



Electrifying Tomorrow

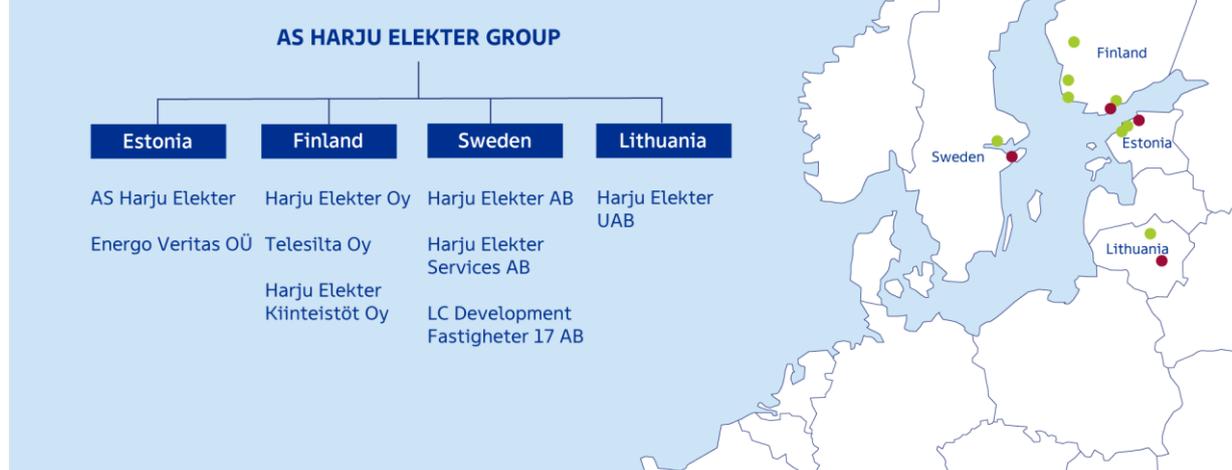
CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE III QUARTER AND 9 MONTHS OF 2023

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Financial year:	1 January – 31 December 2023
Reporting period:	1 January – 30 September 2023

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ORGANISATION



AS Harju Elekter Group's share in its subsidiaries is 100%.

ESTONIA

AS HARJU ELEKTER GROUP

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

(formerly AS Harju Elekter Elektrotehnika)

Manufacturer of electrical equipment for energy distribution, industrial and construction sectors; also producer of customer-based sheet metal products for the electrical engineering and telecom sector, located in Keila

ENERGO VERITAS OÜ

Active economic activity suspended

FINLAND

HARJU ELEKTER OY

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

TELESILTA OY

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

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company in Finland

LITHUANIA

HARJU ELEKTER UAB

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

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Industrial real estate holding company in Sweden

LC Development Fastigheter 17

AB (100% subsidiary of Harju Elekter Services AB)

Industrial real estate holding company in Sweden

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (5.45%)

Developer and manufacturer of ultra-capacitors

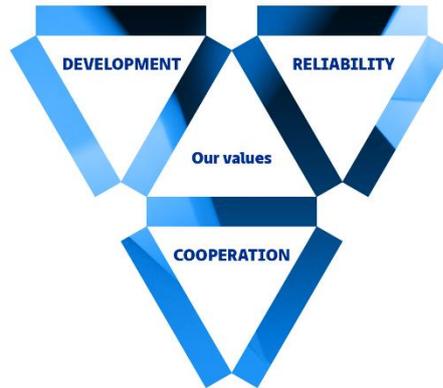
FINLAND

IGL-TECHNOLOGIES OY (10%)

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

Who we are

Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. Harju Elekter Group has its roots and head office in Estonia, and production plants in four countries: Estonia, Finland, Sweden and Lithuania.



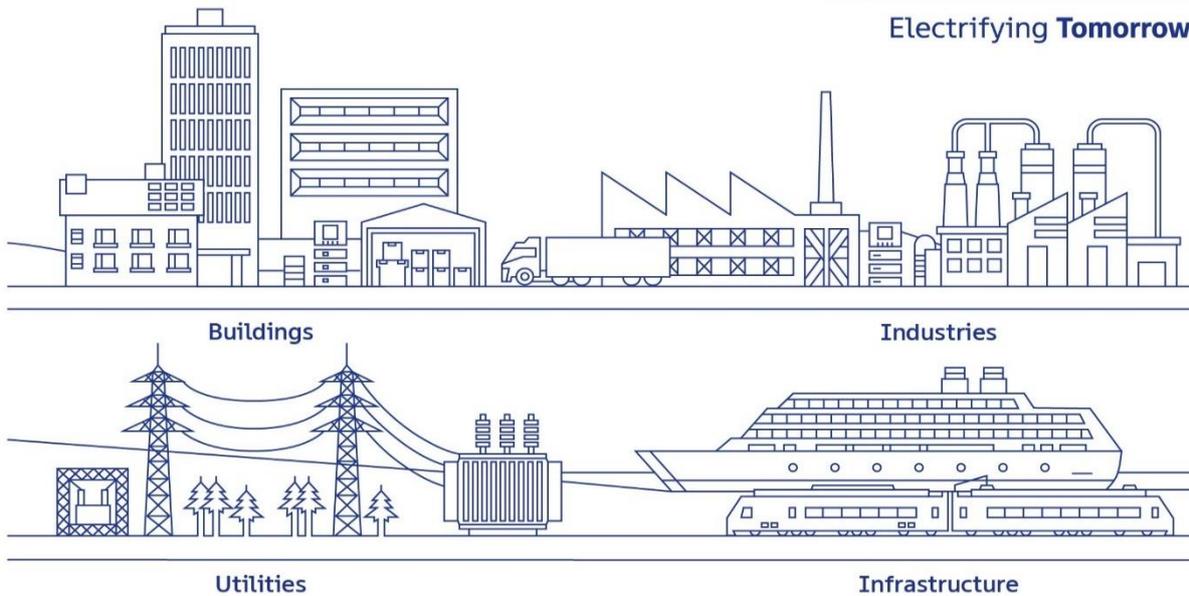
What we do

Harju Elekter contributes to a sustainable society by providing future-proof electrical power distribution solutions.

We engineer, manufacture, and install electrification solutions for utilities, industries, infrastructure, public and commercial buildings.



Electrifying Tomorrow



The Harju Elekter Group operates in two main areas, which are presented as separate segments.



Production – designing, selling, manufacturing, and after-sales servicing of power distribution, switching and converting devices and automation, process control and industrial control equipment. The core business generates approximately 95% of the Group's revenue.



Real estate – developing of industrial real estate, project management, renting and the accompanying services to rental partners and to the Harju Elekter Group companies. This segment generates approximately 2% of the Group's revenue.

Other activities that are not significant enough to be reported as separate segments, and the accompanying risks and rewards of which were not materially different and clearly identifiable, are presented together as other activities. These include managing financial investments, retail and project sales of electrical goods, and electrical installation work in shipbuilding.

