

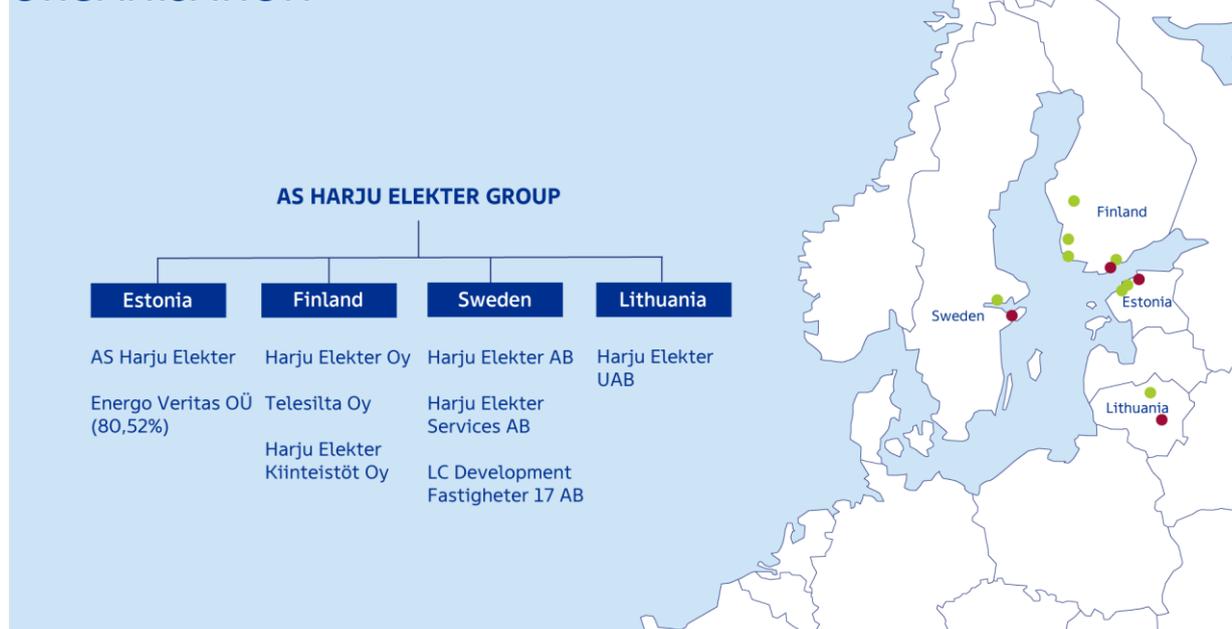
**CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
II QUARTER AND
6 MONTHS OF 2023**

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

TABLE OF CONTENTS

ORGANISATION	3
MANAGEMENT REPORT	5
COMMENTARY FROM THE MANAGEMENT	5
SUMMARY OF THE SECOND QUARTER AND 6 MONTH RESULTS	5
SUPERVISORY, AUDIT COMMITTEE AND MANAGEMENT BOARDS	8
CHANGES IN THE STRUCTURE OF THE GROUP	8
MAIN EVENTS	8
EVENTS AFTER THE REPORTING DATE	9
OPERATING RESULTS	10
<i>Revenue</i>	10
<i>Operating expenses</i>	11
PERSONNEL	12
SHARES AND SHAREHOLDERS	13
INTERIM FINANCIAL STATEMENT	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	15
CONSOLIDATED STATEMENT OF CASH FLOWS	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
NOTES TO INTERIM FINANCIAL STATEMENT	18
<i>Lisa 1 Accounting methods and valuation principles used in the consolidated interim report</i>	18
<i>Note 2 Financial investments</i>	18
<i>Note 3 Investment properties</i>	19
<i>Note 4 Property, plant and equipment; intangible assets</i>	19
<i>Note 5 Borrowings</i>	19
<i>Note 6 Share capital</i>	20
<i>Note 7 Segment reporting</i>	20
<i>Note 8 Basic and diluted earnings per share</i>	22
<i>Note 9 Information on the statement of cash flows line items</i>	23
<i>Note 10 Transactions with related parties</i>	23
THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS	25

ORGANISATION



AS Harju Elekter Group's share in its subsidiaries is 100%, unless otherwise stated in the chart.

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 (81%)

A company trading in electrical materials

FINLAND

HARJU ELEKTER OY

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

TELESILTA OY

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

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company in Finland

LITHUANIA

HARJU ELEKTER UAB

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

SWEDEN

HARJU ELEKTER AB

Engineering company for MV/LV power and distribution solutions for the construction, infrastructure, and renewable energy sector; manufacturer of prefabricated technical houses located in 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 (6.1%)

Developer and manufacturer of ultra-capacitors

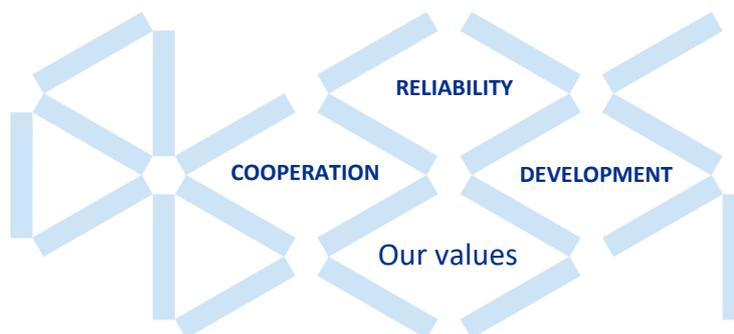
FINLAND

IGL-TECHNOLOGIES OY (10%)

