

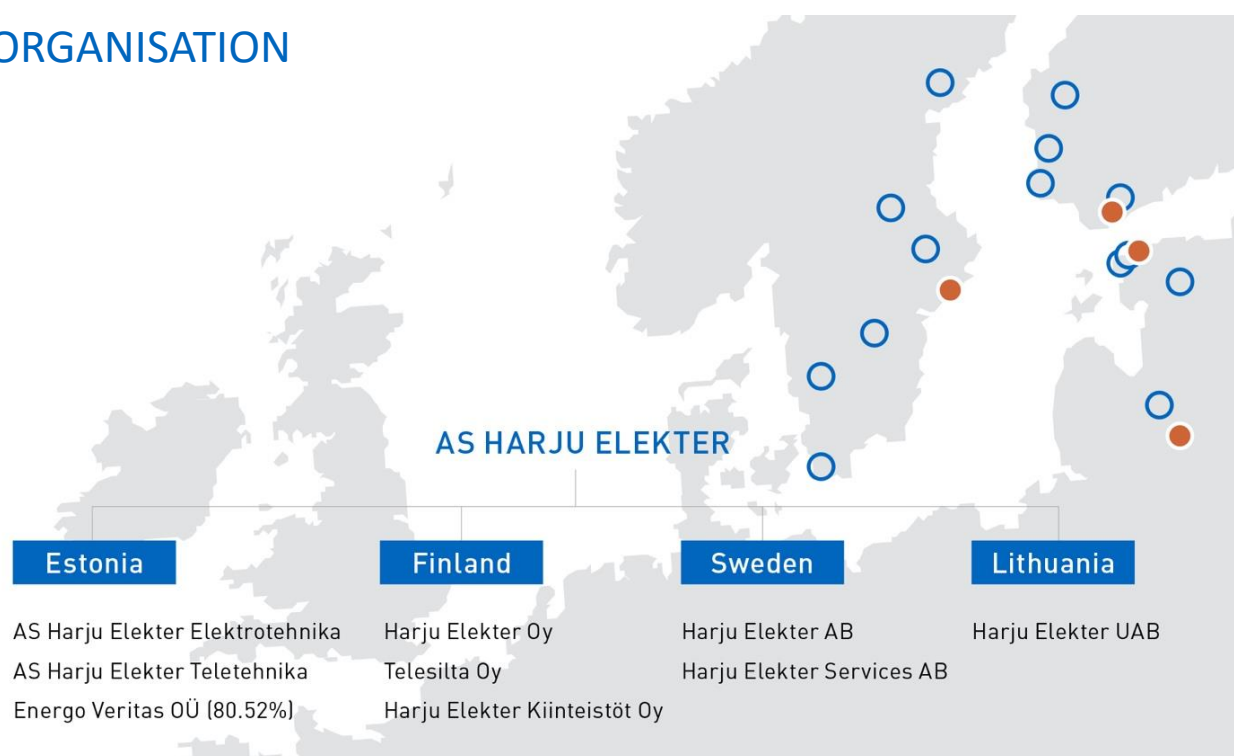
CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
II QUARTER AND 6
MONTH
OF 2022

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Financial year:	1 January – 31 December 2022
Reporting period:	1 January – 30 June 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 Panevėžys

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Industrial real estate holding company in Sweden

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (6.14%)

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 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 utility, industrial, infrastructure, and maritime companies in the Nordic countries. Part of the technical solutions of Harju Elekter are aimed at the renewable energy sector, offering complete plans for solar power plants, electric vehicle charging stations and other related solutions. The main activities are supported by a modern company producing sheet metal details and products.

Main customers



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



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



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



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



Risks

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

MANAGEMENT REPORT

SUMMARY OF THE SECOND QUARTER AND 6 MONTH RESULTS

Revenue and financial results

The consolidated revenue for the second quarter of 2022 was 41.9 (Q2 2021: 36.3) million euros, and the revenue for the first half of the year was 79.2 (6M 2021: 67.0) million euros.

The gross profit for the Q2 was 963 (Q2 2021: 4,306) thousand euros and the gross profit margin was 2.3% (Q2 2021: 11.9%). The consolidated operating loss (EBIT) was -3,048 (Q2 2021: operating profit 651) thousand euros. The operating margin for the second quarter was -7.3% (Q2 2021: 1.8%). The net loss for the Q2 was -3,197 (Q2 2021: net profit 488) thousand euros of which the share of the owners of the parent company was -3,209 (Q2 2021: 485) thousand euros. The earnings per share were -0.18 euros (Q2 2021: 0.03) in the second quarter. 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. In addition to the increase in production costs, several completed projects turned out to be more complex and unprofitable than originally planned, exacerbated by the inefficiencies arising from supply constraints. The manufacturing business has significantly expanded its product portfolio in recent years through the addition of more sophisticated products but has been unable to deliver the targeted profitability due to the predominantly long-term nature of customer orders. Therefore, based on the best available knowledge, the Group has set up reserves to cover potential costs.

The gross profit for the first half of the year was 3,949 (6M 2021: 8,151) thousand euros and the gross profit margin was 5.0% (6M 2021: 12.2%). During the first six months, the operating loss (EBIT) was -4,174 (6M 2021: operating profit 1,168) thousand euros. In total, the Group's net loss for the first half of the year was -4,491 (6M 2021: net profit 785) thousand euros and earnings per share was -0.25 (6M 2021: 0.04) euros.

Investments

During the reporting period, the Group invested a total of 2.2 (6M 2021: 3.9) million euros in non-current assets, incl. 1.2 (6M 2021: 0.2) million euros in investment properties, 0.7 (6M 2021: 3.5) million euros in property, plant, and equipment and 0.3 (6M 2021: 0.2) million euros in intangible assets. Most of the investments during the reporting period were directed to the construction of the Laohotell III production and warehouse complex, in the Allika Industrial Park, which today is filled with tenants. In addition, investments were made in production technology equipment and production and process management systems.

