



**CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
II QUARTER AND
6 MONTH
OF 2021**

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|-------------------------|---|
| Business name: | AS Harju Elekter |
| Business registry code: | 10029524 |
| Address: | Paldiski mnt.31, 76606 Keila |
| Phone: | +372 67 47 400 |
| E-mail: | info.he@harjuelekter.com |
| Internet homepage: | https://harjuelekter.com/ |
| Auditor: | AS PricewaterhouseCoopers |
| Financial year: | 1 January – 31 December 2021 |
| Reporting period: | 1 January – 30 June 2021 |

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ORGANISATION



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

ESTONIA

AS HARJU ELEKTER

The Parent company of the Group, focused on coordination of co-operation within the Group's companies and managing industrial real estate holdings. Located in Keila

AS HARJU ELEKTER ELEKTROTEHNIKA

Manufacturer of electrical equipment for energy distribution, industrial and construction sectors, located in Keila

AS HARJU ELEKTER TELETEHNIKA

Producer of customer-based sheet metal products for the electrical engineering and telecom sector, located in Keila

ENERGO VERITAS OÜ (81%)

A company trading in electrical materials

FINLAND

SATMATIC OY*

Manufacturer of industrial control and automation devices, located in Ulvila, Kerava and in Kurikka

TELESILTA OY

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

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company

LITHUANIA

HARJU ELEKTER UAB

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

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Sales office in Stockholm

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

STRATEGICAL INVESTMENTS (30 June 2021)

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (7.22%)

Developer and manufacturer of ultra-capacitors

LATVIA

SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

FINLAND

IGL-Technologies Oy (5.5%)

Technology company developing parking and electric vehicles charging systems

Main activities

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

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

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

Mission

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

Goal

We want to be successful in the long term, adding value for shareholders and being the first choice for our customers and partners and providing to our international team motivating work and development opportunities.

Vision

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

Values

Development - We are keen to learn and innovative

Cooperation - We operate as a team

Reliability - No bargaining in quality

Risks

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

SUPERVISORY AND MANAGEMENT BOARDS

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

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

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

MANAGEMENT REPORT

SUMMARY OF THE SECOND QUARTER AND 6 MONTH RESULTS

Revenue

The revenue for the second quarter of 2021 was 36.3 (Q2 2020: 39.0) million euros and the revenue for the first half of the year was 67.0 (6M 2020: 74.0) million euros.

Financial result

The gross profit for the reporting quarter was 4,306 (Q2 2020: 5,468) thousand euros and the gross profit margin was 11.9% (Q2 2020: 14.0%). Quarterly operating profit (EBIT) amounted to 651 (Q2 2020: 2,156) thousand euros. The operating margin for the second quarter was 1.8% (Q2 2020: 5.5%). The net profit for the reporting quarter was 488 (Q2 2020: 1,971) thousand euros of which the share of the owners of the parent company was 485 (Q2 2020: 1,979) thousand euros. The earnings per share were 0.03 (Q2 2020: 0.11) euros.

The gross profit for the first half of the year was 8,151 (6M 2020: 10,391) thousand euros and the gross profit margin was 12.2% (6M 2020: 14.0%). In the first six months, the operating profit (EBIT) was 1,168 (6M 2020: 3,209) thousand euros. In total, the Group's net profit for the first half of the year was 785 (6M 2020: 2,674) thousand euros and net profit per share was 0.04 (6M 2020: 0.15) euros. Compared to the previous year, the low profitability of the reporting period was mainly affected by lower-than-planned sales, the continuing global shortage of materials, the rapid rise in the price of production materials and the increase in labor costs.

Investments

During the reporting period, the Group invested a total of 3.9 (6M 2020: 2.2) million euros in non-current assets, incl 0.2 (6M 2020: 1.3) million euros in investment properties, 3.5 (6M 2020: 0.8) million euros in property, plant, and equipment and 0.2 (6M 2020: 0.1) million euros in intangible assets. The majority of the investments during the reporting period, i.e. 2.5 million euros, was directed to the expansion of the fourth phase of the production and office building of the Lithuanian subsidiary. The total cost of the investment was 5.5 million euros. In addition, preparations for the construction of the production and storage complex in the Allika Industrial Park, Laohotell III, were launched and investments were made in production technology.