Risks

- Supply Chain
- Financial risks
- Increase in wages and the lack of specialists
- Regulations and Legislation
- Business ethics
- Environment
- Information Technology
- Corporate management
- Emergencies

MANAGEMENT REPORT

COMMENTARY FROM THE MANAGEMENT

Harju Elekter's Q3 financial results continues to be profitable. The reorganisation of the Group's management governance, which commenced in the autumn of 2022, i.e., a year earlier, has yielded positive results – especially in meeting the profitable growth target. A strong profit is Harju Elekter's most important sustainability objective, without which it will not be possible to meet the growing expectations of stakeholders.

The third quarter saw a number of important and successful events. Firstly, we should highlight the appointment of Managing Directors for our subsidiaries in Sweden and Finland. Also noteworthy is being awarded Elektrilevi's procurement contract for the supply of substations for the next five years. This will allow us to maintain our current production capacity on the Estonian market; however, depending on national investment plans for the development of the electrical grid, there is also potential for a 20–50% increase in our production in Estonia. In addition, during the quarter, we were able to achieve our previously set goal of completely exiting the wholesale and retail business in Estonia, to focus on our main business activity.

A negative undertone to the quarter was given by the continuing problems at our Swedish subsidiary, where some project work contracts that were concluded several years ago have turned out to generate a higher loss than estimated a few quarters ago. However, the potential of the Swedish market and its need for our products is still sufficient to continue our efforts of starting up a factory in Sweden and reaching profitability in the coming quarters and years.

Comparing our performance with the situation of industry in the region, against the backdrop of redundancy waves and statistics showing a decline in the industrial sector and in exports of electrical equipment, we have been successful as a Group. Assessing Harju Elekter's economic situation as a whole and its ability to take advantage of the crisis year of 2022 to contribute to the Group's development, Harju Elekter can be satisfied with its results as it celebrates its 55th year of operation.

SUMMARY OF THE THIRD QUARTER AND 9 MONTH RESULTS

Revenue and financial results

In the reporting quarter, revenue was 56.2 (2022 Q3: 46.1) and in nine months 158.3 (2022 9M: 125.3) million euros. Respectively, 22% and 26% more than a year earlier.

The gross profit for the reporting quarter was 7,378 (2022 Q3: 5,803) thousand euros and the gross margin was 13.1% (2022 Q3: 12.6%). Operating profit (EBIT) was 3,846 (2022 Q3: 1,691) thousand euros. The operating margin of the third quarter was 6.8% (2022 Q3: 3.7%). The net profit for the reporting quarter was 3,393 (2022 Q3: 1,406) thousand euros. Net profit per share in the third quarter was 0.18 (2022 Q3: 0.08) euros.

The gross profit for the nine months was 19,372 (2022 9M: 9,751) thousand euros and the gross margin was 12.2% (2022 9M: 7.8%). During the nine months, operating profit (EBIT) was 7,323 (2022 9M: operating loss -2,482) and net profit 5,026 (2022 9M: net loss -3,085) thousand euros. Net profit per share was 0.27 (2022 9M: net loss per share -0.17) euros.

In order to improve profitability, the company has analysed its management processes in detail to identify opportunities for improving efficiency. On the basis of this, various decisions have been taken to optimise business operations and save costs. In addition, the pricing policy has been updated and prices have been adapted according to market demand and the competition situation. A year earlier, due to rising input prices and problems in supply chains, the Group implemented several changes, in which all work in progress and the agreements concluded for the periods ahead were critically re-evaluated. Some previously concluded contracts have also proved to be more complex and unprofitable during the reporting period than initially planned. A acceptable agreement was reached this year in the dispute over the framework agreement for hermetically sealed distribution transformers, which allowed the provision set up at the end of last year to be reduced.

Investments

During the reporting period, the Group invested a total of 5.0 (2022 9M: 3.1) million euros in non-current assets, incl 4.2 (2022 9M: 1.6) in investment properties, 0.6 (2022 9M: 1.1) in property, plant, and equipment and 0.2 (2022 9M: 0.4) million euros in intangible assets. Most of the investments during the reporting period were made in the construction of the production building to be rented out to Reimax Electronics OÜ in the Allika Industrial

Park, scheduled to be completed by the end of the year. In addition, investments were made in other real estate objects, production technology equipment, and production and process management systems.

The value of the Group's non-current financial investments totalled 32.5 (31.12.22: 23.7) million euros as of the reporting date. Due to the revaluation of financial assets performed in the second quarter, the estimated fair value of OÜ Skeleton Technologies Group's investment increased by 8.8 million euros to 30.6 million euros. The fair value of listed securities decreased by 18 thousand euros during the nine months, compared to a decrease by 0.7 million euros a year earlier. There were no acquisitions or sales of listed securities during the reporting quarter and during the nine months.

Current assets

Seasonality and increased order volumes grew current assets by 6.2 to 85.1 million euros. Cash and cash equivalents decreased by 8.6, trade receivables, other receivables and prepayments increased by 11.6, and inventories increased by 3.1 million euros. Improved availability of inventory helps to ensure a sufficient amount of materials and components for the successful execution of projects during the high season. By the end of the reporting period, materials accounted for 78% (31.12.22: 77%) of the total inventory. The remaining part included work in progress and finished goods.

Liabilities

At the reporting date, the Group had liabilities in total of 94.3 (31.12.22: 92.0) million euros, of which the current part accounted for 74.8%. During the nine months current liabilities increased by 0.8 million euros, incl. decrease in borrowings by 4.5, trade and other payables by 4.0 and current provisions by 2.0 million euros and increase in prepayments from customers by 1.8 million euros. At the end of the period, current and non-current borrowings were respectively – 19.8 (31.12.22: 24.4) and 23.7 (31.12.22: 20.7) million euros. Non-current loans and leases were used for real estate investments, expansion of the production building and investments in automatic production equipment.

Cash Flows

Cash and cash equivalents decreased by 8.6 million to 0.6 million euros during the nine months. Cash flows from business activities were 1.2 (2022 Q3: -0.6) in the reporting quarter and -3.3 (2022 9M: -2.8) million in nine months. The materials necessary for customer projects were acquired, and due to the increase in business volumes, the balance of receivables and liabilities also increased.

During the nine months 2.8 (2022 Q3: 0.7) and in the nine months a total of 3.7 (2022 9M: 2.1) million euros were directed to investment activities. In the same period of the previous year, a total of 1.3 million euros was received from the sale of financial investments.

Cash flows from financing activities were -0.1 (2022 Q3: 1.3) million euros in the reporting quarter, which was most affected by loan and lease payments. In addition, share capital contributions of 0.9 (2023 9M: 1.0) million euros were received as part of the option program in the reporting quarter. Cash flows from financing activities in nine months were -1.6 (2022 9M: 5.0) million euros. Non-current loans were repaid by 2.1 million euros, and overdrafts decreased also by 2.1 million euros. For the timely completion of real estate projects and for the fulfillment of orders, an additional loan of 3.3 million euros was taken. On May 24, dividends in the amount of 0.9 million euros were paid for the year 2022.

SUPERVISORY, AUDIT COMMITTEE AND MANAGEMENT BOARDS

The Supervisory Board of AS Harju Elekter Group has six members with the following membership: 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 Chairman of the Supervisory Board is Triinu Tombak.