The value of the Group's non-current financial investments totaled 23.6 (31.12.21: 25.2) million euros as of the reporting date. The main changes were the partial sale of securities and the decrease in fair value of 0.9 million euros in the first half of the year. A total of 1.3 (6M 2021: 1.0) million euros was received from the partial sale of listed securities during the first half of the year, of which the realized profit was 0.32 (6M 2021: 0.27) million euros. Harju Elekter increased its stake in the technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros.

Current assets

Current assets increased by 8.1 million to 71.7 million euros during six months. Most of the increase in current assets resulted from an increase in inventories by 10.7 million, to 38.2 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. The change in the value of inventories has also been significantly influenced by the increase in the cost price of inventories. In addition to the higher prices of materials, which accounted for 70% of total inventories at the end of the period, the proportion of work in progress and finished products increased due to backlogs on existing orders rising from delays regarding some specific components. Trade and other receivables decreased by 2.5 million to 31.1 million euros during the reporting period, and prepayments by 0.1 million to 1.7 million euros.

Liabilities

At the reporting date, the Group had liabilities in total of 74.8 (31.12.21: 60.7) million euros, of which current part accounted for 81.0%. During the six months current liabilities increased by 11.4 million euros to 60.6 million euros, incl. an increase in trade and other payables by 3.1 million euros and prepayments from customers increased 3.9 million euros. Borrowings have increased by 6.2 million euros due to the growth of business volumes and increased financing of inventories. At the end of the period, current and non-current borrowings were respectively – 20.4 (31.12.21: 16.9) and 14.2 (31.12.21: 11.4) million euros. Non-current loans and leases were used for real estate investments, expansion of the production building and investments in automatic production equipment.

Cash Flows

Cash and cash equivalents increased by 0.1 million euros to 0.6 million euros during the six months and decreased by 1.3 million euros to 1.6 million euros in the comparable period.

During the first quarter, a significant amount of materials was purchased for long-term customer projects, resulting in a total of 10.7 million euros being placed in inventories over a period of six months. While the increase in receivables in the first quarter reduced cash flow from operating activities, then the trade receivables and prepayments were recovered during the second quarter. There was no need for higher-than-usual stock purchasing in the reporting quarter. The total cash flow from operating activities was 2.7 (Q2 2021: -1.4) million euros in the reporting quarter and -2.2 (6M 2021: 0.4) million euros in 6 months.

During the first half of the year, 1.3 (6M 2021: 4.5) million euros were spent on investment activities, of which a total of 2.7 (6M 2021: 5.6) million euros were paid for investments, and 1.3 (6M 2021: 1.0) million euros were received from the sale of the securities.

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. Current and non-current loans totaled 4.4 (6M 2021: 2.8) million euros and 1.2 (6M 2021: 1.4) million euros were repaid. The overdraft increased by 3.7 (6M 2021: 4.7) million euros. All in all, the financing activities brought in 3.6 (2021 6k: 2.8) million euros.

The impact of the Ukraine-Russia war

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

Key indicators

(EUR '000)

	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-
Revenue	41,914	36,310	15.4%	79,235	67,028	18.2%
Gross profit	963	4,306	-77.6%	3,949	8,151	-51.6%
EBITDA	-1,953	1,638	-219.2%	-2,022	3,124	-164.7%
Operating profit/loss (-) (EBIT)	-3,048	651	-568.2%	-4,174	1,168	-457.4%
Profit/loss (-) for the period	-3,197	488	-755.1%	-4,491	785	-672.1%
Incl. attributable to owners of the parent company	-3,209	485	-761.6%	-4,517	795	-668.2%
Earnings per share (EPS) (euros)	-0.18	0.03	-700%	-0.25	0.04	-725.0%
	30.06.22	31.03.22	+/-		30.06.21	+/-
Total current assets	71,677	76,760	-6.6%		54,780	30.8%
Total non-current assets	82,510	83,751	-1.5%		77,265	6.8%
Total assets	154,187	160,511	-3.9%		132,045	16.8%
Total liabilities	74,838	75,246	-0.5%		51,972	44.0%

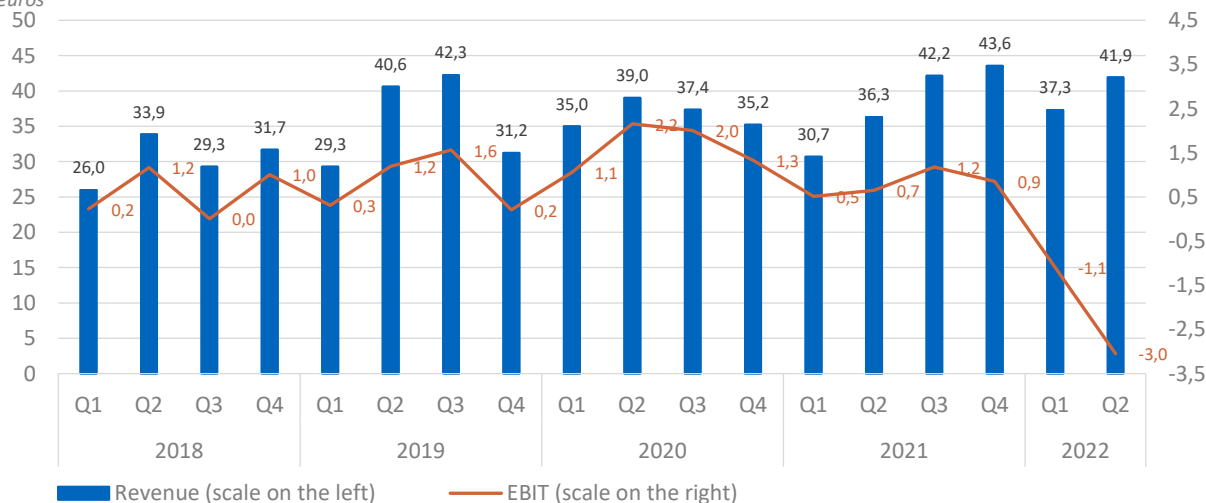
Ratios

(%)