As of the reporting date, the total value of the Group's non-current financial investments was 21.3 (31.12.20: 11.9) million euros. The main part of the increase was provided by the investment of 1.2 million euros in the equity raising round of OÜ Skeleton Technologies Group and the estimated change in the fair value of the entire holding by 7.9 million euros to 18.0 million euros. Furthermore, the Finnish-based subsidiary Harju Elekter Oy acquired a holding of 5.5% in the technology company IGL-Technologies Oy. The transaction price was 0.25 million euros. One million euros was received from the partial sale of securities in the first half of the year, of which the realized profit was 0.3 million euros. The fair value of securities increased by 0.4 million euros during the first half of the year compared to a decrease of 0.8 million euros in the comparable period.

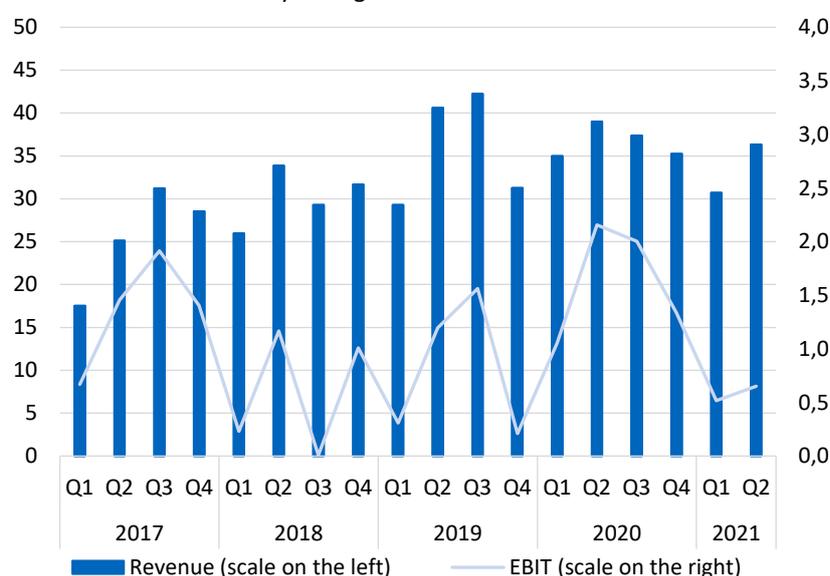
The value of non-current assets in the statement of financial position comprised 58.5% of total assets, i.e., 77.3 (30.06.2020: 65.7) million euros.

Current assets

The Group's current assets increased by 5.0 million euros to 54.8 million euros during the reporting period, including a decrease in cash by 1.3 million to 1.6 million. The decrease in cash was mainly due to the dividends, in the amount of 2.8 million euros, paid out on May 25. Inventories increased by 5.8 million to 24.6 million euros due to delays in deliveries and higher material prices. While in 2020 the Group was able to proactively supply itself with all the necessary materials and components during the crisis, this year the availability of raw materials has become scarce. The employees of the manufacturing company strive to find new opportunities and partners for the acquisition of materials.

Liabilities

As at the reporting date, the Group had liabilities in total of 52.0 million euros, of which current part accounted for 81.7%. During the first half of the year current liabilities increased by 7.5 million euros to 42.4 million euros, incl. increase in trade and other payables by 6.4 million euros and prepayments from customers decreased 2.3 million euros. Borrowings increased by a total of 5.7 million euros during the six months, with current borrowings and non-current borrowings being at the end of the period 15.3 and 9.5 million euros, respectively. Non-current loans and leasing have been used in connection with real estate developments in Estonia and Lithuania and for investments in an automatic production equipment.

Consolidated 6 months
REVENUE67.0 million euros
(6M 2020: 74.0)Consolidated 6 months
EBIT1.2 million euros
(6M 2020: 3.2)Consolidated 6 months
NET PROFIT0.8 million euros
(6M 2020: 2.7)Quarterly Changes in Revenue and EBIT *mln euros*Consolidated 6 months
REVENUE CHANGE