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

Who we are

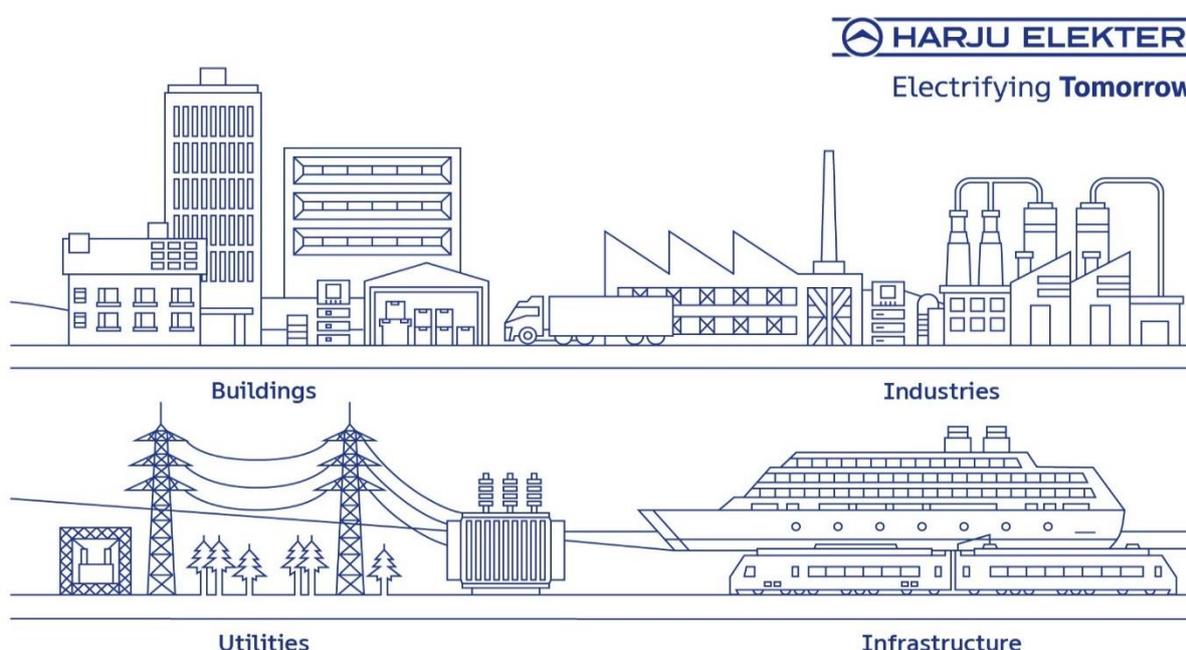
Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. Harju Elekter Group has its roots and head office in Estonia, and production plants in four countries: Estonia, Finland, Sweden and Lithuania.



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.



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 Group continued to implement the new strategic plan at the desired level and showed a strong growth trend in the second quarter of 2023. Last quarter, we achieved a record turnover and operating profit. Successful price negotiations in framework procurements, as well as with other contractors helped to secure a strong result. In addition, we have introduced new pricing models in order to better mitigate the risks of changing input prices. At the same time, supply chains for the production of electrical equipment have improved, and the prices of materials and components have stabilised at higher price levels.

The successful financial results are thanks to production companies in Estonia, Lithuania, and Finland, which have exceeded the forecast turnover and profitability both in the second quarter and in the first half of the year as a whole. The Group's management continues to focus on the Swedish company within the Group, where achieving a new factory full load (ramp-up) is the first priority. This will be facilitated by the closure of the current smaller Swedish production facilities in Malmö and Borlänge during the second quarter and the transfer of their production to a new plant in the city of Västerås.

A positive development was that Energo Veritas OÜ, a subsidiary of AS Harju Elekter Group, and Enefit Connect OÜ reached an agreement to resolve the dispute of the framework contract for the supply of hermetic distribution transformers. As of today, Enefit Connect OÜ does not have any remaining claims arising from the framework contract. Harju Elekter has decided to dedicate to its core business, production of electrical power distribution equipment, and is planning to fully exit the retail and wholesale business.

SUMMARY OF THE SECOND QUARTER AND 6 MONTH RESULTS

Revenue and financial results

Consolidated revenue for the second quarter of 2023 was 56.8 (2022 Q2: 41.9) million euros, and for the first half of the year 102.0 (2022 6M: 79.2) million euros. Respectively, 35% and 29% more than a year earlier.

The gross profit for the reporting quarter was 6,611 (2022 Q2: 963) thousand euros and the gross margin was 11.6% (2022 Q2: 2.3%). Operating profit (EBIT) was 2,168 (2022 Q2: operating loss -3,048) thousand euros. The business profitability of the second quarter was 3.8% (2022 Q2: -7.3%). The net profit for the reporting quarter was 884 (2022 Q2: net loss -3,197) thousand euros, of which the share of the owners of the parent company was 982 (2022 Q2: -3,209) thousand euros. Net profit per share in the second quarter was 0.05 (2022 Q2: net loss per share -0.18) euros.

Expanded marketing activities and more efficient pricing, reviewing management processes, increasing production efficiency, and reducing problems with the supply of materials and components had a significant impact on the Group's revenue and profitability in the first quarters. In addition, important decisions to optimise business operations and save costs had an impact. The attained price corrections for the framework agreements partially covered the increase in input prices caused by the crises. A year earlier, due to rising input prices and problems in supply chains, the Group had to critically re-evaluate all work in progress and the agreements concluded for the periods ahead. In addition to the increase in production costs, last year a number of completed projects proved to be more complex and unprofitable than originally planned, exacerbated in turn by the inefficiencies arising from supply constraints.