	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-
Distribution cost to revenue	3.6	3.6	0.0	3.6	3.8	-0.2
Administrative expenses to revenue	6.6	6.7	-0.1	6.9	6.9	0.0
Labour cost to revenue	21.8	21.1	0.7	22.5	22.3	0.2
Gross margin (gross profit / revenue)	2.3	11.9	-9.6	5.0	12.2	-7.2
EBITDA margin (EBITDA / revenue)	-4.7	4.5	-9.2	-2.6	4.7	-7.3
Operating margin (EBIT / revenue)	-7.3	1.8	-9.1	-5.3	1.7	-7.0
Net margin (profit/loss (-) for the period / revenue)	-7.6	1.3	-8.9	-5.7	1.2	-6.9
Inventory turnover (revenue / avg. inventories)	1.1	1.6	-0.5	2.4	3.1	-0.7
Return on equity (ROE) (profit/loss (-) for the period / avg.equity)	-3.9	0.6	-4.5	-5.4	1.0	-6.4
	30.06.22	31.03.22	+/-		30.06.21	+/-
Equity ratio (equity / total assets) (%)	51.5	53.1	-1.6		60.6	-9.1
Current ratio (current assets / current liabilities)	1.2	1.2	0.0		1.3	-0.1
Debt ratio (total liabilities / total assets)	0.5	0.5	0.0		0.4	0.1
Quick ratio ((current assets - inventories) / current liabilities)	0.6	0.7	-0.1		0.7	-0.1

Quarterly Changes in Revenue and EBIT

mln euros



COMMENTARY FROM THE MANAGEMENT

In terms of profitability, the second quarter of 2022 turned out to be the most difficult in the history of Harju Elekter. Persistent supply chain problems, in particular in the form of rising material prices and shortages involving several components, affected the profitability. Several extraordinary transactions contributed to the losses – one-off write-offs of inventories and the termination of unprofitable contracts. The potential outcome of long-term projects has been critically reassessed.

We have taken a number of steps to cope with the challenges posed by world events. We will continue to reorganise production, in order to ensure efficiency in the face of disrupted supply chains. The relief obtained from framework contract price negotiations has not yet fully been reflected in second quarter results and is more likely to be seen in the second half of the year. We are also making preparations for the next possible wave of COVID-19, building on the experience of previous years and the ability to cope, ensuring minimum disruption to production efficiency.

On the positive side, the order book is covered for a long period, which is also characterised by continued growth in revenues. The green transition trend and the pressure to ramp up electrification is intensifying as a result of the Russia-Ukraine war. The severing of connections with the Russian energy market – electricity, gas, oil – will only accelerate investment in electricity networks to ensure reliability and modernisation. As a result of the fall in demand on the world market, market prices for raw materials (sheet metal and copper) have fallen sharply, which is helping to improve the cost price of our production and the fulfilment of orders.

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.

Annual general meeting of shareholders

On 28 April 2022, the AGM of shareholders of AS Harju Elekter was held. It amended the Articles of Association of AS Harju Elekter and 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 2.5 million euros. Dividends were transferred to shareholders' bank accounts on 24 May 2022. At the same meeting, the shareholders elected a new six-member Supervisory Board for the next five years and approved their remuneration.

The new Chairman of the Supervisory Board is Triinu Tombak.



New Customer Agreement



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



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



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

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 has 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. Enefit Connect OÜ has stated that it does not consider the cancellation of the framework contracts to be lawful and has informed Energo Veritas OÜ of its intention to claim a contractual penalty for the breach of the framework contracts as well as additional damages if the damages caused as a result of the cancellation exceed the contractual penalty.

EVENTS AFTER THE REPORTING DATE



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.



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. 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.

OPERATING RESULTS

Revenue

Revenue by business activities (EUR'000)	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-	% 6M 2022	% 6M 2021
Manufacturing and sale of electrical equipment	34,875	30,006	16.2%	65,627	55,857	17.5%	82.8%	83.3%
Retail and project-based sale of electrical products	2,677	2,456	9.0%	5,591	4,031	38.7%	7.1%	6.0%
Other products	1,614	1,087	48.5%	2,934	1,886	55.6%	3.7%	2.8%
Lease income	836	657	27.2%	1,647	1,541	6.9%	2.0%	2.3%
Electrical works	1,076	1,603	-32.9%	2,034	2,861	-28.9%	2.6%	4.3%
Other services	836	501	66.9%	1,402	852	64.6%	1.8%	1.3%
Total	41,914	36,310	15.4%	79,235	67,028	18.2%	100.0%	100.0%

The Group's revenue for the reporting quarter was 41.9 (Q2 2021: 36.3) million euros, growing by 15.4% compared to the comparable period. Revenue for six months increased by 18.2% year-on-year, being 79.2 (6M 2021: 67.0) million euros. Comparing both periods, revenue increased in most business areas. Manufacturing and sales of electrical equipment accounted for the majority of the increase, rising by 4.9 million euros in the reporting quarter in yearly comparison and 9.8 million euros in the six-month comparison. One of the more notable works completed during the reporting quarter was a custom-made global data centre power supply equipment, which was manufactured at Harju Elekter's Lithuanian plant. It took just over half a year to create the prefabricated container solutions. The development and design process and innovative production took part in collaboration with our international partners and the engineers from our various production units and resulted in a complex full-load test.

Electrical works underperformed the previous year's result by 0.5 million euros for the quarter and 0.8 million euros for the six-month period. Shipyards have experienced difficulties with the availability of sheet metal, which slows down production and in turn delays the fulfilment of our services. The Finnish Government's new funding plans for the construction of border guard vessels will support the recovery of work volume in the sector.

Revenue from the manufacturing and sale of electrical equipment accounted for 83% and retail and project-based sale of electrical products accounted for 6% of the Group's quarterly revenue. The remaining 11% of the revenue of the Group was earned from the sale of metal products, leasing out industrial real estate, and electrical works in the shipbuilding sector.