-9.4%

Consolidated 6 months
EBIT CHANGE

-64%

Key indicators

(EUR'000)

| | Q2 2021 | Q2 2020 | +/- | 6 months 2021 | 6 months 2020 | +/- |
|--|------------|------------|--------|------------------|------------------|--------|
| Revenue | 36,310 | 39,014 | -6.9% | 67,028 | 74,012 | -9.4% |
| Gross profit | 4,306 | 5,468 | -21.3% | 8,151 | 10,391 | -21.6% |
| EBITDA | 1,638 | 3,084 | -46.9% | 3,124 | 5,027 | -37.9% |
| Operating profit (EBIT) | 651 | 2,156 | -69.8% | 1,168 | 3,209 | -63.6% |
| Profit for the period | 488 | 1,971 | -75.2% | 785 | 2,674 | -70.6% |
| Incl. attributable to owners of the parent company | 485 | 1,979 | -75.5% | 795 | 2,708 | -70.6% |
| Earnings per share (EPS) (euros) | 0.03 | 0.11 | -75.5% | 0.04 | 0.15 | -70.6% |

Ratios

(%)

| | Q2 2021 | Q2 2020 | +/- | 6 months 2021 | 6 months 2020 | +/- |
|---|------------|------------|------|------------------|------------------|------|
| Distribution cost to revenue | 3.6 | 3.0 | 0.6 | 3.8 | 3.4 | 0.4 |
| Administrative expenses to revenue | 6.7 | 6.0 | 0.7 | 6.9 | 6.6 | 0.3 |
| Labour cost to revenue | 21.1 | 17.3 | 3.8 | 22.3 | 18.1 | 4.2 |
| Gross margin (gross profit / revenue) | 11.9 | 14.0 | -2.1 | 12.2 | 14.0 | -1.8 |
| EBITDA marginal (EBITDA / revenue) | 4.5 | 7.9 | -3.4 | 4.7 | 6.8 | -2.1 |
| Operating margin (EBIT / revenue) | 1.8 | 5.5 | -3.7 | 1.7 | 4.3 | -2.6 |
| Net margin (profit for the period / revenue) | 1.3 | 5.1 | -3.8 | 1.2 | 3.6 | -2.4 |
| Return of equity ROE (profit for the period/average equity) | 0.6 | 3.0 | -2.4 | 1.0 | 3.0 | -2.0 |

| | 30.06.2021 | 30.06.2020 | +/- |
|--|------------|------------|------|
| Equity ratio (equity / total assets) (%) | 60.6 | 59.2 | 1.4 |
| Current ratio (current assets / short-term liabilities) | 1.3 | 1.5 | -0.2 |
| Quick ratio ((current assets - inventories) / current liabilities) | 0.7 | 0.9 | -0.2 |

COMMENTARY FROM THE MANAGEMENT

The second quarter of Harju Elekter can be characterised by forward-looking investments and the intensification of the global raw material deficit.

The Group's financial results and profitability were inevitably affected by the global crisis in raw materials and rising material prices. These factors intensified compared to the previous quarter and it reflected in higher production costs as well as inefficiencies associated with uncertainty. Based on forecasts, supply problems and rising prices of sheet metal and electrical components will continue in the third quarter, affecting the performance of procurement contracts and the work of the sector in general.

Execution of orders for new framework contracts has begun, and sales volumes in Estonia and Sweden are on an upward trend. Orders for the Lithuanian unit have not yet returned to pre-crisis levels, but the number of incoming inquiries has grown to a record high, giving reason to hope for a recovery in the maritime industry in the near future.

In the second quarter, Harju Elekter laid the foundation for several forward-looking cooperation and development projects. Together with the technology company IGL-Technologies Oy, we plan to offer complete packages of electric vehicle charging systems in both the Nordic and Baltic markets even more widely than before. Laohotell III in the Allika Industrial Park will be constructed in cooperation with AS Ehitusfirma Rand ja Tuulberg by May next year. Also, Harju Elekter continues to perceive the attractiveness of the investment in terms of both the growth of the value of OÜ Skeleton Technologies Group and cooperation in the development, production, and use of modular systems of supercapacitors in electricity control and switching systems. To increase renewable energy solution capacity, it was decided to invest in new solar power plants.

CHANGES IN THE STRUCTURE OF THE GROUP

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

MAIN EVENTS

Q1

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

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

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

The Swedish subsidiary of Harju Elekter Group, Harju Elekter AB, signed electricity project contracts with Region Stockholm, the administrative body responsible for public transport. These contracts will serve as the basis for the upgrading of the electrical systems of the Albano and Rådhuset metro stations in Stockholm by April and September 2022, respectively. The approximate volume of the contracts is 3.1 million



euros. The new projects of Harju Elekter with Region Stockholm, which manages the Stockholm metro, represent the continuation of cooperation that already started with the modernisation of the Slussen metro last autumn.

