	1.1	1.6	-0.5	3.3	7.9	-4.6

	31.12.2021	31.12.2020	+/-
Equity ratio (equity / total assets) (%)	58.9	63.6	-4.7
Current ratio (current assets / current liabilities)	1.3	1.4	-0.1
Quick ratio ((current assets - inventories) / current liabilities)	0.7	0.9	-0.2

COMMENTARY FROM THE MANAGEMENT

Harju Elekter's orders and sales volumes, which started to increase in the second half of the year, continued to grow strongly in the fourth quarter. Sales volumes in the last quarter increased by more than 7 million euros, or by a fifth, year-on-year, helping to exceed both the revenue of 2020 and the 150-million-euro mark. Revenue of 152 (2020: 147) million euros exceeds the turnover record achieved by the Group last year.

Despite the growth of volumes, the year as a whole continues to be characterised by shortages of raw materials and components, record prices and low availability which, in turn, led to constant rescheduling in production and delays in customer orders. Although the sheet metal shortage had largely eased by the fourth quarter, the fall in raw material prices could not yet be felt and, combined with the readjustments in production mentioned above, it was not possible to achieve satisfactory profitability.

The objective for 2022 is to achieve sustainable profitability, which will be possible thanks to the downward trend in raw material prices, improved component availability and strong customer relationships. Effective work by the sales department in price negotiations with customers also provides an opportunity for improvement. Obstacles and risks include the ongoing pandemic situation, tensions between major economies and growing competition for skilled labour which, in turn, is creating strong wage pressures.

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.14 euros per share, totalling 2.5 million euros and representing 97% of consolidated net profit in 2021.

CHANGES IN THE STRUCTURE OF THE GROUP

The new business name of Satmatic Oy, a 100% Finnish subsidiary of AS Harju Elekter, is Harju Elekter Oy as of 14 January 2021. The name change of the Finnish subsidiary was carried out with the purpose of combining the business names with the brand used daily. Harju Elekter Oy will continue with all existing business lines and offering solutions for the energy, industry, and infrastructure sectors.

MAIN EVENTS

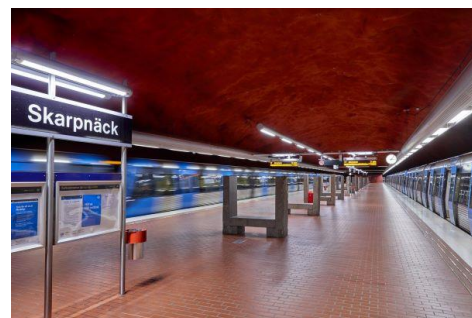
Q1

On 19 January Harju Elekter Group concluded an agreement with Caruna Oy, Finland's largest distribution network company. The contract is for the period 2021-2023 and its estimated total volume for next three years is 14 million euros. According to the terms of the frame agreement AS Harju Elekter Elektrotehnika and Harju Elekter Oy will manufacture and deliver to Caruna Oy about 1,000 prefabricated substations over a period of three years. For the contract there is an extension option of two years, which will be done after 2023 for each year separately.

On 10 February, Harju Elekter Group's Swedish subsidiary Harju Elekter AB signed a framework agreement with E.ON Energidistribution AB, the largest distribution network company in Sweden. According to the agreement, approximately 1,500 substations will be supplied over the period of three years, and the total volume of the agreement is nearly 15 million euros. The substations will be manufactured in the factory of AS Harju Elekter Elektrotehnika in Estonia.

In March Energo Veritas OÜ, a subsidiary of Harju Elekter Group, was successful in the tender held by Enefit Connect OÜ for the supply of hermetic transformers. A framework contract with the total volume of 12 million euros was signed for a period of three years with the possibility of a two-year extension.

The Swedish subsidiary of Harju Elekter Group, Harju Elekter AB, signed electricity project contracts with Region Stockholm, the administrative body responsible for public transport. These contracts will serve as the basis for the upgrading of the electrical systems of the Albano and Rådhuset metro stations in Stockholm by April and September 2022, respectively. The approximate volume of the contracts is 3.1 million euros. The new projects of Harju Elekter with Region Stockholm, which manages the Stockholm metro, represent the continuation of cooperation that already started with the modernisation of the Slussen metro last autumn.



Q2



In the second quarter, the construction of the stage four extension of the plant of the Group's Lithuanian subsidiary was completed. The office and production premises increased from 8,765 m² to 16,761 m². The investments of 5.5 million euros in the expansion of the plant will enable Harju Elekter UAB to double the company's revenues.

On 22 April, AS Harju Elekter signed a construction contract with AS Ehitusfirma Rand ja Tuulberg for the construction of Laohotell III in the Allika Industrial Park. Pursuant to the contract, the cost of construction is 2.1 million euros. Harju Elekter's third complex of production and warehouse spaces will be completed by May 2022.

On 29 April 2021, the AGM of shareholders of AS Harju Elekter was held. It amended the Articles of Association of AS Harju Elekter and it approved the 2020 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.16 euro per share for 2020, totalling 2.8 million euros. Dividends were transferred to shareholders' bank accounts on 25 May 2021. At the same meeting, the shareholders appointed AS PricewaterhouseCoopers as the auditor of AS Harju Elekter on the years 2021-2023 as well as approved the stock option program 2021-2022.

On 28 June 2021, Harju Elekter Oy, a subsidiary of AS Harju Elekter, signed a contract for the acquisition of a 5.5% holding in the technology company IGL-Technologies Oy, engaged in the development of parking, and charging systems for electric vehicle charging stations. The transaction price was 0.25 million euros. With the investment in the technology development company, Harju Elekter sees an opportunity to strengthen the Group's activities in the field of e-mobility and, in cooperation with IGL-Technologies Oy, to offer in the near future complete electric vehicle charging system packages in the Nordic and in the Baltic markets even more widely.