The gross profit for the first half of the year was 11,996 (2022 6M: 3,949) thousand euros and the gross margin was 11.8% (2022 6M: 5.0%). During the six months, operating profit (EBIT) was 3,477 (2022 6M: operating loss -4,174) and net profit 1,633 (2022 6M: net loss -4,491) thousand euros. Net profit per share was 0.10 (2022 6M: net loss per share -0.25) euros.

Investments

During the reporting period, the Group invested a total of 2.6 (2022 6M: 2.2) million euros in non-current assets, incl 2.1 (2022 6M: 1.2) in investment properties, 0.4 (2022 6M: 0.7) in property, plant, and equipment and 0.1 (2022 6M: 0.3) 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 32.6 (31.12.22: 23.7) million euros as of the reporting date. Due to the revaluation of financial assets performed in the reporting 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 increased by 66 thousand euros during the first half of the year, compared to a decrease by 0.9 million euros a year earlier. There were no acquisitions or sales of listed securities.

Current assets

Seasonality and increased order volumes grew current assets by 10.7 to 89.7 million euros. Cash and cash equivalents decreased by 6.8, trade receivables, other receivables and prepayments increased by 7.9, and inventories increased by 9.7 million euros. Improved availability of inventory helped 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 79% (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 101.6 (31.12.22: 92.0) million euros, of which the current part accounted for 76.6%. During the reporting quarter current liabilities increased by 6.5 million euros, incl. decrease in borrowings by 3.6 million, increase in prepayments from customers by 1.9 and trade and other payables by 7.5 million euros. At the end of the period, current and non-current borrowings were respectively – 20.8 (31.12.22: 24.4) and 23.8 (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 flows from business activities were -4.6 million euros during the first half of the year and -2.2 million euros a year earlier. 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 first half of the year, 1.0 (2022 6M: 2.7) million euros were directed to investment activities.

Cash flows from financing activities were -1.5 (2022 6M: 3.6) million euros in the first half of the year, which was most affected by loan and lease payments. Current- and non-current loans were repaid by 2.3 million euros, and overdrafts decreased by 1.2 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.

All in all, the Group's cash and cash equivalents decreased by 7 million to 2.3 million euros during the six months and increased by 92 thousand euros to 0.6 million euros in the comparable period.

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

In February, it was decided by mutual agreement to terminate the contract with Mikael Schwartz Jonsson, the Managing Director of Harju Elekter AB, effective from February 28, 2023. As of the beginning of March, Martin Frank assumed the position as an interim Managing Director. He has been working at Harju Elekter AB since 2021, serving as the Marketing and Sales Manager.

In June, it was decided by mutual agreement to terminate the contract with Jan Osa, the Managing Director of Harju Elekter Oy, effective from June 30, 2023. Starting from the beginning of July, Anne Penttilä, the company's CFO, temporarily takes on the responsibilities 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 13 March 2023.

Name Change

On May 17, 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 May 23, 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

New customer agreements



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 Työväne 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.



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 11,403,963 votes accounting for 62.57 % of the total votes.

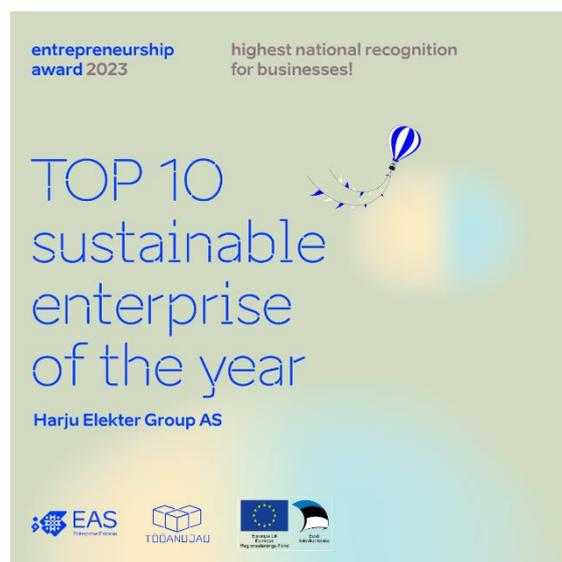
EVENTS AFTER THE REPORTING DATE

Recognition

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.

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.



OPERATING RESULTS

Revenue

Revenue by business activities (EUR '000)	Q2 2023	Q2 2022	+/-	6M 2023	6M 2022	+/-	% 6M 2023	% 6M 2022
Electrical equipment	52,915	34,875	51.7%	93,286	65,627	42.1%	91.4%	82.8%
Retail and project-based sale of electrical products	290	2,677	-89.2%	778	5,591	-86.1%	0.8%	7.1%
Other products	329	1,614	-79.6%	1,271	2,934	-56.7%	1.2%	3.7%
Lease income	868	836	3.8%	1,676	1,647	1.8%	1.6%	2.0%
Electrical works	786	1,076	-27.0%	2,411	2,034	18.5%	2.4%	2.6%
Other services	1,574	836	88.3%	2,608	1,402	86.0%	2.6%	1.8%
Total	56,762	41,914	35.4%	102,030	79,235	28.8%	100.0%	100.0%

The Group's revenue in the reporting quarter and in the first half of the year reached an all-time high, surpassing the earliest sales records. This reflects Harju Elekter's strong position in the market, customers' trust in the company, and satisfaction with the solutions offered. As a result of successful sales and production activities, the revenue in the reporting quarter was 35.4% more than a year earlier, 56.8 million euros. Revenue for the six months increased by 28.8% compared to the comparable period, reaching 102.0 (2022 6M: 79.2) million euros.