Q2



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

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

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

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



AS Harju Elekter participated in the additional round of equity raising for Skeleton Technologies Group OÜ with an investment of 1.24 million euros. Following the increase in the share capital of OÜ Skeleton Technologies, the registered holding of AS Harju Elekter is 7.22%. AS Harju Elekter continues to perceive the attractiveness of the given investment in terms of the growth of the value of Skeleton and in cooperation in the development, production, and use of modular systems of supercapacitors in electricity control and switching systems.

EVENTS AFTER THE REPORTING DATE

The Supervisory Board of AS Harju Elekter decided to increase the share capital of the company by 175,565.25 euros by issuing new ordinary shares. 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 96 current and former employees participated in the share issue, subscribing for a total of 278,675 shares. After the increase of the share capital, Harju Elekter has a total of 18,018,555 ordinary shares without nominal value and the share capital amounts to 11,352,689.65 euros.

In July, AS Harju Elekter increased its portfolio of solar power plants by investing in eight solar power plants with an installed capacity of 64.8 kW. With the investment, in the amount of 0.5 million euros, the Group's renewable energy production capacity will increase from 1,737 kW to 2,255 kW. It is forecasted, that this year the production of renewable energy will increase at least by 15% to 1,500 MWh.

OPERATING RESULTS

Revenue

The revenue of the Group was 36.3 million euros in the second quarter, which was 2.7 million euros more modest compared to the second quarter of 2020. Sales of electrical equipment decreased the most in a quarterly comparison, by 3.1 million euros. As in the first quarter, revenue from the manufacturing and sales of electrical equipment in the second quarter was affected by deferred orders, supply difficulties and material shortages. As a positive sign, the revenue of electrical works from the shipbuilding sector increased by 1.0 million to 1.6 million euros in a quarterly comparison. In the first six months, the revenue was 67.0 (6M 2020: 74.0) million euros, which is below the record result of the previous year but is comparable to the normal sales two years ago before the crisis. Despite the uncertainty in the economic environment, the volume of new orders and cooperation with important customers with framework agreements have persisted.

| Revenue by business activities (EUR '000) | Q2 2021 | Q2 2020 | +/- | 6M 2021 | 6M 2020 | +/- | % 6M 2021 | % 6M 2020 |
|--|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Manufacturing and sale of electrical equipment | 30,006 | 33,062 | -9.2% | 55,857 | 63,309 | -11.8% | 83.3% | 85.5% |
| Retail and project-based sale of electrical products | 2,456 | 3,306 | -25.7% | 4,031 | 5,274 | -23.6% | 6.0% | 7.1% |
| Other products | 1,087 | 845 | 28.6% | 1,886 | 1,378 | 36.9% | 2.8% | 1.9% |
| Lease income | 657 | 689 | -4.6% | 1,541 | 1,409 | 9.4% | 2.3% | 1.9% |
| Electrical works | 1,603 | 625 | 156.5% | 2,861 | 1,714 | 66.9% | 4.3% | 2.3% |
| Other services | 501 | 487 | 2.9% | 852 | 928 | -8.2% | 1.3% | 1.3% |
| Total | 36,310 | 39,014 | -6.9% | 67,028 | 74,012 | -9.4% | 100.0% | 100.0% |

Business segments

The Group's operations are divided into three segments: Production, Real estate, and Other activities. The activities in the Production segment are design, sale, production, and after-sale service of electricity distribution, switching and transformation equipment as well as automatics, process management and engine control equipment. The Real estate segment covers development, project management, leasing and other related services of industrial real estate property to leasing partners and Group companies. Other activities encompass all other non-segmented operating areas where each area is not large enough to form a separate segment. Such activities are, for example, management of financial investments, retail and project sale of electrical goods and electricity installation works for shipbuilding.