AS Harju Elekter participated in the additional round of equity raising for OÜ Skeleton Technologies Group with an investment of 1.24 million euros. Following the increase in the share capital of OÜ Skeleton Technologies Group and additional rounds at the end of the reporting year, the registered holding of AS Harju Elekter is 6.14% (Note 2). AS Harju Elekter continues to perceive the attractiveness of the given investment in terms of the growth of the value of Skeleton and in cooperation in the development, production, and use of modular systems of supercapacitors in electricity control and switching systems.

Q3

On 28 July 2021, the increase in the share capital of AS Harju Elekter by 175,565.25 euros was entered in the commercial register in connection with the exercise of option agreements. To increase the share capital, new shares were issued to members of management bodies, managing specialists and engineers of companies belonging to the Harju Elekter Group that participated in the stock option plan approved by the annual General Meeting on 3 May 2018. A total of 96 current and former employees participated in the share issue, subscribing for a total of 278,675 shares. After the increase of the share capital, Harju Elekter has a total of 18,018,555 ordinary shares without nominal value and the share capital amounts to 11,352,689.65 euros.



In July, AS Harju Elekter increased its portfolio of solar power plants by investing in eight solar power plants with an installed capacity of 64.8 kW. With the investment, in the amount of 0.5 million euros, the number of Group's solar power plants with the same capacity increased from five to thirteen and renewable energy production capacity increased from 1,737 kW to 2,255 kW. In 2021, renewable energy

production increased from 1225 MWh to 1733 MWh, an increase of around 30%.

On 19 August, Harju Elekter UAB opened an academy to train the company's current and future employees. The aim of the academy is to attract young Lithuanians to the field of engineering and to improve the qualifications of existing employees.

Harju Elekter decided to centralise production in Sweden by moving the various units of the Swedish subsidiary to Västerås and Malmö, as well as establish new plants in these locations in order to expand its business activities. The restructuring of Harju Elekter AB's operations will ensure more efficient production, lower logistics costs, and better security of supply for customers, serving as a prerequisite for profitable growth in Sweden. In order to lease the 3,000 m² building in Malmö, which will be completed by the end of 2022, a ten-year lease agreement was entered into on 13 September. A letter of intent was signed on the same day for the construction of the Västerås plant.



Q4

For the purpose of establishing the 6,000 m² building in Västerås, on the 4 October 2021, Harju Elekter AB, a subsidiary of AS Harju Elekter, concluded an agreement with LC Development Fastigheter 101 AB, a subsidiary of Wästbygg Gruppen AB, in order to acquire 100% of the shares of LC Development Fastigheter 17 AB. LC Development Fastigheter 17 AB has been established for the Harju Elekter plant to be built in Västerås and it manages real estate and construction related matters. The proposed initial closing date of the acquisition of shares is 1 November 2022. The estimated value of the transaction is 9.8 million euros (SEK 100 million).

In response to increasing demand for Elektra electric vehicle chargers, the Group acquired an additional production area of 1,140 m² near the current facility in Ulvila on 21 October.

EVENTS AFTER THE REPORTING DATE

Harju Elekter Oy is increasing its holding in IGL-Technologies Oy from 5.5% to 10%. The transactions will be carried out in two parts, the first of which took effect in February 2022 and the second will take effect during the first half of the year. The cost of the additional investment is approximately 234,000 euros. The Finnish subsidiary of Harju Elekter Group, Harju Elekter Oy, has collaborated with IGL-Technologies successfully for more than ten years and has installed over 30,000 electric vehicle charging stations in Finland alone. In addition, more than 50 charging stations have been established in the Baltics, 10 of which have been added to Estonia. 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.

OPERATING RESULTS

Revenue

Harju Elekter's orders and sales volumes continued to grow strongly in the fourth quarter. The revenue of the Group was 43.6 (Q4 2020: 35.2) million euros in the fourth quarter, increasing by 23.6% compared to the comparable period. Revenue increased in all areas of business activity, but the main contribution came from the sale of electrical equipment, which was 35.6 (Q4 2020: 30.2) million euros. This was mainly due to the increase in the volume of orders from the framework contracts. Revenue from the sale of electrical equipment accounted for 81.8% of the Group's revenue. The remaining 18.2% was earned from the sale of metal products, retail, and project-based sale of electrical goods, leasing out industrial real estate, and electrical works in the shipbuilding sector.

To summarise 2021, it can be said that the fulfilment of orders depended largely on the global situation, where the availability of materials and components had significantly deteriorated. The availability of materials and specific components has improved, but not fully recovered. Despite serious challenges, Harju Elekter's revenue for the year grew by 4.2% year-on-year, to 152.8 (2020: 146.6) million euros, exceeding previous record sales volumes. The revenue from electrical works in the shipbuilding sector increased the most, totaling 6.0 (2020: 4.2) million euros. The revenue of electrical equipment increased by 1.5 million euros to 126.7 million euros in a year comparison.

Revenue by business activities (EUR '000)	Q4 2021	Q4 2020	+/-	12M 2021	12M 2020	+/-	% 12M 2021	% 12M 2020
Manufacturing and sale of electrical equipment	35,631	30,209	17.9%	126,656	125,184	1.2%	82.9%	85.4%
Retail and project-based sale of electrical products	3,423	1,768	93.6%	10,658	9,624	10.7%	7.0%	6.5%
Other products	1,114	856	30.1%	3,946	2,899	36.1%	2.6%	2.0%
Lease income	798	746	7.0%	3,131	2,866	9.2%	2.0%	1.9%
Electrical works	1,736	1,316	31.9%	6,047	4,186	44.5%	4.0%	2.9%
Other services	859	348	146.8%	2,319	1,855	25.0%	1.5%	1.3%
Total	43,561	35,243	23.6%	152,757	146,614	4.2%	100.0%	100.0%

Business segments

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

Production

The revenue of the production segment increased both by quarter and by year: 7.4 million to 37.7 million euros and by 8.0 million to 133.5 million euros, respectively. The Group's core business, Production, accounted for 87.4% of the Group's revenue in the twelve months. The biggest challenges for manufacturing companies came from supply shortages of missing components that were required in projects. A number of large orders were pending, and production cycles had to be reorganised on an ongoing basis.