The Group achieved increased sales of low-voltage switchgears, frequency converters, and e-houses. Additionally, larger projects that involved energy-saving solutions for the modernisation and construction of low-carbon ships were successfully completed. The revenue of electrical equipment in the reporting quarter was 52.9 million euros, which was 51.7% more than in the second quarter of the previous year. During the six months, sales of electrical equipment increased by 42.1%, being 93.3 million euros. 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 six-month comparison - by 89.2% and 86.1%, respectively. The share and volume of other products decreased due to the optimisation of production, the purpose of which was the timely fulfilment of orders for electrical equipment in the reporting quarter.

Revenue by segment (EUR '000)	Q2 2023	Q2 2022	+/-	6M 2023	6M 2022	+/-	% 6M 2023	% 6M 2022
Production	53,981	37,411	44.3%	96,590	70,156	37.7%	94.7%	88.5%
Real Estate	1,032	1,127	-8.4%	2,076	2,140	-3.0%	2.0%	2.7%
Other activities	1,749	3,376	-48.2%	3,364	6,940	-51.5%	3.3%	8.8%
Total	56,762	41,914	35.4%	102,030	79,235	28.8%	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 centres 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 44.3% in the reporting quarter and 37.7% compared to six months, being 54.0 and 96.6 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 increased as well. 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 95.1% (2022 Q2: 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 1.0 (2022 Q2: 1.1) million euros in the reporting quarter and 2.1 (2022 6M: 2.1) million euros in the first half of the year. The real estate segment accounted for 1.8% (2022 Q2: 2.7%) of the consolidated revenue of the reporting quarter.

The revenue from other activities decreased by 1.6 million euros compared to the second quarter of 2022 and by 3.6 million euros compared to the first half of the year, being 1.7 and 3.4 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. The revenue of other activities accounted for 3.0% (2022 Q2: 8.0%) of the quarterly revenue.

Revenue by markets (EUR '000)	Q2 2023	Q2 2022	+/-	6M 2023	6M 2022	+/-	% 6M 2023	% 6M 2022
Estonia	5,574	6,867	-18.8%	10,530	13,764	-23.5%	10.3%	17.4%
Finland	24,495	22,064	11.0%	43,130	38,760	11.3%	42.3%	48.9%
Sweden	9,143	3,499	161.3%	15,613	9,322	67.5%	15.3%	11.8%
Norway	11,492	2,907	295.3%	15,507	7,414	109.2%	15.2%	9.4%
Netherlands	1,403	3,802	-63.1%	5,291	5,346	-1.0%	5.2%	6.7%
Other	4,655	2,775	67.7%	11,959	4,629	158.3%	11.7%	5.8%
Total	56,762	41,914	35.4%	102,030	79,235	28.8%	100.0%	100.0%

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 89.3% (2022 Q2: 84.3%) of the Group's products and services were sold in the reporting quarter.



In the second quarter, 5.6 (2022 Q2: 6.9) million euros were earned from Estonia, which was 18.8% less than a year earlier. Compared to six months, the revenue decreased by 23.5%, to 10.5 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. The increased volume in the previous year originated mainly from the contract for hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 9.8% (2022 Q2: 16.4%) of the consolidated revenue of the reporting quarter.



Compared to both periods, the revenue of the Finnish market was 11% more than a year earlier, amounting to 24.5 in the quarter and 43.1 million euros in the first half of the year. The majority of the increase in revenue came from the sale of automation equipment and low-voltage switchgears to key customers and from the growth of orders for car heating and charging equipment. During the reporting quarter, 43.2% (2022 Q2: 52.6%) 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 9.1 (2022 Q2: 3.5) in the reporting quarter and 15.6 (2022 6M: 9.3) million in the half-year. Sweden accounted for 16.1% (2022 Q2: 8.3%) 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 quarter multiplied, achieving the largest sales growth across all markets. Several long-term projects for key customers realised, raising revenue to 11.5 (2022 Q2: 2.9) million euros in the reporting quarter and 15.5 (2022 6M: 7.4) million euros in the half-year. The Norwegian market accounted for 20.2% (2022 Q2: 6.9%) of the consolidated revenue of the reporting quarter.

Quarterly revenue from other markets in total decreased by 0.5 million euros to 6.1 million euros year-on-year. Revenue decreased mainly from the Netherlands market but increased from the Germany market. In the half-year comparison, revenue from other markets increased by 7.3 to 17.3 million euros. 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 10.7% (2022 Q2: 15.7%) of the consolidated revenue for the reporting quarter.