| Revenue by segment (EUR '000) | Q2 2021 | Q2 2020 | +/- | 6M 2021 | 6M 2020 | +/- | % 6M 2021 | % 6M 2020 |
|----------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Production | 31,631 | 33,144 | -4.6% | 58,843 | 63,216 | -6.9% | 87.8% | 85.4% |
| Real Estate | 910 | 774 | 17.6% | 1,848 | 1,607 | 15.0% | 2.8% | 2.2% |
| Other activities | 3,769 | 5,096 | -26.0% | 6,337 | 9,189 | -31.0% | 9.4% | 12.4% |
| Total | 36,310 | 39,014 | -6.9% | 67,028 | 74,012 | -9.4% | 100.0% | 100.0% |

Production

Delays in beginning with new framework contract orders, the postponement of planned volumes and limited availability of raw materials reduced the revenue of the production segment by 1.5 million euros to 31.6 million euros on a quarterly comparison and by 4.4 million euros to 58.8 million euros on a six-month comparison. The Group's core business, Production, accounted for 88% of the Group's revenue.

Real estate

The revenue of the Real estate segment increased in a quarterly and in a half-year comparison, with the new rental space in Allika Industrial Park completed at the end of year 2020, being 0.9 (Q2 2020: 0.8) and 1.8 (6M 2020: 1.6) million euros, respectively. The Real estate segment accounts for 3% of the Group's six-month revenue.

Other activities

The revenue from Other activities decreased by 1.3 million euros to 3.8 euros in a quarterly comparison and by 2.9 million euros to 6.3 million euros in a 6-month comparison. This is mainly due to lower retail and project-based sale of electrical products, as the operation of the stores was disrupted due to COVID-19 restrictions. In addition, the revenue was affected by the restructuring of the electrical sales organization in Sweden. Other activities accounted for 9% of the Group's six-month revenue.

Markets

| Revenue by markets (EUR '000) | Q2 2021 | Q2 2020 | +/- | 6M 2021 | 6M 2020 | +/- | % 6M 2021 | % 6M 2020 |
|----------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Estonia | 6,890 | 5,748 | 19.9% | 11,958 | 9,350 | 27.9% | 17.8% | 12.6% |
| Finland | 18,388 | 18,990 | -3.2% | 32,987 | 38,457 | -14.2% | 49.2% | 52.0% |
| Sweden | 6,122 | 5,919 | 3.4% | 11,465 | 10,907 | 5.1% | 17.1% | 14.7% |
| Norway | 2,001 | 4,359 | -54.1% | 3,870 | 9,789 | -60.5% | 5.8% | 13.2% |
| Other | 2,909 | 3,998 | -27.2% | 6,748 | 5,509 | 22.5% | 10.1% | 7.5% |
| Total | 36,310 | 39,014 | -6.9% | 67,028 | 74,012 | -9.4% | 100.0% | 100.0% |

Estonia

Quarterly sales to the Estonian market increased by 1.1 million to 6.9 million euros in a year-on-year comparison. During the reporting quarter the Group continued the production and delivery of prefabricated substations that began in Q2 2020 under the Elektrilevi OÜ framework procurement. The retail and project-based sale of electrical products have decreased in the Estonian market due to the COVID-19 restrictions in force in the spring. Estonian companies continue to contribute to the home market activities by participating in procurements and offering different industrial rental spaces for corporate customers. Sales to the Estonian market have increased by 2.6 million euros to 12.0 million euros in six months comparison, accounting for 18% (6M 2020: 13%) of the six-month revenue.

Finland

Sales to the Finnish market are recovering. Compared to the second quarter of the previous year, the revenue decreased only by 0.6 million euros, amounting to 18.4 million euros. Compared to the first half of last year, the change is larger, revenue decreased by 5.5 million euros to 33.0 million euros. This was mostly affected by the decrease in orders caused by the snowy and cold winter, commencing with new long-term orders, but also some supply difficulties and shortage in materials. In the first half of the year, 49% (6M 2020: 52%) of the Group's products and services were sold to the Group's largest market, Finland.

Sweden

The revenue earned from the Swedish market showed an upward trend in the reporting quarter and in the half year as compared to previous year, amounting 6.1 (Q2 2020: 5.9) and 11.5 (Q2 2020: 10.9) million euros, respectively. Sweden accounted for 17% (6M 2020: 15%) of revenue in the first half of the year, being the third largest market in the Group.

Norway

In the second quarter, the Group's products and services worth 2.0 (Q2 2020: 4.4) million euros were sold to the Norwegian market. In the first six months, 3.9 million euros were earned from the Norwegian market, which was 60.5% or 5.9 million euros less than in the same period of the previous year. The decrease in Norwegian revenue was due to record high orders in the reference period, as well as the slow pace of recovery in the maritime industry. The Norwegian market accounted for 6% (6M 2020: 13%) of the six-month revenue.