Real estate

With the new rental space in Allika Industrial Park completed at the end of year 2020, the revenue of the Real estate segment increased in a quarterly and in a yearly comparison, being 1.0 (Q4 2020: 0.9) and 3.8 (2020: 3.3) million euros, respectively. The Real estate segment accounts for 2.5% of the Group's twelve-month revenue.

Other activities

Revenue from other non-segment activities increased by 0.7 million euros quarter-on-quarter to 4.9 million euros but was 2.3 million euros lower year-on-year. Other non-segment revenue was mainly impacted by the restructuring of the sales organisation in Sweden, where the sales unit for electrical equipment was transferred under a manufacturing subsidiary. Other activities accounted for 10.1% of the Group's 2021 revenue.

Revenue by segment (EUR '000)	Q4 2021	Q4 2020	+/-	12M 2021	12M 2020	+/-	% 12M 2021	% 12M 2020
Production	37.695	30.248	24.6%	133.507	125.557	6.3%	87.4%	85.6%
Real Estate	1.008	882	14.3%	3.801	3.292	15.5%	2.5%	2.2%
Other activities	4.858	4.113	18.1%	15.449	17.765	-13.0%	10.1%	12.1%
Total	43.561	35.243	23.6%	152.757	146.614	4.2%	100.0%	100.0%

Markets

Revenue by markets (EUR '000)	Q4 2021	Q4 2020	+/-	12M 2021	12M 2020	+/-	% 12M 2021	% 12M 2020
Estonia	6,527	6,484	0.7%	25,993	23,490	10.7%	17.0%	16.0%
Finland	17,902	13,832	29.4%	70,918	68,739	3.2%	46.4%	46.9%
Sweden	10,379	9,061	14.5%	27,611	26,532	4.1%	18.1%	18.1%
Norway	4,244	2,762	53.7%	13,195	16,701	-21.0%	8.6%	11.4%
Germany	1,613	608	165.3%	7,482	1,747	328.3%	4.9%	1.2%
Netherlands	1,685	1,068	57.8%	4,975	5,740	-13.3%	3.3%	3.9%
Other	1,211	1,428	-15.2%	2,583	3,665	-29.5%	1.7%	2.5%
Total	43,561	35,243	23.6%	152,757	146,614	4.2%	100.0%	100.0%

Estonia

Sales to the Estonian market remained practically at the same level in the reporting quarter, totalling 6.5 million euros. Revenue increased by 2.5 million to 26.0 million euros in year comparison, accounting for 17.0% (2020: 16.0%) of the Group's revenue. The growth mainly came from the production and supply of prefabricated substations

Finland

The Group's revenue in Finland was 17.9 million euros in the reporting quarter. This is 4.1 million euros more than in the fourth quarter of the previous year. The increase in revenue in the last quarter was affected by the postponement of orders from the beginning of the year to the second half of the year, due to both the cold winter at the beginning of the year and supply difficulties resulting from material shortages. All in all, year-on-year revenue in the Finnish market increased by 2.2 million euros, to 70.9 million euros. During the reporting year, 46.4% (2020: 46.9%) of the Group's products and services were sold to the Group's largest market, Finland.

Sweden

The revenue earned from the Swedish market increased both in the reporting quarter and yearly comparison, amounting to 10.4 (Q4 2020: 9.1) and 27.6 (2020: 26.5) million euros, respectively. In the second half of the year, the production and supply of substations for new agreed framework contract continued at an accelerated pace. Sweden is the Group's second largest market, accounting for 18.1% of the Group's revenue during the year as well as in the previous period. The Group sees market potential in Sweden and is making investments to increase the business activity. The restructuring of the Swedish company's operations will allow for more efficient production, lower logistics costs and better security of supply for customers in the future.

Norway

Sales to the Norwegian market continued to recover in the fourth quarter, the Group sold products and services worth 4.2 (Q4 2020: 2.8) million euros to the Norwegian market. In yearly comparison, there were no progress. In 2021, the Norwegian market generated revenues of 13.2 million euros, which is 3.5 million euros less than in the same period of the previous year. The decrease in Norwegian revenue was due to record high orders in the reference period, as well as the slow pace of recovery in the maritime industry. The Norwegian market accounted for 8.6% (2020: 11.4%) of the reporting year revenue.

Others

When comparing the quarters, revenue from Other markets increased by 1.4 million to 4.5 million euros. Among them, sales to Germany increased the most in the reporting quarter, totalling 1.6 (Q4 2020: 0.6) million euros. In a yearly comparison, revenue from other markets increased by 3.9 million euros to 15.0 million euros, accounting for 9.8% (2020: 7.6 %) of revenue. The majority of the annual revenue growth came from sales to the German market, which generated 7.5 (2020: 1.7) million euros. In addition, revenue from the Netherlands amounted to 5.0 (2020: 5.7) million euros.

Operating expenses

(EUR'000)	Q4 2021	Q4 2020	+/-	12M 2021	12M 2020	+/-	% 12M 2021	% 12M 2020
Cost of sales	38,858	29,658	31.0%	134,876	125,405	7.6%	90.0%	89.2%
Distribution costs	1,260	2,208	-42.9%	5,259	5,847	-10.1%	3.5%	4.2%
Administrative expenses	2,655	2,140	24.1%	9,703	9,259	4.8%	6.5%	6.6%
Total operating expenses	42,773	34,006	25.8%	149,838	140,511	6.6%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	<i>1,086</i>	<i>1,065</i>	<i>2.0%</i>	<i>4,018</i>	<i>3,794</i>	<i>5.9%</i>	<i>2.7%</i>	<i>2.7%</i>
<i>incl. total labour cost</i>	<i>8,383</i>	<i>7,319</i>	<i>14.5%</i>	<i>30,650</i>	<i>27,340</i>	<i>12.1%</i>	<i>20.5%</i>	<i>19.5%</i>
<i>incl. inclusive salary cost</i>	<i>6,806</i>	<i>5,692</i>	<i>19.6%</i>	<i>23,863</i>	<i>21,327</i>	<i>11.9%</i>	<i>15.9%</i>	<i>15.2%</i>