Operating expenses

(EUR '000)	Q2 2023	Q2 2022	+/-	6M 2023	6M 2022	+/-	% 6M 2023	% 6M 2022
Cost of sales	50,151	40,951	22.5%	90,034	75,286	19.6%	91.9%	90.1%
Distribution costs	1,313	1,515	-13.3%	2,668	2,866	-6.9%	2.7%	3.4%
Administrative expenses	2,711	2,764	-1.9%	5,291	5,429	-2.5%	5.4%	6.5%
Total operating expenses	54,175	45,230	19.8%	97,993	83,581	17.2%	100.0%	100.0%
<i>incl. depreciation, amortization, impairment</i>	1,075	1,095	-1.8%	2,149	2,152	-0.1%	2.2%	2.6%
<i>incl. total labour cost</i>	10,677	9,141	16.8%	20,188	17,852	13.1%	20.6%	21.4%
<i>incl. inclusive salary cost</i>	8,397	7,011	19.8%	15,618	13,546	15.3%	15.9%	16.2%

The Group's operating expenses increased by 19.8% compared to the second quarter of the previous year and by 17.2% compared to the first half of the year. Operating expenses for the reporting quarter totaled 54.2 (2022 Q2: 45.2), and for the first half of the year were 98.0 (2022 6M: 83.6) million euros. The majority of the increase in operating expenses was caused by the increase in the costs of sales, 22.5% year-on-year and 19.6% in six months. The growth rate of the costs of sales was significantly lower than the growth rate of revenue in both periods, by 12.9 percentage points in the quarterly comparison and 9.2 percentage points in the half year comparison. The gross margin increased by 9.3 percentage points to 11.6% compared to the comparable quarter, and by 6.8

percentage points to 11.8% in the 6-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.

In relation to comparable periods, both distribution and administrative costs were reduced by optimising costs. Distribution costs in the reporting quarter were 1.3 (2022 Q2: 1.5) and administration expenses were 2.7 (2022 Q2: 2.8) million euros. The share of distribution costs in the group's revenue fell by 0.3 percentage points to 2.3% in the quarter comparison, and the share of administration expenses by 1.8 percentage points to 4.8%. The total distribution costs for the first half of the year were 2.7 (2022 6M: 2.9) and administration expenses were 5.3 (2022 6M: 5.4) million euros. Depreciation of property, plant and equipment and intangible assets totalled 1.1 and in the first half of the year 2.1 million euros, which was at same level as the year before.

Labour costs also increased in the comparison of quarters and half-years, being 10.7 (2022 Q2: 9.1) and 20.2 (2022 6M: 17.9) million euros, respectively. The ratio of labour costs to the Group's revenue was 18.8% (2022 Q2: 21.8%) in the reporting quarter and 19.8% (2022 6k: 22.5%) in the 6-months. The average monthly salary per employee of the Group during the first half of the year was 2,731 (2022 6M: 2,551) euros, which was 7.0% more than 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 company introduces young pupils and students to the world of production through various initiatives, including conducting tours of the production company.

In the end of first quarter, the merger of the production company AS Harju Elekter Teletehnika with AS Harju Elekter (former name AS Harju Elekter Elektrotehnika) was completed, during which approximately 100 employees moved to the new merged company. By the end of the first half of the year, production activities were stopped in Malmö and Borlänge, Sweden, in order to concentrate the production and people of the Swedish unit in the Västerås plant.

At the end of the reporting period, the Group employed 988 people, which was 63 employees more than a year ago. In the reporting quarter, the Group employed an average of 969 people, which was on average 74 employees more than in the comparable period. The largest increases were in Lithuanian and Finnish manufacturing companies. In the reporting quarter, 8.4 (2022 Q2: 7.0) million euros were paid to employees as salaries and remuneration.

	Average numbers of employees				Numbers of employees				
	Q2 2023	Q2 2022	6M 2023	6M 2022	30.06.23	30.06.22	+/-	% 30.06.23	% 30.06.22
Estonia	355	386	356	388	366	400	-34	37.0%	43.2%
Finland	206	166	201	163	222	175	47	22.5%	18.9%
Lithuania	343	277	330	265	349	283	66	35.3%	30.6%
Sweden	65	66	66	70	51	67	-16	5.2%	7.3%
Total	969	895	953	886	988	925	63	100.0%	100.0%



SHARES AND SHAREHOLDERS

Security trading history	6M 2023	2022	2021	2020	2019
Opening price (euros)	5.01	7.44	5.24	4.26	4.12
Highest price (euros)	5.27	7.74	10.50	5.26	5.20
Lowest price (euros)	4.95	4.85	5.20	3.20	4.01
Closing price (euros)	5.00	5.01	7.44	5.18	4.21
Traded shares (pcs)	728,085	929,491	2,048,865	1,160,598	531,415
Turnover (in million euros)	3.67	5.60	15.85	4.99	2.35
Capitalisation (in million euros)	91.45	91.63	134.06	91.89	74.68
Average number of the shares (pcs)	18,289,508	18,134,463	17,855,220	17,739,880	17,739,880
EPS (euros)	0.10	-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 June 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 June 2023:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	40.6	AS Harju KEK	30.44
1.0 - 10.0%	7	0.1	19.7	ING Luxembourg S.A.	10.19
0.1 - 1.0 %	55	0.5	14.9	Endel Palla	7.46
< 0.1%	11,110	99.4	24.8	Shareholders holding under 5%	51.91
Total	11,174	100.0	100.0	Total	100.00