Others

When comparing the quarters, revenue from Other markets decreased by 1.1 million euros to 2.9 million euros. Among them, sales to the Danish and Netherlands markets fell the most in the reporting quarter. In a six-month comparison, revenue from other markets increased by 1.2 million euros to 6.7 million euros, accounting for 10% (6M 2020: 7%) of revenue. The majority of the growth in revenue was generated by sales to the German market, which generated 3.8 (6M 2020: 0.3) million euros in the first half of the quarter. In addition, revenue from the Netherlands amounted to 2.3 (6M 2020: 3.1) million euros.

Operating expenses

| (EUR '000) | Q2 2021 | Q2 2020 | +/- | 6M 2021 | 6M 2020 | +/- | % 6M 2021 | % 6M 2020 |
|--|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Cost of sales | 32,004 | 33,546 | -4.6% | 58,877 | 63,621 | -7.5% | 89.5% | 89.6% |
| Distribution costs | 1,315 | 1,180 | 11.4% | 2,529 | 2,488 | 1.6% | 3.8% | 3.5% |
| Administrative expenses | 2,437 | 2,333 | 4.5% | 4,654 | 4,895 | -4.9% | 6.7% | 6.9% |
| Total operating expenses | 35,756 | 37,059 | -3.5% | 66,060 | 71,004 | -7.0% | 100.0% | 100.0% |
| <i>incl. depreciation and amortization</i> | <i>987</i> | <i>928</i> | <i>6.4%</i> | <i>1,957</i> | <i>1,818</i> | <i>7.6%</i> | <i>3.0%</i> | <i>2.6%</i> |
| <i>incl. total labour cost</i> | <i>7,644</i> | <i>6,738</i> | <i>13.4%</i> | <i>14,929</i> | <i>13,378</i> | <i>11.6%</i> | <i>22.6%</i> | <i>18.8%</i> |
| <i>incl. inclusive salary cost</i> | <i>5,930</i> | <i>5,344</i> | <i>11.0%</i> | <i>11,545</i> | <i>10,302</i> | <i>12.1%</i> | <i>17.5%</i> | <i>14.5%</i> |

The total operating expenses for the reporting quarter were 35.8 (Q2 2020: 37.1) million euros. Costs of sales decreased by 1.5 million euros to 32.0 million euros year-on-year, accounting for 89.5% of the operating expenses. The gross profit margin decreased by 2.1 percentage points to 11.9% compared to the comparable quarter. The global crisis in raw materials, raising prices of materials and logistics, and in turn the resulting inefficiencies in operations, where products cannot be delivered on time, reduced profitability. The additional work incurred in maintaining sales volumes and finding materials increased marketing and general administrative expenses in the second quarter compared to the same period last year, amounting to 1.3 (Q2 2020: 1.2) and 2.4 (Q2 2020: 2.3) million euros, respectively. The distribution costs in the reporting quarter accounted for 3.7% (Q2 2020: 3.2%) of the Group's operating expenses and 3.6% (Q2 2020: 3.0%) of the revenue. Administrative expenses accounted for 6.8% (Q2 2020: 6.3%) of the Group's operating expenses and 6.7% (Q2 2020: 6.0%) of the revenue.

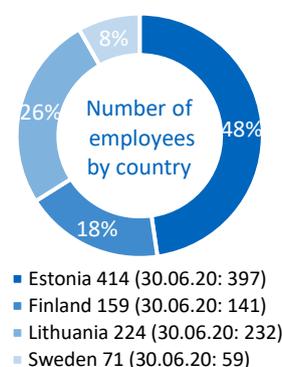
Overall, compared to the first half of the previous year the decrease in operating expenses was 1.9 percentage points lower than the decrease in revenue. Operating expenses for the first half of the year totaled 66.1 (6M 2020: 71.0) million euros, and the largest decrease was in the cost of sales - 4.7 million euros. The gross profit margin decreased by 1.8 percentage points to 12.2 compared to the comparable period. The share of marketing costs and administrative expenses accounted for 3.8% (6M 2020: 3.4%) and 6.9% (6M 2020: 6.6%) of the Group's six-month revenue, respectively.