The total operating expenses for the reporting quarter were 42.8 (Q4 2020: 34.0) million euros. Costs of sales, which accounted for 90.9% of operating expenses, was 38.9 (Q4 2020: 29.7) million euros. The gross profit margin decreased by 5.0 percentage points to 10.8% compared to the comparable quarter. Profitability was affected by similar factors as in the previous quarter: the global crisis in raw materials caused by the recovery in demand, rising prices for materials and logistics, and operational inefficiency due to component shortages. The reporting quarter also faced labour shortages due to the increase in the spread of the Covid-19 virus. As a result, recruitment of additional labour and overall wage pressures from the labour market increased labour costs by 14.5%. Distribution costs for the quarter decreased year-on-year by 1.2 million euros (Q4 2020: 2.2 million), accounting for 2.9% of the Group's operating expenses (Q4 2020: 6.5%) and 2.9% (Q4 2020: 6.3%) of revenue. This was mainly due to the efficiency gains from corporate restructuring. General administrative expenses as a percentage of both the Group's operating expenses and revenues remained practically unchanged year-on-year, at 6.2% and 6.1% respectively.

In the accounting year as a whole, operating expenses increased by 6.6% year-on-year, to 149.8 (2020: 140.5) million euros. Rising prices of raw materials, labour costs and services, as well as continuous rescheduling in production, reduced the gross profit margin for the year by 2.8 percentage points compared to the reference period, to 11.7. The Group's distribution costs decreased by 10.1% year-on-year to 5.3 million euros (2020: 5.8 million). Marketing and general administrative expenses accounted for 3.5% (2020: 4.2%) and 6.5% (2020: 6.6%) of the Group's revenue for the year. Exceptionally high energy prices, continuing raw material price increases, supply chain disruptions and rising inflation around the world are all factors that affect employee expenses, as well as the profitability of customers, suppliers, and Harju Elekter. The increase in electricity prices had a direct impact on the Group's profitability until the third quarter, when electricity prices were fixed at a reasonable level. In view of the future, Harju Elekter will continue to invest in buildings and renewable energy production to mitigate energy costs and achieve energy efficiency.

Labour costs increased with quarterly and yearly comparison, amounting to 8.4 (Q4 2020: 7.3) and 30.7 (2020: 27.3) million euros, respectively. The ratio of labor costs to the Group's revenue was 19.2% (Q4 2020: 20.8%) in the reporting quarter and 20.1% (2020: 18.6%) in the 2021. The average annual monthly salary per employee of the Group was 2,412 euros, which was 6% more than in the previous period. Labour costs were impacted by the hiring of additional staff, by the increase in additional work, and by the constant readiness to continue the production cycle. The increase in labour costs and average wages was affected by wage pressures due to workforce shortages in all markets and by the rising share of Finnish and Swedish companies' employees in the Group, as wages in Scandinavian countries are significantly higher than in Estonia and Lithuania.

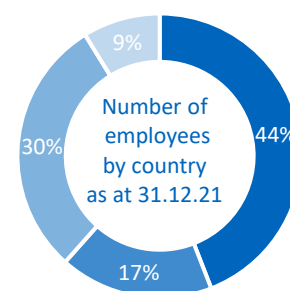
Depreciation of non-current assets totalled 1.0 million euros in the reporting quarter, and 4.0 million euros during 2021, increasing by 21 and 224 thousand euros, respectively, compared to the comparable periods. The increase in depreciation was due to the addition of several investments, including the completion of Laohotell II at the end of 2020 and the expansion of the Lithuanian plant.

PERSONNEL

The increase in production volumes and the overload of production due to supply chain delays created the need to recruit more new staff. At the end of the reporting period, the Group employed 865 people, which was 81 employees more than a year ago. In the reporting quarter, the Group employed an average of 856 people, which was on average 86 employees more than in the comparable period.

In the reporting quarter, 6.8 (Q4 2020: 5.7) million euros were paid to employees as salaries and remuneration. The increase in costs is linked to reorganisations in production, an increase in the workforce, and wage increases. Post-pandemic labour shortages in the market and exceptionally high energy prices, which have also pushed up the price of consumer goods and food, are further increasing wage pressures.

In relation with the global health crisis, the top priority for Harju Elekter and for its companies in every country were the activities related to health promotion of employees and their occupational safety, which has resulted in additional costs. We endorse vaccinations so that work can continue in the companies, both locally and transnationally.



- Estonia 381 (31.12.20: 356)
- Finland 152 (31.12.20: 136)
- Lithuania 256 (31.12.20: 223)
- Sweden 76 (31.12.20: 69)

	Average numbers of employees			Numbers of employees				%	
	Q4 2021	Q4 2020	2021	2020	31.12.2021	31.12.2020	+/-	31.12.21	31.12.20
Estonia	378	340	374	344	381	356	25	44.0%	45.4%
Finland	148	141	144	139	152	136	16	17.6%	17.4%
Lithuania	252	221	232	235	256	223	33	29.6%	28.4%
Sweden	78	68	75	62	76	69	7	8.8%	8.8%
Total	856	770	825	780	865	784	81	100.0%	100.0%

ANNUAL GENERAL MEETING OF SHAREHOLDERS

On April 29, 2021, the Annual General Meeting (AGM) of Shareholders of AS Harju Elekter was held, in which 36 shareholders and their authorized representatives participated, representing a total of 10,601,232 votes, being 59.76% of the total votes.

The AGM approved the 2020 annual report and profit distribution and decided to pay dividends amounting to 0.16 euros per share, totalling 2.8 million euros. The list of the shareholders entitled to the dividends was fixed as at 18 May 2021 at the end of the business day of the settlement system. The dividends were transferred to the shareholders' bank accounts on May 25, 2021.