Revenue by segment (EUR'000)	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-	% 6M 2022	% 6M 2021
Production	37,411	31,631	18.3%	70,157	58,843	19.2%	88.5%	87.8%
Real Estate	1,127	910	23.8%	2,138	1,848	15.7%	2.7%	2.8%
Other activities	3,376	3,769	-10.4%	6,940	6,337	9.5%	8.8%	9.4%
Total	41,914	36,310	15.4%	79,235	67,028	18.2%	100.0%	100.0%

Thanks to the growth in sales volumes of companies manufacturing electrical equipment and the support of large-scale special order work, the sales volume of the production segment increased by 18.3% to 37.4 million euros in the reporting quarter. 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. Compared to the first half of the year, the production segment's revenue increased by 19.2%, totaling 70.2 million euros. The production segment accounted for 89.3% of the Group's consolidated revenue in the second quarter.

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 1.1 million euros, which is 24% more than a year earlier. The six-month revenue from the real estate segment increased by 15.7%, amounting to 2.1 million euros. In both periods, the real estate segment accounted for 2.7% of the Group's revenue. Demand for new rental spaces is high and occupancy is 100%.

Revenue from other activities decreased by 0.4 million euros quarter-on-quarter to 3.4 million euros but increased by 9.5% to 6.9 million euros compared to six months. Revenue was affected by an increase in sales of retail and project-based sale of electrical products, while electrical work in the shipbuilding sector was declining year on year. Other activities accounted for 8.1% of the quarter's revenue.

Revenue by markets (EUR '000)	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-	% 6M 2022	% 6M 2021
Estonia	6,867	6,890	-0.3%	13,764	11,958	15.1%	17.4%	17.8%
Finland	22,064	18,388	20.0%	38,760	32,987	17.5%	48.9%	49.2%
Sweden	3,499	6,122	-42.8%	9,322	11,465	-18.7%	11.8%	17.1%
Norway	2,907	2,001	45.3%	7,414	3,870	91.6%	9.4%	5.8%
Netherlands	3,802	1,010	276.4%	5,346	2,331	129.3%	6.7%	3.5%
Other	2,775	1,899	46.1%	4,629	4,417	4.8%	5.8%	6.6%
Total	41,914	36,310	15.4%	79,235	67,028	18.2%	100.0%	100.0%

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 84% (Q2 2021: 92%) of the Group's products and services were sold in the reporting quarter.

Estonia

Sales of the reporting quarter to the Estonian market remained at the same level as last year, being 6.9 million euros. In six months, revenue increased by 15.1% to 13.8 million euros. The increase was mainly due to the increase in sales of hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 16.4% (Q2 2021: 19.0%) of the consolidated revenue in the reporting quarter.

Finland

In the comparison of markets, the sales growth was the highest for the Finnish market. In the reporting quarter, revenue was 3.7 million euros more than the year before, totaling 22.1 million euros. In six months, 38.8 (6M 2021: 33.0) million euros were earned from the Finnish market. The majority of the sales volume in the reporting quarter consisted of the sale of substations to Finnish electricity network companies. The lower-than-usual six-month revenue in the 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, more than half, or 52.6% (Q2 2021: 50.6%) of Harju Elekter products and services were sold to the Group's largest market.

Sweden

Sales to the Swedish market decreased by 43% compared to the reporting quarters and by 19% compared to six months, being 3.5 and 9.3 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 for 8.3% (Q2 2021: 16.9%) of the consolidated revenue of the reporting quarter.

Norway

Order volumes in the shipping sector in Norway are recovering. During the reporting quarter, 2.9 million euros worth of Group products and services were sold on the Norwegian market, which was 45% more than in the same period of the previous year. Compared to six months, revenue doubled to 7.4 million euros. Revenue increases in both periods are due to low order volume in the comparison periods. The Norwegian market accounted for 6.9% (Q2 2021: 5.5%) of the quarter's revenue.

Others

In a quarter-on-quarter comparison, revenue to other markets increased by 3.7 to 6.6 million euros. Including sales to the Netherlands increased by 2.8 million euros. The six-month revenue to other markets was 10.0 (6M 2021: 6.7) million euros. Compared to six months of last year, sales to Germany decreased and sales to the Netherlands increased. Other countries accounted for a total of 15.7% (Q2 2021: 8.0%) of the Group's second quarter consolidated revenue.

Operating expenses

(EUR '000)	Q2 2022	Q2 2021	+/-	6M 2022	6M 2021	+/-	% 6M 2022	% 6M 2021
Cost of sales	40,951	32,004	28.0%	75,286	58,877	27.9%	90.1%	89.5%
Distribution costs	1,515	1,315	15.2%	2,866	2,529	13.3%	3.4%	3.8%
Administrative expenses	2,764	2,437	13.4%	5,429	4,654	16.7%	6.5%	6.7%
Total operating expenses	45,230	35,756	26.5%	83,581	66,060	26.5%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	<i>1,095</i>	<i>987</i>	<i>10.9%</i>	<i>2,152</i>	<i>1,957</i>	<i>10.0%</i>	<i>2.6%</i>	<i>3.0%</i>
<i>incl. total labour cost</i>	<i>9,141</i>	<i>7,644</i>	<i>19.6%</i>	<i>17,852</i>	<i>14,929</i>	<i>19.6%</i>	<i>21.4%</i>	<i>22.6%</i>
<i>incl. inclusive salary cost</i>	<i>7,011</i>	<i>5,930</i>	<i>18.2%</i>	<i>13,546</i>	<i>11,545</i>	<i>17.3%</i>	<i>16.2%</i>	<i>17.5%</i>

The Group's operating expenses increased by 26.5% during quarterly and 6 months comparison. The operating expenses in total for the reporting quarter were 45.2 (Q2 2021: 35.8) million euros, and for the first half of the year 83.6 (6M 2021: 66.0) million euros. The majority of the increase in operating expenses was due to the increase in the cost of sales, up 28% in the comparison of both periods. Prices of components and materials have increased by up to several hundred percent as a result of several crises. While at the beginning of the year, prices for materials and key components were forecast to stabilise and fall slightly, then the war in Ukraine at the end of February brought a new reality. Various sanctions against Russia and Belarus disrupted supply chains and rising energy prices led to a surge in global inflation. Increases in the cost of materials and components, 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. The Group set up reserves to cover potential costs and expensed losses on already concluded transactions. The increased costs of goods and services sold exceeded the growth rate of revenue by 12.6 percentage points, reducing the gross margin by 9.6 percentage points, to 2.3 percent, from comparable quarterly figures. The gross profit margin for the six months was 5.0% (6M 2021: 12.2%).