Labour costs increased with quarterly and half-year comparison, amounting to 7.6 (Q2 2020: 6.7) and 14.9 (6M 2020: 13.4) million euros, respectively. The ratio of labor costs to the Group's revenue was 21.1% (Q2 2020: 17.3%) in the reporting quarter and 22.3% (6M 2020: 18.1%) in the first half of the year. The average annual monthly salary per employee of the Group was 2,406 (6M 2020: 2,195) euros. The majority of the increase in labour costs was due to the increase in additional work, the constant readiness to continue the production cycle, and in terms of Lithuania, working in several shifts in production as a measure to prevent the spread of coronavirus. The increase in labour costs and average remuneration was affected most by the increase of the proportion of Swedish and Finnish employees in the Group, since wage levels are significantly higher in Scandinavian countries than they are in Estonia and Lithuania.

Depreciation of non-current assets totalled 1.0 million euros in the second quarter, and 2.0 million euros in the first half of the year, increasing by 59 and 139 thousand euros, respectively, compared to the comparable period. The increase in depreciation is due to the addition of several investments, including the completion of Laohotell II at the end of 2020.

PERSONNEL

At the end of the reporting period, the group employed 868 people, which was 39 employees more than a year ago. In the second quarter, the Group employed an average of 818 people, which was on average 29 employees more than in the comparable period. In the reporting quarter, 5.9 (Q2 2020: 5.3) million euros were paid to employees as salaries and remuneration. In relation with the global health crisis, the top priority for Harju Elekter and for its companies in every country were the activities related to health promotion of employees and their occupational safety, which has resulted in additional costs.



| | Average numbers of employees | | | Numbers of employees | | | | % % | |
|--------------|---------------------------------|------------|------------|----------------------|------------|------------|-----------|---------------|---------------|
| | Q2 2021 | Q2 2020 | 6M 2021 | 6M 2020 | 30.06.2021 | 30.06.2020 | +/- | 30.06.21 | 30.06.20 |
| Estonia | 376 | 353 | 366 | 343 | 414 | 397 | 17 | 47.7% | 47.9% |
| Finland | 149 | 138 | 141 | 137 | 159 | 141 | 18 | 18.3% | 17.0% |
| Lithuania | 220 | 239 | 221 | 244 | 224 | 232 | -8 | 25.8% | 28.0% |
| Sweden | 73 | 59 | 72 | 58 | 71 | 59 | 12 | 8.2% | 7.1% |
| Total | 818 | 789 | 800 | 782 | 868 | 829 | 39 | 100.0% | 100.0% |

ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

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

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

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

| Security trading history | 6M 2021 | 2020 | 2019 | 2018 | 2017 |
|------------------------------------|------------|------------|------------|------------|------------|
| Opening price (euros) | 5.24 | 4.26 | 4.12 | 5.00 | 2.85 |
| Highest price (euros) | 10.50 | 5.26 | 5.20 | 6.68 | 5.08 |
| Lowest price (euros) | 5.20 | 3.20 | 4.01 | 3.89 | 2.80 |
| Closing price (euros) | 8.18 | 5.18 | 4.21 | 4.12 | 5.00 |
| Traded shares (pcs) | 1,418,708 | 1,160,598 | 531,415 | 1,100,773 | 1,349,617 |
| Turnover (in million euros) | 10.80 | 4.99 | 2.35 | 5.98 | 5.46 |
| Capitalisation (in million euros) | 145.11 | 91.89 | 74.68 | 73.09 | 88.70 |
| Average number of the shares (pcs) | 17,739,880 | 17,739,880 | 17,739,880 | 17,739,880 | 17,739,880 |
| EPS (euros) | 0.04 | 0.31 | 0.14 | 0.09 | 1.64 |