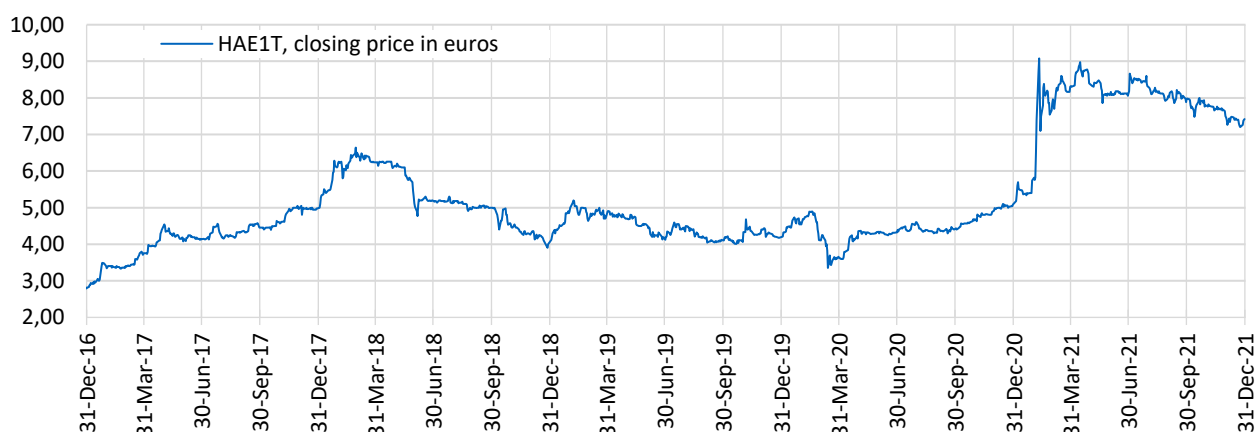
The general meeting also approved an amendment to the Articles of Association of AS Harju Elekter, providing the Supervisory Board with the right to increase the share capital by no more than 1/10 of the share capital by making monetary contributions within three years from the date of entry into force of the amended Articles of Association. The aim of the amendment is to simplify the exercise of the option programme approved by the 2018 general meeting of shareholders. In addition, AS PricewaterhouseCoopers was appointed as the company's auditor for the years 2021–2023 and a share option programme was adopted for the members of the Management Board and key persons of the companies belonging to the Group to motivate them to act in order to achieve better financial results of AS Harju Elekter. The terms of the option programme is two years, plus the term for exercising share options of 36 and 48 calendar months of the conclusion of the option agreement. The issue price of the shares acquired with the share option is the average of the closing prices as of the 2018, 2019 ja 2020 calendar years preceding the conclusion of the option agreement on the Nasdaq Tallinn Stock Exchange as of 31 December, amounting to 4.50 euros. In June, option agreements were signed with ten members of the Management Boards of AS Harju Elekter and its subsidiaries, for a total of 100,000 share subscription rights.

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	2021	2020	2019	2018	2017
Opening price (euros)	5.24	4.26	4.12	5.00	2.85
Highest price (euros)	10.50	5.26	5.20	6.68	5.08
Lowest price (euros)	5.20	3.20	4.01	3.89	2.80
Closing price (euros)	7.44	5.18	4.21	4.12	5.00
Traded shares (pcs)	2,048,865	1,160,598	531,415	1,100,773	1,349,617
Turnover (in million euros)	15.85	4.99	2.35	5.98	5.46
Capitalisation (in million euros)	134.06	91.89	74.68	73.09	88.70
Average number of the shares (pcs)	17,855,220	17,739,880	17,739,880	17,739,880	17,739,880
EPS (euros)	0.15	0.31	0.14	0.09	1.64

Additional 278,675 shares were issued under the framework of the stock option plan for the employees of Harju Elekter and as of 2 August 2021, a total of 18,018,555 shares of AS Harju Elekter are traded.

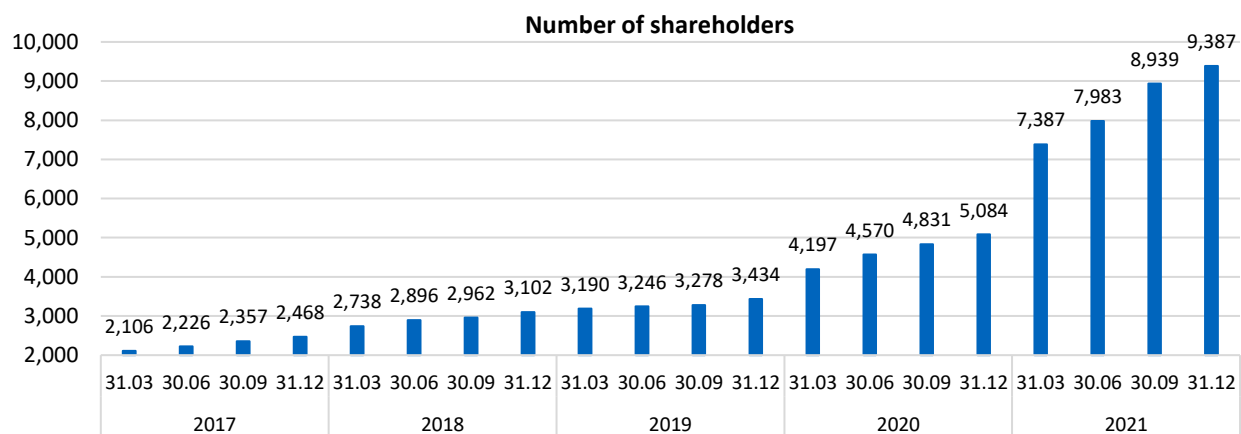
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2016 – 31 December 2021 (Nasdaq Tallinn. <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 31 December 2021:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	41.4	AS Harju KEK	30.90
1.0 – 10.0%	8	0.1	21.0	ING Luxembourg S.A.	10.54
0.1 – 1.0 %	53	0.6	15.1	Endel Palla	6.97
< 0.1%	9,324	99.3	22.5	Shareholders holding under 5%	51.59
Total	9,387	100.0	100.0	Total	100.00

As of 31 December 2021, AS Harju Elekter had 9,387 shareholders. The number of shareholders increased during the reporting quarter by 448 members. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 30.90% of AS Harju Elekter's share capital. On 31 December 2021, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 13.26% 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>.