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

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

CHANGES IN THE STRUCTURE OF THE GROUP

Changes in the management

As of 28 February 2023, the contract with Mikael Schwartz Jonsson, the Managing Director of Harju Elekter AB, was terminated by mutual agreement. As of the beginning of March, Martin Frank assumed the position as an interim Managing Director. He has been working at Harju Elekter AB as the Marketing and Sales Manager since 2021. From 2nd October 2023, he was permanently appointed as the Managing Director of Harju Elekter AB.

In June, it was decided by mutual agreement to terminate the contract with Jan Osa, the Managing Director of Harju Elekter Oy, effective from 30 June 2023. Starting from 2nd January 2024, Jari Jylli will assume the position of Managing Director at Harju Elekter Oy. In the meantime, the Chief Financial Officer Anne Penttilä will temporarily perform the duties of the Managing Director.

Intra-Group restructuring

The merger decisions of AS Harju Elekter Elektrotehnika (the acquiring company, under the new name AS Harju Elekter) and AS Harju Elekter Teletehnika (the company being acquired) were adopted on 1 December 2022 and an entry of the merger in the commercial register was made on 13 March 2023. Pursuant to the merger agreement concluded on 30 September 2022, the legal successor of AS Harju Elekter Teletehnika is AS Harju Elekter Elektrotehnika and, with the entry of the merger in the commercial register, all the assets of AS Harju Elekter Teletehnika were wholly transferred to AS Harju Elekter Elektrotehnika. Due to the merger, AS Harju Elekter Teletehnika was deleted from the commercial register on 13 March 2023.

On 29 September 2023, AS Harju Elekter Group and Reinvent OÜ concluded a contract of sale of a share in a private limited company, in which AS Harju Elekter Group acquires a 19.48% share in Energo Veritas OÜ. As a result of the transaction, AS Harju Elekter Group will become the sole shareholder of Energo Veritas OÜ, holding the sole share of Energo Veritas OÜ with a nominal value of 2,500 euros. In line with the strategy of AS Harju Elekter Group to focus on the production of its own factory, the purpose of the transaction is to discontinue the retail and wholesale activities of Energo Veritas OÜ.

Name Change

On 17 May 2023, the new business name "AS Harju Elekter Group" was officially registered in the commercial register, replacing the previous name of AS Harju Elekter. Similarly, on 23 May 2023, the business name of AS Harju Elekter Elektrotehnika was changed to "AS Harju Elekter." These name changes also involved the approval of updated articles of association. The name change of AS Harju Elekter Elektrotehnika to AS Harju Elekter completed the alignment of business names among the subsidiaries of AS Harju Elekter Group. Going forward, all subsidiaries engaged in core activities will be known as Harju Elekter, creating clearer identification for the group's stakeholders across different countries.

MAIN EVENTS



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



The Finnish subsidiary of Harju Elekter Group, Telesilta Oy, signed a contract on 9 May 2023 with Uudenkaupungin Työvene Oy to provide electrification and commissioning works for two patrol vessels to the Finnish Border Guard. The contract price is approximately 6.5 million euros. The first vessel will be completed in 2025 and the second in 2026.



AS Harju Elekter, a subsidiary of AS Harju Elekter Group, won the tender of Eesti Energia AS for the supply of prefabricated substations, distribution points, and equipment. Framework agreements with a total value of 115 million euros will be concluded with Elektrilevi OÜ for 36 months, with the option to extend by 24 months. Under the agreements, goods will be supplied to other companies within the Eesti Energia Group, as well as to contract partners of Elektrilevi OÜ and Enefit Connect OÜ.

Real estate



Harju Elekter decided to build a new production building in the Allika Industrial Park. To this end, AS Harju Elekter Group and Nordecon Betoon OÜ (brand name NOBE) signed a construction contract for a production and office building at Angerja tee, Hüüru. Together with the construction cost of the building, the total real estate investment will amount to 5 million euros, and the works will be completed in December 2023.



AS Harju Elekter Group and Prysmian Group Baltics AS signed a lease agreement on 5 June 2023 until 2030. With the extended lease agreement, the real estate department of Harju Elekter Group leases to Prysmian Group Baltics more than 20,000 m² of production, storage and office space and nearly 40,000 m² of external storage territory. The contract also agreed on a large-scale renovation and reconstruction of the premises, the investment cost of which is up to 3 million euros.

Annual General Meeting of shareholders

On April 28, 2023, the Annual General Meeting of shareholders of Harju Elekter took place. During the meeting, decisions were made to change the business name and articles of association. The Annual Report 2022 was approved, along with the proposal for profit distribution. Dividends of 0.05 euros per share, totalling 914,475 euros, were approved to be paid to the shareholders for the year 2022. The dividend payments were transferred to the shareholders' bank accounts on May 24, 2023. The AGM was attended by 58 shareholders and their authorised representatives who represented a total of 11,443,963 votes accounting for 62.57 % of the total votes.

Increase of share capital

The Supervisory Board of AS Harju Elekter Group decided to increase the share capital of the company by 131,835 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 41 current and former employees participated in the share issue, subscribing for a total of 209,262 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 2023. After the increase of the share capital, Harju Elekter has a total of 18,498,770 ordinary shares without nominal value and the share capital amounts to 11,654,225 euros.

Recognition and anniversaries



Harju Elekter ranked in the TOP 10 in the sustainable company category at the 'Entrepreneurship Award 2023' competition. The competition assesses the company's contribution to the sustainable development of society, the application of ESG principles, and outstanding activities to achieve energy efficiency.



At the end of September, Harju Elekter celebrated its 55th year of operation.

The festive anniversary was celebrated in all units of Harju Elekter.

OPERATING RESULTS

Revenue

Revenue by business activities (EUR '000)	Q3 2023	Q3 2022	+/-	9M 2023	9M 2022	+/-	% 9M 2023	% 9M 2022
Electrical equipment	50,622	38,897	30.1%	143,908	104,525	37.7%	90.9%	83.4%
Retail and project-based sale of electrical products	705	2,629	-73.2%	1,482	8,220	-82.0%	0.9%	6.6%
Other products	1,425	1,175	21.3%	2,696	4,108	-34.4%	1.7%	3.2%
Lease income	1,006	863	16.6%	2,683	2,510	6.9%	1.7%	2.0%
Electrical works	900	1,427	-36.9%	3,311	3,460	-4.3%	2.1%	2.8%
Other services	1,588	1,090	45.7%	4,197	2,492	68.4%	2.7%	2.0%
Total	56,247	46,081	22.1%	158,277	125,315	26.3%	100.0%	100.0%

The Group's revenue for the reporting quarter was 56.2 (2022 Q3: 46.1) million euros, growing by 22.1% compared to the comparable period. Nine-month revenue increased by 26.3% compared to the comparable period, being 158.3 (2022 9M: 125.3) million euros. The majority of the increase in revenue came from the sale of electrical equipment, increasing by 11.7 million euros year-on-year. In the comparison of nine months, the revenue of electrical equipment increased by 39.4 million euros - this is the same magnitude as the total revenue earned from the sale of electrical equipment in the third quarter of last year. During the reporting period, more low-voltage switchgear, frequency converters and e-houses were sold, and larger projects with energy-saving solutions for the modernization and construction of low-carbon ships were successfully completed.