The increase in distribution costs and administrative expenses was lower than the increase in revenue. Distribution costs increased by 0.2 million to 1.5 million euros quarter-on-quarter, making up 3.4% of the Group's operating expenses and 3.6% of revenue. Administrative expenses increased by 0.3 million euros to 2.8 million euros quarter-on-quarter, accounting for 6.1% of the Group's operating expenses and 6.6% of revenue. The total distribution costs for the first half of the year were 2.9 and administrative expenses were 5.4 million euros.

Labour costs also increased with quarterly and half-yearly comparison, being 9.1 (Q2 2021: 7.6) and 17.9 (6M 2021: 14.9) million euros, respectively. The ratio of labour costs to the Group's revenue was 21.8% (Q2 2021: 21.1%) in the reporting quarter and 22.5% (6M 2021: 22.3%) in the first half of the year. The average monthly salary per employee of the Group during the reporting year was 2,551 (6M 2021: 2,406) euros, which was 6.0% more than in the previous period. A majority of the growth in labour costs and average wages was attributed to the significant increase in staff and wage pressure due to labour shortages in all markets.

Depreciation of property, plant and equipment and intangible assets totalled 1.1 million euros in the second quarter, and 2.2 million euros in the first half of the year, increasing by 10% compared to the comparable period. The increase in depreciation comparing the second quarters was due to the addition of several investments and, in particular, by completion of the expansion of the Lithuanian factory in the third quarter of 2021.

PERSONNEL

As a socially responsible company, 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. Harju Elekter's Lithuanian subsidiary trained eight employees at its academy, which opened its doors in 2021, and they received a category IV electrician's diploma. The academy aims to attract young people to the field of engineering and to improve the qualifications of existing employees.



At the end of the reporting period, the Group employed 925 people, which was 57 employees more than a year ago. In the reporting quarter, the Group employed an average of 895 people, which was on average 77 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, 7.0 (Q2 2021: 5.9) million euros were paid to employees as salaries and remuneration. Wage pressure is high as the cost of energy, fuel and food have increased significantly compared to last year.

	Average numbers of employees				Numbers of employees					
	Q2 2022	Q2 2021	6M 2022	6M 2021	30.06.22	30.06.21	+/-	% 30.06.22	% 30.06.21	
Estonia	386	376	388	366	400	414	-14	43.2%	47.7%	
Finland	166	149	163	141	175	159	16	18.9%	18.3%	
Lithuania	277	220	265	221	283	224	59	30.6%	25.8%	
Sweden	66	73	70	72	67	71	-4	7.3%	8.2%	
Total	895	818	886	800	925	868	57	100.0%	100.0%	

SUPERVISORY, AUDIT COMMITTEE AND MANAGEMENT BOARDS

In connection with the expiry of the term of office of the members of the Supervisory Board, the shareholders elected a new Supervisory Board from 04 May 2022, in the following composition: Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ), Andres Toome (consultant, Managing Director of OÜ Tradematic), Aare Kirsme (Member of the Supervisory Board of AS Harju KEK), Arvi Hamburg (Member of the Estonian Association of Engineers and Committee of Energy of the Academy of Sciences), Märt Luuk (Member of the Supervisory Board of AS Harju KEK) and Risto Vahimets (Ellex, Head of M&A, partner). The new Chairman of the Supervisory Board is Triinu Tombak. She has been the Member of the Supervisory Board of AS Harju Elekter from 1997 to 2007 and from 2012 to date.

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

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

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.

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	6M 2022	2021	2020	2019	2018
Opening price (euros)	7.44	5.24	4.26	4.12	5.00
Highest price (euros)	7.74	10.50	5.26	5.20	6.68
Lowest price (euros)	5.28	5.20	3.20	4.01	3.89
Closing price (euros)	5.43	7.44	5.18	4.21	4.12
Traded shares (pcs)	438,213	2,048,865	1,160,598	531,415	1,100,773
Turnover (in million euros)	2.96	15.85	4.99	2.35	5.98
Capitalisation (in million euros)	97.84	134.06	91.89	74.68	73.09
Average number of the shares (pcs)	18,018,555	17,855,220	17,739,880	17,739,880	17,739,880
EPS (euros)	-0.25	0.15	0.31	0.14	0.09