As of 30 June 2023, AS Harju Elekter Group had 11,174 shareholders. The number of shareholders decreased during the reporting quarter by 58 investors. The largest shareholder of AS Harju Elekter Group is AS Harju KEK, a company based on local capital which holds 30.44% of AS Harju Elekter Group's share capital. On 30 June 2023, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 4.12% of AS Harju Elekter 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	30.06.2023	31.12.2022	30.06.2022
ASSETS				
Current assets				
Cash and cash equivalents		2,339	9,152	629
Trade and other receivables		38,447	31,612	31,134
Prepayments		2,143	1,126	1,729
Inventories		46,747	37,068	38,185
Total current assets		89,676	78,958	71,677
Non-current assets				
Deferred income tax assets		985	1,008	762
Non-current financial investments	2	32,593	23,731	23,596
Investment properties	3	26,314	24,756	24,647
Property, plant, and equipment	4	33,919	35,740	25,794
Intangible assets	4	7,267	7,244	7,711
Total non-current assets		101,078	92,479	82,510
TOTAL ASSETS	7	190,754	171,437	154,187
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	20,768	24,385	20,398
Prepayments from customers		18,769	16,827	8,558
Trade and other payables		32,034	24,502	27,615
Tax liabilities		4,219	3,478	3,525
Current provisions		1,980	2,103	551
Total current liabilities		77,770	71,295	60,647
Borrowings	5	23,780	20,732	14,158
Other non-current liabilities		0	0	33
Total non-current liabilities		23,780	20,732	14,191
Total liabilities		101,550	92,027	74,838
Equity				
Share capital	6	11,523	11,523	11,352
Share premium		2,509	2,509	1,601
Reserves		26,843	17,768	17,913
Retained earnings		48,620	47,771	48,595
Total equity attributable to the owners of the parent company		89,495	79,571	79,461
Non-controlling interests		-291	-161	-112
Total equity		89,204	79,410	79,349
TOTAL LIABILITIES AND EQUITY		190,754	171,437	154,187

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<i>(EUR'000)</i>	Note	Q2 2023	Q2 2022	6M 2023	6M 2022
Revenue	7	56,762	41,914	102,030	79,235
Cost of sales		-50,151	-40,951	-90,034	-75,286
Gross profit		6,611	963	11,996	3,949
Distribution costs		-1,313	-1,515	-2,668	-2,866
Administrative expenses		-2,711	-2,764	-5,291	-5,429
Other income		181	322	199	378
Other expenses		-600	-54	-759	-206
Operating profit/loss (-)	7	2,168	-3,048	3,477	-4,174
Finance income		-7	34	68	74
Finance costs		-1,021	-111	-1,570	-230
Profit/loss (-) before tax		1,140	-3,125	1,975	-4,330
Income tax	9	-256	-72	-342	-161
Profit/loss (-) for the period		884	-3,197	1,633	-4,491
Profit /loss (-) attributable to:					
Owners of the parent company		982	-3,209	1,763	-4,517
Non-controlling interests		-98	12	-130	26
Earnings per share					
Basic earnings per share (euros)	8	0.05	-0.18	0.10	-0.25
Diluted earnings per share (euros)	8	0.05	-0.18	0.10	-0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(EUR'000)</i>	Note	Q2 2023	Q2 2022	6M 2023	6M 2022
Profit/loss (-) for the period		884	-3,197	1,633	-4,491
Other comprehensive income (loss)					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		164	-86	123	-65
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	169	0	320
Net gain/loss (-) on revaluation of financial assets	2	8,830	-336	8,866	-858
Total comprehensive income (loss) for the period		8,994	-253	8,989	-603
Other comprehensive income (loss)		9,878	-3,450	10,622	-5,094
Total comprehensive income (loss) attributable to:					
Owners of the Company		9,976	-3,462	10,752	-5,120
Non-controlling interests		-98	12	-130	26

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(EUR'000)</i>	Note	6M 2023	6M 2022
Cash flows from operating activities			
Profit/loss (-) for the period		1,633	-4,491
<u>Adjustments</u>			
Depreciation and amortization, impairment	3,4	2,149	2,152
Gain on sale of property, plant and equipment		0	-2
Share-based payments	10	86	120
Finance income		-68	-74
Finance costs		1,573	230
Income tax	9	342	161
<u>Changes</u>			
Changes in trade receivables and prepayments		-8,760	2,963
Changes in inventories		-9,566	-10,748
Changes in trade payables and prepayments		9,314	7,932
Corporate income tax paid	9	-437	-201
Interest paid		-826	-249
Total cash flow (-outflow) from operating activities		-4,560	-2,207
Cash flows from investing activities			
Payments for investment properties	9	-454	-1,526
Payments for property, plant and equipment	9	-436	-682
Payments for intangible assets		-114	-289
Acquisition of financial investments	2	0	-227
Proceeds from sale of property, plant and equipment		0	7
Proceeds from sale of other financial investments	2	0	1,315
Dividends received		68	71
Received interests		0	2
Total cash flow (-outflow) from investing activities		-936	-1,329
Cash flows from financing activities			
Change in overdraft balance	5	-1,176	3,661
Proceeds from borrowings	5	3,344	4,381
Repayment of borrowings	5	-2,284	-1,165
Repayments of lease liabilities	5	-467	-671
Dividends paid		-914	-2,523
Dividends income tax paid		-10	-55
Total cash flow (-outflow) from financing activities		-1,507	3,628
Total net cash flow (-outflow)		-7,003	92
Cash and cash equivalents at the beginning of the period		9,152	574
Changes in cash and cash equivalents		-7,003	92
Effect of exchange rate fluctuations on cash and cash equivalents		190	-37
Cash and cash equivalents at the end of the period		2,339	629

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January – 30 June (EUR'000)	Share capital	Share premium	Reser- ves	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	-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
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	1,763	1,763	-130	1,633
Other comprehensive income	0	0	8,989	0	8,989	0	8,989
Total comprehensive income	0	0	8,989	1,763	10,752	-130	10,622
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	86	0	86	0	86
Dividends	0	0	0	-914	-914	0	-914
Total transactions with owners	0	0	86	-914	-828	0	-828
Balance at 30 June 2023	11,523	2,509	26,843	48,620	89,495	-291	89,204

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.