At the end of 2022, retail and project-based sale of electrical products in Estonia stopped, as a result of that revenue decreased both quarterly and in nine-month comparison - by 73.2% and 82.0%, respectively. The share and volume of other products decreased due to the optimisation of production. Lease income from real estate objects increased by 0.1 million euros both in the quarter and in the nine-month comparison.

Revenue by segment (EUR '000)	Q3 2023	Q3 2022	+/-	9M 2023	9M 2022	+/-	% 9M 2023	% 9M 2022
Production	53,563	41,168	30.1%	150,154	111,325	34.9%	94.9%	88.8%
Real Estate	1,133	1,205	-6.0%	3,209	3,343	-4.0%	2.0%	2.7%
Other activities	1,551	3,708	-58.2%	4,914	10,647	-53.8%	3.1%	8.5%
Total	56,247	46,081	22.1%	158,277	125,315	26.3%	100.0%	100.0%



The production segment focuses on producing equipment for the distribution of medium and low voltage electricity (different types of substations, cable distribution and power connection cabinets), various electrical power switching and conversion devices, and automation and control centers for use by the energy, industrial, and maritime sectors, and infrastructure objects. In addition, companies in the production segment also offer a variety of design and engineering services. The revenue of the production segment increased by 30.1% in the reporting quarter and 34.9% compared to nine months, being 53.6 and 150.1 million euros, respectively. The majority of the growth originates from Lithuanian and Finnish plants, which sold more automation equipment, low-voltage switchgears and frequency converter switchboards than in the previous period. The sale of electric vehicle chargers decreased. In the beginning of the year, deliveries of low-voltage

actuators and MCC systems to the Big River Steel project began. The production segment accounted for 95.2% (2022 Q3: 89.3%) of the consolidated revenue for the quarter.



The real estate unit of Harju Elekter Group is engaged in the development of industrial real estate, project management, leasing, and related services for both rental partners and Harju Elekter's own companies. The real estate unit manages a total of nine industrial parks in Estonia, Finland, Sweden, and Lithuania. Revenue from the real estate segment was 1.1 (2022 Q3: 1.2) in the reporting quarter and 3.2 (2022 9M: 3.3) million euros during the nine months. Rental income increased, but solar energy services decreased compared to the previous year's periods. The real estate segment accounted for 2.0% (2022 Q3: 2.6%) of the consolidated revenue of the reporting quarter.

The revenue from other activities decreased by 2.2 million euros compared to the third quarter of the previous year and by 5.7 million euros compared to nine months, being 1.6 and 4.9 million euros, respectively. The decrease in revenue was significantly influenced by the suspension of the retail and project-based sale of electrical products in Estonia and a decrease in electrical work in the shipbuilding sector. The revenue of other activities accounted for 2.8% (2022 Q3: 8.0%) of the quarterly revenue.

Revenue by markets (EUR'000)	Q3 2023	Q3 2022	+/-	9M 2023	9M 2022	+/-	% 9M 2023	% 9M 2022
Estonia	5,101	8,915	-42.8%	15,632	22,679	-31.1%	9.9%	18.1%
Finland	20,544	21,816	-5.8%	63,674	60,576	5.1%	40.2%	48.3%
Sweden	7,696	6,442	19.5%	23,309	15,764	47.9%	14.7%	12.6%
Norway	12,590	5,508	128.6%	28,098	12,922	117.4%	17.8%	10.3%
Germany	4,002	1,441	177.7%	9,822	4,093	140.0%	6.2%	3.3%
Netherlands	1,148	543	111.4%	6,439	5,890	9.3%	4.1%	4.7%
Other	5,166	1,416	264.8%	11,303	3,391	233.3%	7.1%	2.7%
Total	56,247	46,081	22.1%	158,277	125,315	26.3%	100.0%	100.0%

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 81.7% (2022 Q3: 92.6%) of the Group's products and services were sold in the reporting quarter.



In the third quarter, 5.1 (2022 Q3: 8.9) million euros were earned from Estonia, which was 3.8 million euros less than a year earlier. Compared to nine months, the revenue-decreased by 7.0 million to 15.6 million euros. The decrease in revenue in both periods is mostly related to the termination of the retail and project-based sale of electrical products in Estonia but sales of electrical equipment to contract customers also decreased. The increased volume in the previous year originated mainly from the contract for hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 9.1% (2022 Q3: 19.3%) of the consolidated revenue of the reporting quarter.



In the comparison of the third quarters, revenue in Finland decreased by 5.8%, the main reason of which was the significantly increased volume of settlements in the second quarter of this year compared to the same period in the previous year. Revenue for the Finnish market was 20.5 (2022 Q3: 21.8) million euros in the third quarter and 63.7 (2022 9M: 60.6) million in nine months. The majority of the increase in revenue came from the sale of automation equipment and low-voltage switchgears to key customers—During the reporting quarter, 36.5% (2022 Q3: 47.3%) of Harju Elekter products and services were sold to the Group's largest market.



The revenue of the Swedish market increased due to the rise in the sale of substations and the growth of project business, being 7.7 (2022 Q3: 6.4) in the reporting quarter and 23.3 (2022 9M: 15,8) million in the nine months. Sweden accounted for 13.7% (2022 Q3: 14.0%) of the revenue of the reporting quarter.



While sales to the Norwegian market in the first quarter started modestly and were lower than a year earlier, the result of the second and third quarter multiplied. Revenue from the Norwegian market was 12.6 (2022 Q3: 5.5) in the reporting quarter and 28.1 (2022 9M: 12.9) million euros in nine months. The Norwegian market accounted for 22.4% (2022 Q3: 12.0%), of the consolidated revenue of the reporting quarter, growing into the second largest market after Finland.

Quarterly revenue from other markets in total increased by 6.9 to 10.3 million euros year-on-year. Revenue increased mainly from the Germany and Netherlands markets. In the comparison of nine months, revenue from other markets increased by 14.2 to 27.6 million euros. The majority of the growth came from sales to the USA and Germany. The first batch of low-voltage actuators and MCC systems, designed to control 1500 actuators, was sent to the United States Steel Corporation for their new Big River Steel plant in Arkansas at the beginning of the year. Other markets accounted for 18.3% (2022 Q3: 7.4%) of the consolidated revenue for the reporting quarter.