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

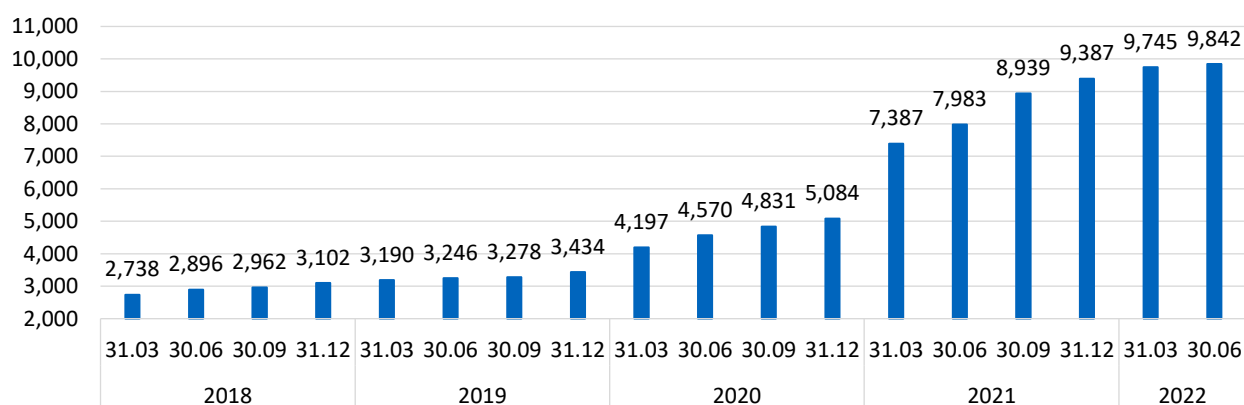


Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 30 June 2022:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	41.4	AS Harju KEK	30.90
1.0 – 10.0%	8	0.1	21.0	ING Luxembourg S.A.	10.54
0.1 – 1.0 %	55	0.6	15.1	Endel Palla	6.97
< 0.1%	9,777	99.3	22.5	Shareholders holding under 5%	51.59
Total	9,842	100.0	100.0	Total	100.00

As of 30 June 2022, AS Harju Elekter had 9,842 shareholders. The number of shareholders increased during the reporting quarter by 97 members. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which holds 30.90% of AS Harju Elekter's share capital. On 30 June 2022, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 3.92% 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>.

Number of shareholders



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2022	31.12.2021	30.06.2021
Current assets				
Cash and cash equivalents		629	574	1,576
Trade and other receivables		31,134	33,689	27,215
Prepayments		1,729	1,844	1,366
Inventories		38,185	27,437	24,623
Total current assets		71,677	63,544	54,780
Non-current assets				
Deferred income tax assets		762	690	575
Non-current financial investments	2	23,596	25,222	21,259
Investment properties	3	24,647	23,903	23,328
Property, plant and equipment	4	25,794	26,654	24,879
Intangible assets	4	7,711	7,544	7,224
Total non-current assets		82,510	84,013	77,265
TOTAL ASSETS	7	154,187	147,557	132,045
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	20,398	16,912	15,292
Prepayments from customers		8,558	4,659	1,919
Trade and other payables		27,615	24,490	22,208
Tax liabilities		3,525	3,156	2,946
Current provisions		551	35	73
Total current liabilities		60,647	49,252	42,438
Borrowings	5	14,158	11,426	9,469
Other non-current liabilities		33	33	65
Total non-current liabilities		14,191	11,459	9,534
Total liabilities		74,838	60,711	51,972
Equity				
Share capital	6	11,352	11,352	11,176
Share premium		1,601	1,601	804
Reserves		17,913	18,716	15,173
Retained earnings		48,595	55,315	53,080
Total equity attributable to the owners of the parent company		79,461	86,984	80,233
Non-controlling interests		-112	-138	-160
Total equity		79,349	86,846	80,073
TOTAL LIABILITIES AND EQUITY		154,187	147,557	132,045

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	Q2 2022	Q2 2021	6M 2022	6M 2021
Revenue	7	41,914	36,310	79,235	67,028
Cost of sales		-40,951	-32,004	-75,286	-58,877
Gross profit		963	4,306	3,949	8,151
Distribution costs		-1,515	-1,315	-2,866	-2,529
Administrative expenses		-2,764	-2,437	-5,429	-4,654
Other income		322	188	378	360
Other expenses		-54	-91	-206	-160
Operating profit/loss (-)	7	-3,048	651	-4,174	1,168
Finance income		34	51	74	68
Finance costs		-111	-60	-230	-158
Profit/loss (-) before tax		-3,125	642	-4,330	1,078
Income tax	9	-72	-154	-161	-293
Profit/loss (-) for the period		-3,197	488	-4,491	785
Profit /loss (-) attributable to:					
Owners of the parent company		-3,209	485	-4,517	795
Non-controlling interests		12	3	26	-10
Earnings per share					
Basic earnings per share (euros)	8	-0.18	0.03	-0.25	0.04
Diluted earnings per share (euros)	8	-0.18	0.03	-0.25	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q2 2022	Q2 2021	6M 2022	6M 2021
Profit/loss (-) for the period		-3,197	488	-4,491	785
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-86	19	-65	-4
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	169	221	320	265
Net gain/loss (-) on revaluation of financial assets	2	-336	7,954	-858	8,319
Total comprehensive income for the period		-253	8,194	-603	8,580
Other comprehensive income		-3,450	8,682	-5,094	9,365
Total comprehensive income attributable to:					
Owners of the Company		-3,462	8,680	-5,120	9,375
Non-controlling interests		12	2	26	-10