CONFIRMATIONS TO THE MANAGEMENT REPORT

The Management Board confirms that the management report provides, in the best knowledge of the management board, a true and fair view of the significant events, results and their impact on the unaudited consolidated interim report during the reporting period.

Tiit Atso

Chairman of the Management Board

22 February 2022



Aron Kuhi-Thalfeldt

Member of the Management Board

22 February 2022



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2021	31 December 2020
Current assets			
Cash and cash equivalents		574	2,843
Trade and other receivables		33,689	27,226
Prepayments		1,844	820
Inventories		27,437	18,856
Total current assets		63,544	49,745
Non-current assets			
Deferred income tax assets		690	514
Non-current financial investments	2	25,222	11,918
Investment properties	3	23,903	23,605
Property, plant and equipment	4	26,654	22,494
Intangible assets	4	7,544	7,199
Total non-current assets		84,013	65,730
TOTAL ASSETS	7	147,557	115,475
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	5	16,912	12,056
Prepayments from customers		4,659	4,182
Trade and other payables		24,490	15,837
Tax liabilities		3,156	2,871
Current provisions		35	34
Total current liabilities		49,252	34,980
Borrowings	5	11,426	7,032
Other non-current liabilities		33	66
Total non-current liabilities		11,459	7,098
Total liabilities		60,711	42,078
Equity			
Share capital	6	11,352	11,176
Share premium		1,601	804
Reserves		18,716	6,709
Retained earnings		55,315	54,858
Total equity attributable to the owners of the parent company		86,984	73,547
Non-controlling interests		-138	-150
Total equity		86,846	73,397
TOTAL LIABILITIES AND EQUITY		147,557	115,475

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 October – 31 December		1 January – 31 December	
	Note	2021	2020	2021	2020
Revenue	7	43,561	35,243	152,757	146,614
Cost of sales		-38,858	-29,658	-134,877	-125,405
Gross profit		4,703	5,585	17,880	21,209
Distribution costs		-1,260	-2,208	-5,259	-5,847
Administrative expenses		-2,655	-2,140	-9,703	-9,259
Other income		114	213	513	707
Other expenses		-49	-115	-229	-264
Operating profit	7	853	1,335	3,202	6,546
Finance income		57	21	129	137
Finance costs		-101	-110	-353	-379
Profit before tax		809	1,246	2,978	6,304
Income tax	9	85	-87	-368	-776
Profit for the period		894	1,159	2,610	5,528
Profit attributable to:					
Owners of the parent company		888	1,165	2,598	5,563
Non-controlling interests		6	-6	12	-35
Earnings per share					
Basic earnings per share (euros)	8	0.05	0.07	0.15	0.31
Diluted earnings per share (euros)	8	0.05	0.07	0.14	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 October – 31 December		1 January – 31 December	
	Note	2021	2020	2021	2020
Profit for the period		894	1,159	2,610	5,528
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-44	128	-57	112
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	0	265	80
Net gain/loss (-) on revaluation of financial assets	2	3,900	3,669	12,269	2,922
Total comprehensive income for the period		3,856	3,797	12,477	3,114
Other comprehensive income		4,750	4,956	15,087	8,642
Total comprehensive income attributable to:					
Owners of the Company		4,744	4,962	15,075	8,677
Non-controlling interests		6	-6	12	-35

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 31 December	
	Note	2021	2020
Cash flows from operating activities			
Profit for the period		2,610	5,528
<u>Adjustments</u>			
Depreciation and amortization	3,4	4,018	3,794
Gain on sale of property, plant and equipment		-25	-21
Share-based payments	10	227	263
Finance income		-129	-137
Finance costs		353	379
Income tax	9	368	776
<u>Changes</u>			
Changes in trade and other receivables		-7,443	-3,756
Changes in inventories		-8,814	155
Changes in trade and other payables		9,308	1,232
Corporate income tax paid	9	-616	-916
Interest paid		-345	-302
Total cash flow (-outflow) from operating activities		-488	6,995
Cash flows from investing activities			
Payments for investment properties	9	-1,057	-3,096
Payments for property, plant and equipment	9	-4,857	-4,566
Payments for intangible assets		-698	-300
Acquisition of financial investments	2	-1,749	-104
Proceeds from sale of investment property		0	5
Proceeds from sale of property, plant and equipment		42	33
Proceeds from sale of other financial investments		981	1,681
Dividends received		119	91
Received interests		8	0
Other proceeds from investing activities	9	190	0
Total cash flow (-outflow) from investing activities		-7,021	-6,256
Cash flows from financing activities			
Change in overdraft balance	5	6,414	-1,131
Proceeds from borrowings	5	8,824	3,151
Repayment of borrowings	5	-6,565	-1,112
Repayments of lease liabilities	5	-1,476	-1,175
Proceeds from the share issue		946	0
Dividends paid		-2,838	-2,484
Paid dividend income tax		-18	-14
Total cash flow (-outflow) from financing activities		5,287	-2,765
Total net cash flow (-outflow)		-2,222	-2,026
Cash and cash equivalents at the beginning of the period		2,843	4,878
Changes in cash and cash equivalents		-2,222	-2,026
Effect of exchange rate fluctuations on cash and cash equivalents		-47	-9
Cash and cash equivalents at the end of the period		574	2,843

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 31 December	Attributable to owners of the parent company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
Balance at 1 January 2020	11,176	804	3,412	51,699	67,091	-115	66,976
Comprehensive income							
Profit for the period	0	0	0	5,563	5,563	-35	5,528
Other comprehensive income	0	0	3,034	80	3,114	0	3,114
Total comprehensive income	0	0	3,034	5,643	8,677	-35	8,642
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	263	0	263	0	263
Dividends	0	0	0	-2 484	-2 484	0	-2 484
Total transactions with owners	0	0	263	-2 484	-2 221	0	-2 221
Balance at 31 December 2020	11 176	804	6 709	54 858	73 547	-150	73 397
Comprehensive income							
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
Total comprehensive income	0	0	12 212	2 863	15 075	12	15 087
Transactions with owners recognized directly in equity							
Share capital contribution (Note 6)	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
Total transactions with owners	176	797	-205	-2,406	-1,638	0	-1,638
Balance at 31 December 2021	11,352	1,601	18,716	55,315	86,984	-138	86,846

On April 29, 2021, the Annual General Meeting of shareholders of AS Harju Elekter was held; among other things the 2020 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.16 euro per share for 2020, totalling 2,838 thousand euros, were approved. The dividends were paid to the shareholders on 25 May 2021 by a transfer to the bank account of the shareholder.