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 June 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; 30.44% 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 second quarter and 6 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>	30.06.2023	31.12.2022	30.06.2022
Listed securities (fair value through other comprehensive income)	1,498	1,433	1,300
Other equity investments (fair value through other comprehensive income)	31,087	22,287	22,287
Other financial assets through profit or loss	8	11	9
Total	32,593	23,731	23,596
Changes	6M 2023	12M 2022	6M 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	8,866	-726	-858
Carrying amount at the end of the period	32,585	23,719	23,587
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	0
Carrying amount at the end of the period	8	12	9
Total carrying amount at the end of the period	32,593	23,731	23,596

The fair value of listed securities increased by 66 thousand euros during the reporting period, decreased by 0.9 thousand euros in the same period of year 2022.

As of 30 June 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 21.8 (31.12.2022: 21.8) million euros, stake in OÜ Skeleton Technologies Group.

In the reporting quarter, during the first stage of the next funding round of OÜ Skeleton Technologies Group, AS Harju Elekter Group did not make any additional investments. 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. As of the reporting date, the registered ownership stake in OÜ Skeleton Technologies Group remains at 6.1%. 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	6M 2023	12M 2022	6M2022
Balance at the beginning of the period		24,756	23,903	23,903
Additions	7	2,094	1,858	1,250
Depreciation	7	-536	-983	-484
Reclassification from property, plant and equipment	4	0	-22	-22
At the end of the period		26,314	24,756	24,647

Note 4 Property, plant and equipment; intangible assets

<i>(EUR'000)</i>	Note	6M 2023	12M 2022	6M2022
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	0
Additions	7	433	12,917	699
Sales and write-off in carrying amount		0	-14	-7
Depreciation	7	-1,517	-3,114	-1,546
Reclassification to investment properties	3	0	22	22
Impact of exchange rate changes		-737	-282	-28
At the end of the period		33,919	35,740	25,794
2. Intangible assets				
Balance at the beginning of the period		7,244	7,544	7,544
Additions	7	119	468	289
Amortization	7	-96	-257	-122
Impairment of goodwill		0	-410	0
Impact of exchange rate changes		0	-101	0
At the end of the period		7,267	7,244	7,711

Note 5 Borrowings

<i>(EUR'000)</i>	30.06.2023	31.12.2022	30.06.2022
Current borrowings			
Current bank loans	17,559	18,735	17,813
Current portion of non-current bank loans	1,459	2,630	1,045
Current portion of non-current lease liabilities	339	792	602
Other current loans	1,411	2,228	938
Total current borrowings	20,768	24,385	20,398

	30.06.2023	31.12.2022	30.06.2022
Non-current borrowings			
Non-current bank loans	22,797	19,640	11,903
Non-current loans	0	109	0
Non-current lease liabilities	983	983	2,255
Total non-current borrowings	23,780	20,732	14,158
Total borrowings	44,548	45,117	34,556
Changes in borrowings	6M 2023	12M 2022	6M 2022
Loans and borrowings at the beginning of the period	45,117	28,338	28,338
Change in overdraft balances	-1,176	4,583	3,661
Received non-current loans through acquisition of company	0	109	0
Received non-current loans	3,344	13,402	3,457
Repayments of non-current loans	-1,360	-1,788	-1,165
Other received and repaid loans	-924	2,214	924
New lease liabilities	0	251	0
Repayments of non-current lease liabilities	-467	-1,328	-671
Impact of exchange rate changes	14	-664	12
Loans and borrowings at the end of the period	44,548	45,117	34,556

Note 6 Share capital

	30.06.2023	31.12.2022	30.06.2022
Share capital (thousand euros)	11,523	11,523	11,352
Number of shares (pcs)	18,289,508	18,289,508	18,018,555
Book value of a share (euros)	0.63	0.63	0.63

In 2022, AS Harju Elekter Group increased the share capital of the company by 170,700 euros by issuing new ordinary shares without nominal values in connection with the exercise of the employee stock option plan. A total of 270,953 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 11,523 thousand euros divided into 18.3 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		
	6M 2022	reclassify -cation	6M 2022 (corrected)	6M 2022	reclassify -cation	6M 2022 (corrected)
Revenue from external customers	70,157	-1	70,156	2,138	1	2,139
Inter-segment revenue	802	12	814	862	261	1,123
Segment revenue	70,959	11	70,970	3,000	262	3,262
Operating profit	-4,383	-146	-4,529	1,200	146	1,346
Segment assets	97,255	-2,881	94,374	27,602	2,881	30,483
Liabilities of the segment	76,454	-375	76,079	145	375	520
Capital expenditure	797	-233	564	1,250	233	1,483
Depreciation and amortization	1,299	-160	1,139	484	160	644

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.

<i>(EUR'000)</i>	Note	Production	Real Estate	Other activities	Elimination	Consolidated
6 months 2023						
Revenue from external customers		96,590	2,076	3,364	0	102,030
Inter-segment revenue		154	2,707	0	-2,861	
Segment revenue		96,744	4,783	3,364	-2,861	102,030
Operating profit		2,802	1,400	-639	-86	3,477
Segment assets		111,224	33,139	43,765	-29,682	158,446
Unallocated assets						32,308
<i>incl. Financial investments</i>						32,098
<i>incl. Other receivables and prepayments</i>						210
Total assets						190,754
Liabilities of the segment		93,670	2,056	6,296	-29,682	72,340
Unallocated liabilities						29,210
<i>incl. borrowings</i>						28,599
<i>incl. accrued expenses</i>						438
<i>incl. other</i>						173
Total liabilities						101,550
Capital expenditure	3,4	390	2,155	101	0	2,646
Depreciation and amortization	3,4	1,081	799	278	-9	2,149
6 months 2022						
Revenue from external customers		70,156	2,139	6,940	0	79,235
Inter-segment revenue		814	1,123	226	-2,163	
Segment revenue		70,970	3,262	7,166	-2,163	79,235
Operating profit		-4,529	1,346	-1,065	74	-4,174
Segment assets		94,374	30,483	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
Liabilities of the segment		76,079	520	7,878	-23,881	60,596
Unallocated liabilities						14,242
<i>incl. borrowings</i>						13,823
<i>incl. accrued expenses</i>						224
<i>incl. other</i>						195
Total liabilities						74,838
Capital expenditure	3,4	564	1,483	191	0	2,238
Depreciation and amortization	3,4	1,139	644	379	-10	2,152