Operating expenses

(EUR'000)	Q3 2023	Q3 2022	+/-	9M 2023	9M 2022	+/-	% 9M 2023	% 9M 2022
Cost of sales	48,869	40,278	21.3%	138,905	115,564	20.2%	92.3%	90.4%
Distribution costs	1,392	1,264	10.1%	4,060	4,128	-1.6%	2.7%	3.2%
Administrative expenses	2,164	2,728	-20.7%	7,455	8,157	-8.6%	5.0%	6.4%
Total operating expenses	52,425	44,270	18.4%	150,420	127,849	17.7%	100.0%	100.0%
<i>incl. depreciation, amortization, impairment</i>	1,053	1,491	-29.4%	3,201	3,643	-12.1%	2.1%	2.8%
<i>incl. total labour cost</i>	9,267	7,468	24.1%	29,455	25,320	16.3%	19.6%	19.8%
<i>incl. inclusive salary cost</i>	7,779	6,202	25.4%	23,397	19,748	18.5%	15.6%	15.4%

The Group's operating expenses totaled 52.4 (2022 Q3: 44.3) in the reporting quarter and 150.4 (2022 9M: 127.8) million in nine months. The majority of the increase in operating expenses was caused by the increase in the costs of sales, which in both periods was below the growth rate of revenue, by 0.8 in the quarter and by 6.1 percentage points in the nine-month comparison. The gross profit margin increased by 0.5 percentage points to 13.1% compared to the comparable quarter, and by 4.4 percentage points to 12.2% in the nine-month comparison. The increase in gross margin was supported by a more efficient and high production load combined with stabilised input prices and supply chain. During the comparable period, the Group constituted a number of reserves to cover input prices for components and materials that had increased as a result of several crises and expensed losses from previously concluded transactions.

Distribution costs in the reporting quarter were 1.4 (2022 Q3: 1.3) and administration expenses 2.2 (2022 Q3: 2.7) million euros. The share of distribution costs in the group's revenue fell by 0.2 percentage points to 2.5%, and the share of administration expenses by 2.1 percentage points to 3.8%. The total distribution costs for the nine months were in the same order of magnitude as the year before – 4.1 million euros, and administrative expenses were 7.5 (2022 9M: 8.2) million euros. Depreciation of property, plant and equipment and intangible assets was 1.1 (2022 Q3: 1.5) in the third quarter and 3.2 (2022 9M: 3.6) million euros in nine months. In the previous year, the goodwill allowance of Energo Veritas OÜ, 0.4 million euros, was included in the expenses.

Labour costs increased in both periods, being 9.3 (2022 Q3: 7.5) and 29.5 (2022 9M: 25.3) million euros, respectively. The ratio of labour costs to the Group's revenue was 16.5% (2022 Q3: 16.2%) in the reporting quarter and 18.6% (2022 9M: 20.2%) in nine months. The average monthly salary per employee of the Group during the nine months was 2,720 (2022 9M: 2,488) euros, which was 9.3% more than the year before. The majority of the increase in labour costs originates from staff growth, and the growth in average wages was influenced by wage pressure from the overall economy.

PERSONNEL

One of the strategic goals of Harju Elekter Group is to become a more unified group. The company is committed to designing a unified value programme and lean management training to increase competitiveness in production and increase production efficiency. The Group's companies introduce young pupils and students to the world of production through various initiatives, including conducting tours of the production's plants. In September, more than 100 engineering students visited the Estonian production company.

A Group-wide employee satisfaction survey was carried out in the reporting quarter. The average response rate across the whole Group was 67%. In companies in Estonia and Finland, the response rate ranged from 80 to 90%.

At the end of the reporting period, the Group employed 956 people, which was 85 employees more than a year ago. In the reporting quarter, the Group employed an average of 961 people, which was on average 85 employees more than in the comparable period. The largest increases were in Lithuanian and Finnish manufacturing companies. In the reporting quarter, 7.8 (2022 Q3: 6.2) million euros were paid to employees as salaries and remuneration.



	Average numbers of employees				Numbers of employees					
	Q3	Q3	9M	9M	30.09.23	30.09.22	+/-	%	%	
	2023	2022	2023	2022						30.09.23
Estonia	347	369	353	381	336	367	-31	35.1%	42.1%	
Finland	211	168	204	164	213	169	44	22.3%	19.4%	
Lithuania	355	270	338	267	359	269	90	37.6%	30.9%	
Sweden	48	69	60	69	48	66	-18	5.0%	7.6%	
Total	961	876	955	881	956	871	85	100.0%	100.0%	

SHARES AND SHAREHOLDERS

Security trading history	9M 2023	2022	2021	2020	2019
Opening price (euros)	5.01	7.44	5.24	4.26	4.12
Highest price (euros)	5.31	7.74	10.50	5.26	5.20
Lowest price (euros)	4.91	4.85	5.20	3.20	4.01
Closing price (euros)	5.00	5.01	7.44	5.18	4.21
Traded shares (pcs)	978,672	929,491	2,048,865	1,160,598	531,415
Turnover (in million euros)	4.94	5.60	15.85	4.99	2.35
Capitalisation (in million euros)	92.49	91.63	134.06	91.89	74.68
Average number of the shares (pcs)	18,308,109	18,134,463	17,855,220	17,739,880	17,739,880
EPS (euros)	0.27	-0.31	0.15	0.31	0.14

Price of AS Harju Elekter Group's share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2018 – 30 September 2023 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 30 September 2023:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	40.1	AS Harju KEK	30.10
1.0 - 10.0%	7	0.1	19.4	ING Luxembourg S.A.	10.02
0.1 - 1.0 %	60	0.5	16.0	Endel Palla	7.43
< 0.1%	11,200	99.4	24.5	Shareholders holding under 5%	52.45
Total	11,269	100.0	100.0	Total	100.00

As of 30 September 2023, AS Harju Elekter Group had 11,269 shareholders. The number of shareholders increased during the reporting quarter by 95 investors. The largest shareholder of AS Harju Elekter Group is AS Harju KEK, a company based on local capital which holds 30.10% of AS Harju Elekter Group's share capital. On 30 September 2023, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 4.30% of AS Harju Elekter Group shares. The complete list of shareholders of AS Harju Elekter Group is available on the website of the Nasdaq CSD <https://nasdaqcsd.com/statistics/en/shareholders>.

INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(EUR'000)</i>	Note	30.09.2023	31.12.2022	30.09.2022
ASSETS				
Current assets				
Cash and cash equivalents		596	9,152	504
Trade and other receivables		42,522	31,612	34,069
Prepayments		1,818	1,126	1,497
Inventories		40,183	37,068	43,809
Total current assets		85,119	78,958	79,879
Non-current assets				
Deferred income tax assets		994	1,008	756
Non-current financial investments	2	32,509	23,731	23,707
Investment properties	3	28,146	24,756	24,754
Property, plant, and equipment	4	33,590	35,740	25,490
Intangible assets	4	7,315	7,244	7,372
Total non-current assets		102,554	92,479	82,079
TOTAL ASSETS	7	187,673	171,437	161,958
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	19,839	24,385	20,667
Prepayments from customers		18,675	16,827	8,021
Trade and other payables		28,343	24,502	32,720
Tax liabilities		3,618	3,478	3,881
Current provisions		60	2,103	535
Total current liabilities		70,535	71,295	65,824
Borrowings	5	23,743	20,732	14,222
Other non-current liabilities		0	0	32
Total non-current liabilities		23,743	20,732	14,254
Total liabilities		94,278	92,027	80,078
Equity				
Share capital	6	11,655	11,523	11,523
Share premium		3,306	2,509	2,509
Reserves		26,580	17,768	17,756
Retained earnings		51,854	47,771	50,291
Total equity attributable to the owners of the parent company		93,395	79,571	82,079
Non-controlling interests		0	-161	-199
Total equity		93,395	79,410	81,880
TOTAL LIABILITIES AND EQUITY		187,673	171,437	161,958