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 2021 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Harju Elekter Oy, Harju Elekter Kiinteistöt Oy, Telesilta Oy, Harju Elekter AB, Harju Elekter Services AB and Harju Elekter UAB (the "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since 30 September 1997; 30.90% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 "Interim Financial Reporting" on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31 December 2020. The interim report should be read in conjunction with the Group's annual report of 2020, 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 2021 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

	31.12.2021	31.12.2020
Listed securities (fair value through other comprehensive income)	2,898	2,822
Other equity investments (fair value through other comprehensive income)	22,315	9,089
Other financial assets through profit or loss	9	7
Total	25,222	11,918
Changes	2021	2020
1. Financial assets at fair value through other comprehensive income		
Carrying amount at the beginning of the period	11,911	10,486
Acquisitions	1,749	104
Sale of financial assets	-716	-1,601
Change in fair value through other comprehensive income	12,269	2,922
Carrying amount at the end of the period	25,213	11,911
2. Financial assets at fair value through profit and loss		
Carrying amount at the beginning of the period	7	8
Change in fair value through profit and loss	2	-1
Carrying amount at the end of the period	9	7
Total carrying amount at the end of the period	25,222	11,918

A total of 981 thousand euros was received from the partial sale of the listed securities in the reporting year. Realized gain on sale of financial assets in the amount of 265 thousand euros was recognized through other comprehensive income. In 2020, 1,681 thousand euros were received from the sale of securities listed on the stock exchange, of which the realized profit was 80 thousand euros. The fair value of securities increased by 545 thousand euros in 2021, decreased by 519 thousand euros in 2020.

As of 31 December 2021, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (31.12.2020: 8.8) million euros, in the shares of SIA Energokomplekss in the amount of 0.2 (31.12.2020: 0.3) million euros and in the shares of IGL-Technologies Oy in the amount of 0.25 million euros.

Harju Elekter Oy, a subsidiary of AS Harju Elekter, signed on 28 June 2021 a contract for the acquisition of a 5.5% holding in the technology company IGL-Technologies Oy, engaged in the development of parking, and charging systems for electric vehicle charging stations. The transaction price was 0.25 million euros.

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 Group's management assessed the fair value of the holding in the company based 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. 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.

During the additional financing round in the reporting year, AS Harju Elekter invested 1.2 million euros in the company.

The registered holding of AS Harju Elekter has decreased after the investment rounds carried out during the reporting year and after the conversion of KIC InnoEnergy S.E. to the list of shareholders of OÜ Skeleton Technologies Group in October on previously agreed terms. After the latest investment round in the fourth quarter of 2021 the registered holding of AS Harju Elekter in OÜ Skeleton Technologies Group is 6,14% (2020: 7,22%). The fair value of the financial investment during the reporting year increased due to the invested amount of 1.2 million and due to the change in the fair value in the amount of 11.8 million to 21.8 million euros.

Note 3 Investment properties

	Note	2021	2020
Balance at the beginning of the period		23,605	21,259
Additions	7	1,321	3,103
Depreciation	7	-970	-851
Reclassification from property, plant and equipment	4	-53	94
At the end of the period		23,903	23,605

Note 4 Property, plant and equipment; intangible assets

	Note	2021	2020
1. Property, plant and equipment			
Balance at the beginning of the period		22,494	20,402
Additions to right-of-use assets		880	150
Additions	7	5,741	4,642
Sales and write-off in carrying amount		-17	-31
Depreciation	7	-2,714	-2,570
Reclassification from inventories		233	0
Reclassification to investment properties	3	53	-94
Impact of exchange rate changes		-16	-5
At the end of the period		26,654	22,494
2. Intangible assets			
Balance at the beginning of the period		7,199	7,260
Additions	7	680	313
Amortization	7	-334	-373
Impact of exchange rate changes		-1	-1
At the end of the period		7,544	7,199

Note 5 Borrowings

	31.12.2021	31.12.2020
Current borrowings		
Current bank loans	14,152	7,738
Current portion of long-term bank loans	1,485	3,191
Current portion of lease liabilities	1,261	1,100
Other current loans	14	27
Total current borrowings	16,912	12,056
Non-current borrowings		
Non-current bank loans	9,171	4,461
Non-current lease liabilities	2,255	1,839
Other non-current loans	0	732
Total non-current borrowings	11,426	7,032
Total borrowings	28,338	19,088
Changes	2021	2020
Loans and borrowings at the beginning of the period	19,088	19,206
Change in overdraft balances	6,414	-1,131
Received non-current loans	8,824	3,070
Repayments of non-current loans	-5,819	-1,112
Other received loans	-746	81
New lease liabilities	2,031	149
Repayments of non-current lease liabilities	-1,476	-1,175
Impact of exchange rate changes	22	0
Loans and borrowings at the end of the period	28,338	19,088

Note 6 Share capital

	31.12.2021	31.12.2020
Share capital (thousand euros)	11,352	11,176
Number of shares (pcs)	18,018,555	17,739,880
Book value of a share (euros)	0.63	0.63

On 19 July 2021, the Supervisory Board of AS Harju Elekter decided to increase the share capital of the company by 175,565.25 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The subscription term was 16 July 2021, and the issue price was 3.49 euros per share. A total of 278,675 ordinary shares were subscribed for at a book value of 0.63 euros per share. The total proceeds from the share issue amounted to 973 thousand euros of which the share premium was 797 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,352 thousand euros divided into 18.1 million ordinary shares without a nominal value. The shares issued will give entitlement to dividends from 2021.