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6M 2022	6M 2021
Cash flows from operating activities			
Profit/loss (-) for the period		-4,491	785
<u>Adjustments</u>			
Depreciation and amortization	3,4	2,152	1,957
Gain on sale of property, plant and equipment		-2	-12
Share-based payments	10	120	149
Finance income		-74	-68
Finance costs		230	158
Income tax	9	161	293
<u>Changes</u>			
Changes in trade receivables and prepayments		2,963	-538
Changes in inventories		-10,748	-6,001
Changes in trade payables and prepayments		7,932	4,227
Corporate income tax paid	9	-201	-369
Interest paid		-249	-176
Total cash flow (-outflow) from operating activities		-2,207	405
Cash flows from investing activities			
Payments for investment properties	9	-1,526	-106
Payments for property, plant and equipment	9	-682	-3,519
Payments for intangible assets		-289	-207
Acquisition of financial investments	2	-227	-1,737
Proceeds from sale of property, plant and equipment		7	28
Proceeds from sale of other financial investments	2	1,315	981
Dividends received		71	66
Received interests		2	7
Total cash flow (-outflow) from investing activities		-1,329	-4,487
Cash flows from financing activities			
Change in overdraft balance	5	3,661	4,671
Proceeds from borrowings	5	4,381	2,821
Repayment of borrowings	5	-1,165	-1,448
Repayments of lease liabilities	5	-671	-547
New lease liabilities		0	165
Dividends paid		-2,523	-2,838
Dividends income tax paid		-55	-10
Total cash flow (-outflow) from financing activities		3,628	2,814
Total net cash flow (-outflow)		92	-1,268
Cash and cash equivalents at the beginning of the period		574	2,843
Changes in cash and cash equivalents		92	-1,268
Effect of exchange rate fluctuations on cash and cash equivalents		-37	1
Cash and cash equivalents at the end of the period		629	1,576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 30 June	Share capital	Share premium	Reserves	Retained earnings	Attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at 1 January 2021	11,176	804	6,709	54,858	73,547	-150	73,397
Comprehensive income							
Profit for the period	0	0	0	795	795	-10	785
Other comprehensive income	0	0	8,315	265	8,580	0	8,580
Total comprehensive income	0	0	8,315	1,060	9,375	-10	9,365
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	149	0	149	0	149
Dividends	0	0	0	-2,838	-2,838	0	-2,838
Total transactions with owners	0	0	149	-2,838	-2,689	0	-2,689
Balance at 30 June 2021	11,176	804	15,173	53,080	80,233	-160	80,073
Balance at 01 January 2022	11,352	1,601	18,716	55,315	86,984	-138	86,846
Comprehensive income							
Profit for the period	0	0	0	-4,517	-4,517	26	-4,491
Other comprehensive income	0	0	-923	320	-603	0	-603
Total comprehensive income	0	0	-923	-4,197	-5,120	26	-5,094
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	120	0	120	0	120
Dividends	0	0	0	-2,523	-2,523	0	-2,523
Total transactions with owners	0	0	120	-2,523	-2,403	0	-2,403
Balance at 30 June 2022	11,352	1,601	17,913	48,595	79,461	-112	79,349

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.

NOTES TO INTERIM FINANCIAL STATEMENT

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

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

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

According to the assessment of the Management Board, the interim report for the second quarter and 6 month of 2022 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor reviewed by auditors and only includes the consolidated reports of the Group.

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

Note 2 Financial investments

	30.06.2022	31.12.2021	30.06.2021
Listed securities (fair value through other comprehensive income)	1,300	2,898	2,748
Other equity investments (fair value through other comprehensive income)	22,287	22,315	18,503
Other financial assets through profit or loss	9	9	8
Total	23,596	25,222	21,259
Changes	6M 2022	12M 2021	6M 2021
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period	25,213	11,911	11,911
Acquisitions	227	1,749	1,737
Sale of financial assets	-995	-716	-716
Change in fair value through other comprehensive income	-858	12,269	8,319
Carrying amount at the end of the period	23,587	25,213	21,251
2. Financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	9	7	7
Change in fair value through profit and loss	0	2	1
Carrying amount at the end of the period	9	9	8
Total carrying amount at the end of the period	23,596	25,222	21,259

A total of 1,315 thousand euros was received from the partial sale of the listed securities in the first half of year. Realized gain on sale of financial assets in the amount of 320 thousand euros was recognized through other comprehensive income. During the first six month of 2021, 981 thousand euros were received from the sale of securities listed on the stock exchange, of which the realized profit was 265 thousand euros. The fair value of securities decreased by 858 thousand euros in first half of year, increased by 394 thousand euros in 6M 2021.

As of 30 June 2022, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 21.8 (30.06.2021: 18.0) million euros and in the shares of IGL-Technologies Oy in the amount of 0.5 (30.06.2021: 0.25) million euros. In the reporting quarter, Harju Elekter Oy increased its holding in technology company IGL-Technologies Oy from 5.5% to 10%. In the second quarter, AS Harju Elekter sold a 14% holding in SIA Energokomplekss to the company's managing director Kristaps Bleija, to focus on its core business. As of 30 June 2021, the investment in the shares of SIA Energokomplekss was 0.3 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 measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. In assessing the fair value of the company, the Group's management based the assessment on the issue price of the new shares used in the financing rounds, the economic indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and weighted the marketability of instrument. As of the reporting date, the registered holding of Harju Elekter in OÜ Skeleton Technologies Group is 6.14%.

Note 3 Investment properties

	Note	6M 2022	12M 2021	6M 2021
Balance at the beginning of the period		23,903	23,605	23,605
Additions	7	1,250	1,321	208
Depreciation	7	-484	-970	-485
Reclassification from property, plant and equipment	4	-22	-53	0
At the end of the period		24,647	23,903	23,328

Note 4 Property, plant and equipment; intangible assets

	Note	6M 2022	12M 2021	6M 2021
1. Property, plant and equipment				
Balance at the beginning of the period		26,654	22,494	22,494
Additions to right-of-use assets		0	880	0
Additions	7	699	5,741	3,485
Sales and write-off in carrying amount		-7	-17	-17
Depreciation	7	-1,546	-2,714	-1,308
Reclassification from inventories		0	233	233
Reclassification to investment properties	3	22	53	0
Impact of exchange rate changes		-28	-16	-8
At the end of the period		25,794	26,654	24,879
2. Intangible assets				
Balance at the beginning of the period		7,544	7,199	7,199
Additions	7	289	680	189
Amortization	7	-122	-334	-164
Impact of exchange rate changes		0	-1	0
At the end of the period		7,711	7,544	7,224