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<i>(EUR'000)</i>	Note	Q3 2023	Q3 2022	9M 2023	9M 2022
Revenue	7	56,247	46,081	158,277	125,315
Cost of sales		-48,869	-40,278	-138,905	-115,564
Gross profit		7,378	5,803	19,372	9,751
Distribution costs		-1,392	-1,264	-4,060	-4,128
Administrative expenses		-2,164	-2,728	-7,455	-8,157
Other income		24	0	223	342
Other expenses		0	-120	-757	-290
Operating profit/loss (-)	7	3,846	1,691	7,323	-2,482
Finance income		3	0	71	74
Finance costs		-340	-146	-1,910	-377
Profit/loss (-) before tax		3,509	1,545	5,484	-2,785
Income tax	9	-116	-139	-458	-300
Profit/loss (-) for the period		3,393	1,406	5,026	-3,085
Profit /loss (-) attributable to:					
Owners of the parent company		3,393	1,493	5,026	-3,024
Non-controlling interests		0	-87	0	-61
Earnings per share					
Basic earnings per share (euros)	8	0.18	0.08	0.27	-0.17
Diluted earnings per share (euros)	8	0.18	0.08	0.27	-0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(EUR'000)</i>	Note	Q3 2023	Q3 2022	9M 2023	9M 2022
Profit/loss (-) for the period		3,393	1,406	5,026	-3,085
Other comprehensive income (loss)					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-49	-96	74	-161
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	0	0	320
Net gain/loss (-) on revaluation of financial assets	2	-83	112	8,782	-746
Total comprehensive income (loss) for the period		-132	16	8,856	-587
Other comprehensive income (loss)		3,261	1,422	13,882	-3,672
Total comprehensive income (loss) attributable to:					
Owners of the Company		3,261	1,412	13,882	-3,708
Non-controlling interests		0	10	0	36

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(EUR'000)</i>	Note	9M 2023	9M 2022
Cash flows from operating activities			
Profit/loss (-) for the period		5,026	-3,085
<u>Adjustments</u>			
Depreciation and amortization, impairment	3,4	3,201	3,643
Gain on sale of property, plant and equipment		26	-8
Share-based payments	10	88	150
Finance income		-71	-73
Finance costs		1,910	375
Income tax	9	458	300
<u>Changes</u>			
Changes in trade receivables and prepayments		-12,488	-57
Changes in inventories		-3,002	-16,373
Changes in trade payables and prepayments		3,472	12,970
Corporate income tax paid	9	-608	-273
Interest paid		-1,353	-385
Total cash flow (-outflow) from operating activities		-3,341	-2,816
Cash flows from investing activities			
Payments for investment properties	9	-3,018	-1,716
Payments for property, plant and equipment	9	-623	-1,103
Payments for intangible assets		-219	-424
Acquisition of financial investments	2	0	-227
Proceeds from sale of property, plant and equipment		41	20
Proceeds from sale of other financial investments	2	0	1,315
Dividends received		70	72
Received interests		1	2
Total cash flow (-outflow) from investing activities		-3,748	-2,061
Cash flows from financing activities			
Change in overdraft balance	5	-2,145	3,436
Proceeds from borrowings	5	3,307	5,716
Repayment of borrowings	5	-2,075	-1,687
Repayments of lease liabilities	5	-642	-1,002
Proceeds from the share issue		898	1,049
Dividends paid		-914	-2,523
Dividends income tax paid		-11	-55
Total cash flow (-outflow) from financing activities		-1,582	5,022
Total net cash flow (-outflow)		-8,671	57
Cash and cash equivalents at the beginning of the period		9,152	574
Changes in cash and cash equivalents		-8,671	57
Effect of exchange rate fluctuations on cash and cash equivalents		115	-127
Cash and cash equivalents at the end of the period		596	504

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 30 September (EUR'000)	Share capital	Share premium	Reserves	Retained earnings	Attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at 1 January 2022	11,352	1,601	18,716	55,315	86,984	-138	86,846
Comprehensive income							
Profit for the period	0	0	0	-3,024	-3,024	-61	-3,085
Other comprehensive income	0	0	-907	320	-587	0	-587
Total comprehensive income	0	0	-907	,-2,704	-3,611	-61	-3,672
Transactions with owners recognized directly in equity							
Share capital contribution)	171	908	0	0	1,079	0	1,079
Share-based payments (Note 8,10)	0	0	-53	203	150	0	150
Dividends	0	0	0	-2,523	-2,523	0	-2,523
Total transactions with owners	171	908	-53	-2,320	-1,294	0	-1,294
Balance at 30 September 2022	11,523	2,509	17,756	50,291	82,079	-199	81,880
Balance at 1 January 2023	11,523	2,509	17,768	47,771	79,571	-161	79,410
Comprehensive income							
Profit for the period	0	0	0	5,026	5,026	0	5,026
Other comprehensive income	0	0	8,856	0	8,856	0	8,856
Total comprehensive income	0	0	8,856	5,026	13,882	0	13,882
Transactions with owners recognized directly in equity							
Share capital contribution)	0	0	-44	132	88	0	88
Acquisition of non-controlling interests	0	0	0	-161	-161	161	0
Share-based payments (Note 8,10)	0	0	0	-914	-914	0	-914
Dividends	132	797	0	0	929	0	929
Total transactions with owners	132	797	-44	-943	-58	161	103
Balance at 30 September 2023	11,655	3,306	26,580	51,854	93,395	0	93,395

On April 28, 2023, the Annual General Meeting of shareholders of AS Harju Elekter Group was held; it approved the 2022 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.05 euro per share for 2022, totalling 914 thousand euros. The dividends were paid to the shareholders on 24 May 2023 by a transfer to the bank account of the shareholder.

AS Harju Elekter increased the share capital of the company by 131,835 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. The total proceeds from the share issue amounted to 898 thousand euros of which the share premium was 797 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter Group amounts to 11,655 thousand euros divided into 18.5 million ordinary shares without a nominal value.

On 29 September 2023, AS Harju Elekter Group and Reinvent OÜ concluded a contract of sale of a share in a private limited company, in which AS Harju Elekter Group acquires a 19.48% share in Energo Veritas OÜ. As a result of the transaction, AS Harju Elekter Group will become the sole shareholder of Energo Veritas OÜ, holding the sole share of Energo Veritas OÜ with a nominal value of 2,500 euros.

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter Group is a company registered in Estonia. The interim report prepared as of 30 September 2023 comprises AS Harju Elekter Group (the "Parent Company") and its subsidiaries AS Harju Elekter (former name AS Harju Elekter Elektrotehnika), Energo Veritas OÜ, Harju Elekter Oy, Harju Elekter Kiinteistöt Oy, Telesilta Oy, Harju Elekter AB, Harju Elekter Services AB, Harju Elekter UAB and LC Development Fastigheter 17 AB (the "Group"). AS Harju Elekter Group has been listed on Tallinn Stock Exchange since 30 September 1997; 30.10% of its shares are held by AS Harju KEK.