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.

1 January – 31 December	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2021						
Revenue from external customers		133,507	3,801	15,449	0	152,757
Inter-segment revenue		583	1,759	185	-2,527	
Segment revenue		134,090	5,560	15,634	-2,527	152,757
Operating profit		1,296	2,022	-461	345	3,202
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
Total assets						147,557
Capital expenditure	3,4	5,787	1,321	634	0	7,742
Right-of-use assets (IFRS 16)		105	0	775	0	880
Depreciation and amortization	3,4	2,222	970	849	-23	4,018
2020						
Revenue from external customers		125,557	3,292	17,765	0	146,614
Inter-segment revenue		6,122	1,743	118	-7,983	
Segment revenue		131,679	5,035	17,883	-7,983	146,614
Operating profit		5,929	1,712	-872	-223	6,546
Segment assets		70,365	26,684	22,056	-15,664	103,441
Unallocated assets						12,034
<i>incl. Financial investments</i>						11,911
<i>incl. Other receivables and prepayments</i>						123
Total assets						115,475
Capital expenditure	3,4	4,477	3,103	478	0	8,058
Right-of-use assets (IFRS 16)		150	0	0	0	150
Depreciation and amortization	3,4	2,070	851	894	-21	3,794

Revenue by geographic regions (customer location)

1 January – 31 December	2021	2020
Estonia	25,993	23,490
Finland	70,918	68,739
Sweden	27,611	26,532
Norway	13,195	16,701
Germany	7,482	1,747
Netherlands	4,975	5,740
Other	2,583	3,665
Total revenue	152,757	146,614

Revenue by business activities

1 January – 31 December	2021	2020
Manufacturing and sale of electrical equipment	126,656	125,184
Retail and project-based sale of electrical products	10,658	9,624
Other products	3,946	2,899
Lease income	3,131	2,866
Electrical works	6,047	4,186
Other services	2,319	1,855
Total	152,757	146,614

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 2021, the Group had a total of 728,218 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the Nasdaq Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros. From the 2018 round, 278,675 shares were converted in the reporting quarter.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round, 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros, 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 October to 31 December 2021, the average market price of the shares was 7.63 (Q4 2020: 4.88) euros. During the period from 1 January to 31 December 2021, the average market price of the shares was 7.73 euros. In the period 1 July to 31 December 2021 the average market price of the current year shares was 8.00 euros.

1 October – 31 December	Unit	2021	2020
Profit attributable to equity holders of the parent company	EUR '000	888	1,165
Average number of shares outstanding	Pc '000	18,019	17,740
Basic earnings per share	EUR	0.05	0.07
Adjusted number of shares during the period	Pc '000	18,095	17,740
Diluted earnings per share	EUR	0.05	0.07
1 January – 31 December	Unit	2021	2020
Profit attributable to equity holders of the parent company	EUR '000	2,598	5,563
Average number of shares outstanding	Pc '000	17,855	17,740
Basic earnings per share	EUR	0.15	0.31
Adjusted number of shares during the period	Pc '000	17,963	17,740
Diluted earnings per share	EUR	0.14	0.31

Note 9 Information on the statement of cash flows line items

1 January – 31 December	Note	2021	2020
Corporate income tax			
Income tax expense in the statement of profit or loss		-368	-776
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-89	-112
Dividend income tax expense		18	14
Income tax expense on dividends		-176	-42
Impact of exchange rate changes		-1	0
Corporate income tax paid		-616	-916
Paid for investment properties			
Acquisitions of investment properties	3	-1,321	-3,103
Liability decrease (-)/ increase (+) incurred by the acquisitions		264	7
Paid for investment properties		-1,057	-3,096
Paid for property, plant and equipment			
Acquisitions of investment properties	4	-5,741	-4,642
Liability decrease (-)/ increase (+) incurred by the acquisitions		694	74
Other proceeds from investing activities		190	0
Impact of exchange rate changes		0	2
Paid for property, plant and equipment		-4,857	-4,566

Note 10 Transactions with related parties

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

	31.12.2021	31.12.2020
Balances with related parties:		
- Payables for goods and services	60	47
- Payables to Management and Supervisory Boards	15	17
	2021	2020
Purchase of goods and services from related parties:		
- Lease of property, plant and equipment from AS Harju KEK	118	101
- Other services from AS Entek	435	506
Sale of goods and services to related parties:		
- Other services for AS Harju KEK	3	4
- Sale of goods to AS Entek	3	10
Remuneration of the Management and Supervisory Boards:		
- Salary, bonuses, additional other remuneration (incl. severance pay)	413	498
- Social security tax	133	160

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: up to 8 months of the remuneration of the Member of the Management Board. The chairman of the Supervisory Board has the right to receive severance pay in the amount of 6 months' salary of the development director. Members of the Management Board have no rights related to pension. During the year 2021, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In June 2018, 124 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 351,925 shares. and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 7,500 shares, comprising 52,500 shares in total. The subscription period for the shares was 16.07.2021. A total of 96 current and former employees

of Harju Elekter participated in the share issue related to the exercise of the stock option programme, subscribing for a total of 278,675 shares for 972,575.75 euros.

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

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

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

As at the reporting date, the total number of potential ordinary shares to be issued was 763,968. During the reporting year, share-based payments recognized as labour costs totalled to 227 (2020: 263) thousand euros, of which the share of the members of the Management and Supervisory Boards was 60 (2020: 45) thousand euros. The pricing of the option is disclosed in Note 8.

THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements for the fourth quarter and 12 months of 2021 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

22 February 2022



Aron Kuhi-Thalfeldt

Member of the Management Board

22 February 2022