Note 5 Borrowings

	30.06.2022	31.12.2021	30.06.2021
Current borrowings			
Current bank loans	17,813	14,152	12,227
Current portion of non-current bank loans	1,045	1,485	2,355
Current portion of non-current lease liabilities	602	1,261	564
Other current loans	938	14	146
Total current borrowings	20,398	16,912	15,292
Non-current borrowings			
Non-current bank loans	11,903	9,171	7,464
Non-current lease liabilities	2,255	2,255	2,005
Total non-current borrowings	14,158	11,426	9,469
Total borrowings	34,556	28,338	24,761
Changes in borrowings	6M 2022	12M 2021	6M 2021
Loans and borrowings at the beginning of the period	28,338	19,088	19,088
Change in overdraft balances	3,661	6,414	4,671
Received non-current loans	3,457	8,063	2,821
Repayments of non-current loans	-1,165	-5,058	-835
Other received and repaid loans	924	-746	-613
New lease liabilities	0	2,031	165
Repayments of non-current lease liabilities	-671	-1,476	-547
Impact of exchange rate changes	12	22	11
Loans and borrowings at the end of the period	34,556	28,338	24,761

Note 6 Share capital

	30.06.2022	31.12.2021	30.06.2021
Share capital (thousand euros)	11,352	11,352	11,176
Number of shares (pcs)	18,018,555	18,018,555	17,739,880
Book value of a share (euros)	0.63	0.63	0.63

In the third quarter of 2021, AS Harju Elekter increased the share capital of the company by 175,565.25 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan.

Note 7 Segment reporting

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

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

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

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

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

	Note	Production	Real Estate	Other activities	Elimination	Consolidated
6 months 2022						
Revenue from external customers		70,157	2,138	6,940	0	79,235
Inter-segment revenue		802	862	226	-1,890	
Segment revenue		70,959	3,000	7,166	-1,890	79,235
Operating profit		-4,383	1,200	-1,065	74	-4,174
Segment assets		97,255	27,602	30,001	-23,881	130,977
Unallocated assets						23,210
<i>incl. Financial investments</i>						23,101
<i>incl. Other receivables and prepayments</i>						109
Total assets						154,187
Capital expenditure	3,4	797	1,250	191	0	2,238
Depreciation and amortization	3,4	1,299	484	379	-10	2,152
6 months 2021						
Revenue from external customers		58,843	1,848	6,337	0	67,028
Inter-segment revenue		199	908	94	-1,201	
Segment revenue		59,042	2,756	6,431	-1,201	67,028
Operating profit		281	919	-186	154	1,168
Segment assets		79,109	25,289	26,261	-19,694	110,965
Unallocated assets						21,080
<i>incl. Financial investments</i>						21,004
<i>incl. Other receivables and prepayments</i>						76
Total assets						132,045
Capital expenditure	3,4	3,441	208	233	0	3,882
Depreciation and amortization	3,4	1,053	485	430	-11	1,957

Revenue by geographic regions (customer location)

	6M 2022	6M 2021
Estonia	13,764	11,958
Finland	38,760	32,987
Sweden	9,322	11,465
Norway	7,414	3,870
Netherlands	5,346	2,331
Other	4,629	4,417
Total revenue	79,235	67,028

Revenue by business activities

	6M 2022	6M 2021
Manufacturing and sale of electrical equipment	65,627	55,857
Retail and project-based sale of electrical products	5,591	4,031
Other products	2,934	1,886
Lease income	1,647	1,541
Electrical works	2,034	2,861
Other services	1,402	852
Total revenue	79,235	67,028

Note 8 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 30 June 2022, the Group had a total of 758,968 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the Nasdaq Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros. From the 2018 round, 278,675 shares were converted last year.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round, 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros, 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 April to 30 June 2022, the average market price of the shares was 6.28 (Q2 2021: 8.40) euros and during the period from 1 January to 30 June 2022, the average market price of the shares was 6.74 (6M 2021: 7.61) euros.

	Unit	Q2 2022	Q2 2021
Profit attributable to equity holders of the parent company	EUR '000	-3,209	485
Average number of shares outstanding	Pc '000	18,019	17,740
Basic earnings per share	EUR	-0.18	0.03
Adjusted number of shares during the period	Pc '000	18,066	17,838
Diluted earnings per share	EUR	-0.18	0.03
	Unit	6M 2022	6M 2021
Profit attributable to equity holders of the parent company	EUR '000	-4,517	795
Average number of shares outstanding	Pc '000	18,019	17,740
Basic earnings per share	EUR	-0.25	0.04
Adjusted number of shares during the period	Pc '000	18,074	17,829
Diluted earnings per share	EUR	-0.25	0.04

Note 9 Information on the statement of cash flows line items

	Note	6M 2022	6M 2021
Corporate income tax			
Income tax expense in the statement of profit or loss		-161	-293
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-23	-25
Dividend income tax expense		55	10
Income tax expense on dividends		-71	-61
Impact of exchange rate changes		-1	0
Corporate income tax paid		-201	-369
Paid for investment properties			
Acquisitions of investment properties	3	-1,250	-208
Liability decrease (-)/ increase (+) incurred by the acquisitions		-276	102
Paid for investment properties		-1,526	-106
Paid for property, plant and equipment			
Acquisitions of property, plant and equipment	4	-699	-3,485
Liability decrease (-)/ increase (+) incurred by the acquisitions		17	-34
Paid for property, plant and equipment		-682	-3,519

Note 10 Transactions with related parties

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

	30.06.2022	31.12.2021	30.06.2021
Balances with related parties:			
- Payables for goods and services	99	93	63
- Payables to Management and Supervisory Boards	71	15	81
	6M 2022	12M 2021	6M 2021
Purchase of goods and services from related parties:			
- Lease of property, plant and equipment from AS Harju KEK	41	118	77
- Other services from AS Entek	509	599	275
Sale of goods and services to related parties:			
- Other services for AS Harju KEK	3	3	2
- Sale of goods to AS Entek	0	3	3
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	215	413	235
- Social security tax	71	133	78

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 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 972,576 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 758,968. During the first half of the year, share-based payments recognized as labour costs totalled to 120 (6M 2021: 149) thousand euros, of which the share of the members of the Management and Supervisory Boards was 22 (6M 2021: 30) 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 second quarter and six month of 2022 as set out on pages 15 to 25 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	27 July 2022
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Aron Kuhi-Thalfeldt	Member of the Management Board	27 July 2022
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