On March 13, 2023, the merger of AS Harju Elekter Elektrotehnika (new name AS Harju Elekter) and AS Harju Elekter Teletehnika was entered into the commercial register. According to the merger agreement signed on 30 September 2022, AS Harju Elekter Teletehnika is the legal successor of AS Harju Elekter Elektrotehnika, and all assets of AS Harju Elekter Teletehnika were transferred to AS Harju Elekter Elektrotehnika. The merger of subsidiaries has no effect on the numbers in the consolidated report.

The consolidated interim financial statements of AS Harju Elekter Group 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 2022. The interim report should be read in conjunction with the Group's annual report of 2022, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for the third quarter and 9 months of 2023 of AS Harju Elekter Group 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

<i>(EUR'000)</i>	30.09.2023	31.12.2022	30.09.2022
Listed securities (fair value through other comprehensive income)	1,414	1,433	1,412
Other equity investments (fair value through other comprehensive income)	31,087	22,286	22,287
Other financial assets through profit or loss	8	12	8
Total	32,509	23,731	23,707
Changes	9M 2023	12M 2022	9M 2022
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period	23,719	25,213	25,213
Acquisitions	0	227	227
Sale of financial assets	0	-995	-995
Change in fair value through other comprehensive income	8,782	-726	-746
Carrying amount at the end of the period	32,501	23,719	23,699
2. Financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	12	9	9
Change in fair value through profit and loss	-4	3	-1
Carrying amount at the end of the period	8	12	8
Total carrying amount at the end of the period	32,509	23,731	23,707

The fair value of listed securities decreased by 18 thousand euros during the reporting period, in the same period of 2022 it decreased by 0.7 million euros.

As of 30 September 2023, other equity investments include an investment in the shares of IGL-Technologies Oy in the amount of 0.5 (31.12.2022: 0.25) million euros and in the shares of OÜ Skeleton Technologies Group in the amount of 30.6 (31.12.2022: 21.8) million euros.

AS Harju Elekter Group didn't participate in OÜ Skeleton Technologies Group's funding rounds that took place during the reporting period. Based on the financial asset revaluation according to the funding round conditions, the estimated fair value of OÜ Skeleton Technologies Group's investment increased by 8.8 million euros in the second quarter. The fair value didn't change in the third quarter. As of the reporting date, the registered ownership stake in OÜ Skeleton Technologies Group is 5.45%. 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.

Note 3 Investment properties

<i>(EUR'000)</i>	Note	9M 2023	12M 2022	9M2022
Balance at the beginning of the period		24,756	23,903	23,903
Additions	7	4,195	1,858	1,600
Depreciation	7	-805	-983	-725
Reclassification from property, plant and equipment	4	0	-22	-22
Impact of exchange rate changes		0	0	-2
At the end of the period		28,146	24,756	24,754

Note 4 Property, plant and equipment; intangible assets

<i>(EUR'000)</i>	Note	9M 2023	12M 2022	9M2022
1. Property, plant and equipment				
Balance at the beginning of the period		35,740	26,654	26,654
Additions to right-of-use assets		0	-443	71
Additions	7	612	12,917	1,114
Sales and write-off in carrying amount		-67	-14	-15
Depreciation	7	-2,227	-3,114	-2,323
Reclassification to investment properties	3	0	22	22
Impact of exchange rate changes		-468	-282	-28
At the end of the period		33,590	35,740	25,490
2. Intangible assets				
Balance at the beginning of the period		7,244	7,544	7,544
Additions	7	240	468	424
Amortization	7	-169	-257	-185
Impairment of goodwill		0	-410	-410
Impact of exchange rate changes		0	-101	-1
At the end of the period		7,315	7,244	7,372

Note 5 Borrowings

(EUR'000)

	30.09.2023	31.12.2022	30.09.2022
Current borrowings			
Current bank loans and overdrafts	16,590	18,735	17,588
Current portion of non-current bank loans	897	2,630	522
Current portion of non-current lease liabilities	170	792	284
Other current loans	2,182	2,228	2,273
Total current borrowings	19,839	24,385	20,667

	30.09.2023	31.12.2022	30.09.2022
Non-current borrowings			
Non-current bank loans	22,760	19,640	11,904
Non-current loans	0	109	0
Non-current lease liabilities	983	983	2,318
Total non-current borrowings	23,743	20,732	14,222

Total borrowings	43,582	45,117	34,889
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	9M 2023	12M 2022	9M2022
Changes in borrowings			
Loans and borrowings at the beginning of the period	45,117	28,338	28,338
Change in overdraft balances	-2,145	4,583	3,436
Received non-current loans through acquisition of company	0	109	0
Received non-current loans	3,307	13,402	3,457
Repayments of non-current loans	-2,029	-1,788	-1,687
Other received and repaid loans	-46	2,214	2,259
New lease liabilities	0	251	71
Repayments of non-current lease liabilities	-642	-1,328	-1,002
Impact of exchange rate changes	20	-664	17
Loans and borrowings at the end of the period	43,582	45,117	34,889

Note 6 Share capital

	30.09.2023	31.12.2022	30.09.2022
Share capital (thousand euros)	11,655	11,523	11,523
Number of shares (pcs)	18,498,770	18,289,508	18,289,508
Book value of a share (euros)	0.63	0.63	0.63

In 2023, AS Harju Elekter Group increased the share capital of the company by 131,835 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. A total of 209,262 ordinary shares were subscribed for at a book value of 0.63 euros per share. Following the share capital increase, the share capital of AS Harju Elekter Group amounted to 11,655 thousand euros divided into 18.5 million ordinary shares without a nominal value.

Note 7 Segment reporting

In the consolidated financial statements, two main segments are distinguished: Production and Real Estate. Non-segmented areas of activity are grouped under Other activities, where each area of activity does not have a large enough share to form a separately reported segment. Following the intra-group restructuring that started in 2020, management of the majority of real estate objects has been transferred to separate property management companies. Starting from the accounting year, the Group's management monitors all real estate companies under the real estate sector, including those that manage the Group's production facilities, and which were previously included in the production segment. In the interim report reference period data was adjusted to ensure comparability.

(EUR '000)	Production			Real estate		
	9M 2022	reclassifi- cation	9M 2022 (corrected)	9M 2022	reclassifi- cation	9M 2022 (corrected)
Revenue from external customers	111,325	-1	111,324	3,343	1	3,344
Inter-segment revenue	963	6	969	1,271	393	1,664
Segment revenue	112,288	5	112,293	4,614	394	5,008
Operating profit	-2,884	-192	-3,076	1,908	192	2,100
Segment assets	104,708	-3,197	101,511	28,070	3,197	31,267
Liabilities of the segment	83,214	-415	82,799	257	415	672
Capital expenditure	1,289	-534	755	1,600	534	2,134
Depreciation and amortization	1,958	-241	1,717	725	241	966

Production – manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter (formerly AS Harju Elekter Elektrotehnika), Harju Elekter Oy, Harju Elekter UAB and Harju Elekter AB. From 1 January 2023, Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB belong to the Real estate segment.

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. This business line includes the parent company and, as of 1 January 2023, also Harju Elekter Kiinteistöt Oy and Harju Elekter Services AB.

Other activities – sales of the products of the Group and its related companies as well as products needed for electrical installation works; 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 (exc. borrowings for Real estate), tax liabilities and accrued expenses.