Revenue by geographic regions (customer location)

<i>(EUR '000)</i>	6M 2023	6M 2022
Estonia	10,530	13,764
Finland	43,130	38,760
Sweden	15,613	9,322
Norway	15,507	7,414
Netherlands	5,291	5,346
Other	11,959	4,629
Total revenue	102,030	79,235

Revenue by business activities

<i>(EUR '000)</i>	6M 2023	6M 2022
Manufacturing and sale of electrical equipment	93,286	65,627
Retail and project-based sale of electrical products	778	5,591
Other products	1,271	2,934
Lease income	1,676	1,647
Electrical works	2,411	2,034
Other services	2,608	1,402
Total revenue	102,030	79,235

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 2023, the Group had a total of 455,068 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the Nasdaq Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros. From the 2018 and 2019 rounds, 549,628 shares were converted.

The resolution of the general meeting of shareholders held on 29 April 2021 approved the new 2021–2022 share option programme, under which the members of the Management Boards and key personnel of AS Harju Elekter 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 0.55 euros in the 2020 round and 3.55 euros in 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 April to 30 June 2023, the average market price of the shares was 5.03 (2022 Q2: 6.28) euros and during the period from 1 January to 30 June 2023, the average market price of the shares was 5.04 (2022 6M: 6.74) euros.

	Unit	Q2 2023	Q2 2022
Profit attributable to equity holders of the parent company	EUR '000	982	-3,209
Average number of shares outstanding	Pc '000	18,290	18,019
Basic earnings per share	EUR	0.05	-0.18
Adjusted number of shares during the period	Pc '000	18,290	18,066
Diluted earnings per share	EUR	0.05	-0.18

	Unit	6M 2023	6M 2022
Profit attributable to equity holders of the parent company	EUR '000	1,763	-4,517
Average number of shares outstanding	Pc '000	18,290	18,019
Basic earnings per share	EUR	0.10	-0.25
Adjusted number of shares during the period	Pc '000	18,290	18,074
Diluted earnings per share	EUR	0.10	-0.25

Note 9 Information on the statement of cash flows line items

(EUR'000)

	Note	6M 2023	6M 2022
Corporate income tax			
Income tax expense in the statement of profit or loss		-342	-161
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-128	-23
Dividend income tax expense		10	55
Deferred income tax expense/income		22	-71
Impact of exchange rate changes		1	-1
Corporate income tax paid		-437	-201
Paid for investment properties			
Acquisitions of investment properties	3	-2,094	-1,250
Liability decrease (-)/ increase (+) incurred by the acquisitions		1,640	-276
Paid for investment properties		-454	-1,526
Paid for property, plant and equipment			
Acquisitions of property, plant and equipment	4	-433	-699
Liability decrease (-)/ increase (+) incurred by the acquisitions		-1	17
Impact of exchange rate changes		-2	0
Paid for property, plant and equipment		-436	-682

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 30.44% 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:

(EUR'000)

	30.06.2023	31.12.2022	30.06.2022
Balances with related parties:			
- Payables for goods and services	49	106	99
- Payables to Management and Supervisory Boards	114	66	71
	6M 2023	12M 2022	6M 2022
Purchase of goods and services from related parties:			
- Other services, Lease of property, plant from AS Harju KEK	68	68	41
- Other services from AS Entek	583	731	509
Sale of goods and services to related parties:			
- Other services to AS Harju KEK	1	2	3
- Sale of goods and services to AS Entek	1	2	0
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	267	446	215
- Social security tax	88	147	71

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: up to 8 months of the remuneration of the Member of the Management Board. Members of the Management Board have no rights related to pension. During the reporting period, no

other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In June 2019, 94 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 339,100 shares, and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 8,000 shares, comprising 64,000 shares in total. During the financial year, options granted in June 2019 were exercised. The subscription period for the shares was 15 July 2022. A total of 75 current and former employees of Harju Elekter participated in the share issue related to the exercise of the stock option program, subscribing for a total of 270,953 shares for 1,078,392.94 euros. A total of 26,247 shares were not subscribed.

In June 2020, 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. As at the reporting date, 35,750 subscription rights have been cancelled. The members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 10,000 shares, comprising 60,000 shares in total.

In June 2021, ten more option agreements were concluded with the members of the management board of the Group company on subscription rights for a total of 100,000 shares. In December of 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 455,068 (30.06.2022: 758,968). During the reporting period, share-based payments recognized as labour costs totalled 86 (2022 6M: 120) thousand euros, of which the share of the members of the Management and Supervisory Boards was 23 (2022 6M: 22) 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 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 25 July 2023



Priit Treial Member of the Management Board 25 July 2023



Aron Kuhi-Thalfeldt Member of the Management Board 25 July 2023