(EUR '000)	Note	Production	Real Estate	Other activities	Elimination	Consolidated
9 months 2023						
Revenue from external customers		150,154	3,209	4,914	0	158,277
Inter-segment revenue		275	4,008	17	-4,300	
Segment revenue		150,429	7,217	4,931	-4,300	158,277
Operating profit		3,956	2,282	1171	-86	7,323
Segment assets		108,294	33,521	45,654	-31,950	155,519
Unallocated assets						32,154
<i>incl. Financial investments</i>						32,015
<i>incl. Other receivables and prepayments</i>						139
Total assets						187,673
Liabilities of the segment		90,227	1,651	3,822	-31,950	63,750
Unallocated liabilities						30,530
<i>incl. borrowings</i>						29,899
<i>incl. accrued expenses</i>						471
<i>incl. other</i>						160
Total liabilities						94,280
Capital expenditure	3,4	611	4,307	129	0	5,047
Depreciation and amortization	3,4	1,584	1,198	433	-14	3,201

<i>(EUR'000)</i>	Note	Production	Real Estate	Other activities	Elimination	Consolidated
9 months 2022						
Revenue from external customers		111,325	3,343	10,647	0	125,315
Inter-segment revenue		963	1,271	247	-2,481	
Segment revenue		112,288	4,614	10,894	-2,481	125,315
Operating profit		-3,076	2,100	-1,643	137	-2,482
Segment assets		101,511	31,267	30,431	-24,562	138,647
Unallocated assets						23,311
<i>incl. Financial investments</i>						23,212
<i>incl. Other receivables and prepayments</i>						99
Total assets						161,958
Liabilities of the segment		82,799	672	7,789	-24,563	66,697
Unallocated liabilities						13,381
<i>incl. borrowings</i>						13,027
<i>incl. accrued expenses</i>						171
<i>incl. other</i>						183
Total liabilities						80,078
Capital expenditure	3,4	755	2,134	249	0	3,138
Right-of-use assets		0	0	71	0	71
Depreciation and amortization	3,4	1,717	966	974	-14	3,643

Revenue by geographic regions (customer location)

<i>(EUR'000)</i>	9M 2023	9M 2022
Estonia	15,632	22,679
Finland	63,674	60,576
Sweden	23,309	15,764
Norway	28,098	12,922
Germany	9,822	4,093
Netherlands	6,439	5,890
Other	11,303	3,391
Total revenue	158,277	125,315

Revenue by business activities

<i>(EUR'000)</i>	9M 2023	9M 2022
Manufacturing and sale of electrical equipment	146,316	104,525
Retail and project-based sale of electrical products	1,482	8,220
Other products	288	4,108
Lease income	2,683	2,510
Electrical works	3,311	3,460
Other services	4,197	2,492
Total revenue	158,277	125,315

Note 8 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the reporting period with the weighted average number of shares issued during the period. Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 30 September 2023, the Group had a total of 153,500 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, 2019 and 2020 rounds, 795,368 shares were converted.

The resolution of the general meeting of shareholders held on 29 April 2021 approved the new 2021–2022 share option programme, under which the members of the Management Boards and key personnel of AS Harju Elekter Group 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 3.55 euros in the 2021 round and 1.52 euros in 2022. Thus, the share subscription prices within the meaning of IFRS 2 are 8.05 euros and 6.02 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 July to 30 September 2023, the average market price of the shares was 5.06 (2022 Q3: 5.21) euros and during the period from 1 January to 30 September 2023, the average market price of the shares was 5.05 (2022 9M: 6.29) euros.

	Unit	Q3 2023	Q3 2022
Profit attributable to equity holders of the parent company	EUR '000	3,393	1,493
Average number of shares outstanding	Pc '000	18,345	18,211
Basic earnings per share	EUR	0.18	0.08
Adjusted number of shares during the period	Pc '000	18,394	18,296
Diluted earnings per share	EUR	0.18	0.08
	Unit	9M 2023	9M 2022
Profit attributable to equity holders of the parent company	EUR '000	5,026	-3,024
Average number of shares outstanding	Pc '000	18,308	18,083
Basic earnings per share	EUR	0.27	-0.17
Adjusted number of shares during the period	Pc '000	18,360	18,138
Diluted earnings per share	EUR	0.27	-0.17

Note 9 Information on the statement of cash flows line items

(EUR '000)

	Note	9M 2023	9M 2022
Corporate income tax			
Income tax expense in the statement of profit or loss		-458	-300
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-175	37
Dividend income tax expense		11	55
Deferred income tax expense/income		14	-65
Corporate income tax paid		-608	-273
Paid for investment properties			
Acquisitions of investment properties	3	-4,195	-1,600
Liability decrease (-)/ increase (+) incurred by the acquisitions		1,177	-116
Paid for investment properties		-3,018	-1,716
Paid for property, plant and equipment			
Acquisitions of property, plant and equipment	4	-612	-1,114
Liability decrease (-)/ increase (+) incurred by the acquisitions		-10	11
Impact of exchange rate changes		-1	0
Paid for property, plant and equipment		-623	-1,103

Note 10 Transactions with related parties

The related parties of AS Harju Elekter Group are Members of the Management Board and the Supervisory Board of the Group, their close associates, and companies significantly influenced or controlled by the aforementioned persons. Also AS Harju KEK which owns 30.1% of the shares of AS Harju Elekter Group. 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:

<i>(EUR'000)</i>	30.09.2023	31.12.2022	30.09.2022
Balances with related parties:			
- Payables for goods and services	71	106	74
- Payables to Management and Supervisory Boards	110	66	54
	9M 2023	12M 2022	9M 2022
Purchase of goods and services from related parties:			
- Other services, Lease of property, plant from AS Harju KEK	89	68	62
- Other services from AS Entek and Ellex Raidla Advokaadibüroo OÜ	700	731	658
Sale of goods and services to related parties:			
- Other services to AS Harju KEK	1	2	1
- Sale of goods and services to AS Entek	4	2	2
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	422	446	331
- Social security tax	140	147	109

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: up to 8 months of the remuneration of the Member of the Management Board. Members of the Management Board have no rights related to pension. During the reporting period, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In June 2020, an 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. 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 the financial year, the options that were signed in June 2020 were exercised. A total of 41 current and former employees of Harju Elekter participated in the stock issuance related to the option programme, subscribing to a total of 209,262 shares for 929,123 euros. 82,306 shares were left unsubscribed.

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 2021, an additional twelve option agreements were entered into with the Group's employees and members of the company's management bodies, for a total of another 35,750 shares.

As at the reporting date, the total number of potential ordinary shares to be issued was 153,500 (30.09.2022: 447,468). During the reporting period, share-based payments recognized as labour costs totalled 88 (2022 9M: 150) thousand euros, of which the share of the members of the Management and Supervisory Boards was 28 (2022 9M: 11) 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 third quarter and nine month of 2023 as set out on pages 14 to 24 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 Group and its subsidiaries are going concerns.

Tiit Atso

Chairman of the Management Board

23 September 2023



Priit Treial

Member of the Management Board

23 September 2023



Aron Kuhi-Thalfeldt

Member of the Management Board

23 September 2023