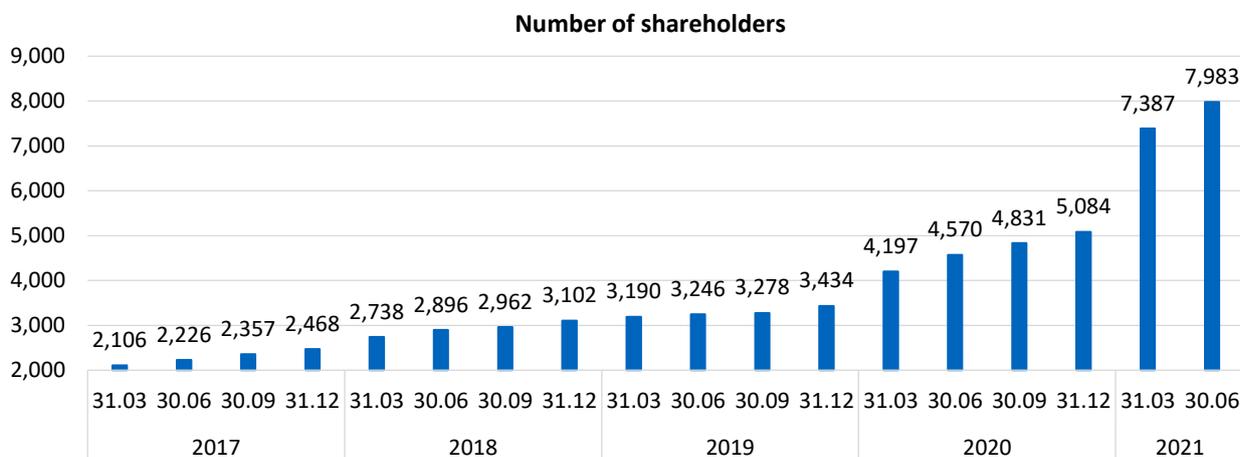
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2016 – 30 June 2021 (Nasdaq Tallinn. <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 30 June 2021:

| Holding | No of shareholders | % of all shareholders | % of votes held | Shareholders | Holding (%) |
|--------------|--------------------|-----------------------|-----------------|-------------------------------|---------------|
| > 10% | 2 | 0.0 | 42.1 | AS Harju KEK | 31.39 |
| 1.0 – 10.0% | 8 | 0.1 | 21.6 | ING Luxembourg S.A. | 10.71 |
| 0.1 – 1.0 % | 52 | 0.7 | 14.9 | Endel Palla | 7.04 |
| < 0.1% | 7,921 | 99.2 | 21.4 | Shareholders holding under 5% | 50.86 |
| Total | 7,983 | 100.0 | 100.0 | Total | 100.00 |

As at 30 June 2021, AS Harju Elekter had 7,983 shareholders. The number of shareholders increased during the reporting quarter by 596 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 30 June 2021, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 12.65% of AS Harju Elekter shares. The complete list of shareholders of AS Harju Elekter is available on the website of the Nasdaq CSD <https://nasdaqcsd.com/statistics/en/shareholders>.



CONFIRMATIONS TO THE MANAGEMENT REPORT

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

Tiit Atso

Chairman of the Management Board

27 July 2021



Aron Kuhi-Thalfeldt

Member of the Management Board

27 July 2021



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 30 June 2021 | 31 December 2020 | 30 June 2020 |
|--|------|-----------------|---------------------|-----------------|
| Current assets | | | | |
| Cash and cash equivalents | | 1,576 | 2,843 | 3,906 |
| Trade and other receivables | | 27,215 | 27,226 | 26,788 |
| Prepayments | | 1,366 | 820 | 1,879 |
| Inventories | | 24,623 | 18,856 | 21,958 |
| Total current assets | | 54,780 | 49,745 | 54,531 |
| Non-current assets | | | | |
| Deferred income tax assets | | 575 | 514 | 517 |
| Non-current financial investments | 2 | 21,259 | 11,918 | 8,047 |
| Investment properties | 3 | 23,328 | 23,605 | 22,173 |
| Property, plant and equipment | 4 | 24,879 | 22,494 | 19,918 |
| Intangible assets | 4 | 7,224 | 7,199 | 7,199 |
| Total non-current assets | | 77,265 | 65,730 | 57,854 |
| TOTAL ASSETS | 6 | 132,045 | 115,475 | 112,385 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Borrowings | 5 | 15,292 | 12,056 | 6,772 |
| Prepayments from customers | | 1,919 | 4,182 | 2,824 |
| Trade and other payables | | 22,208 | 15,837 | 24,202 |
| Tax liabilities | | 2,946 | 2,871 | 3,559 |
| Current provisions | | 73 | 34 | 160 |
| Total current liabilities | | 42,438 | 34,980 | 37,517 |
| Borrowings | 5 | 9,469 | 7,032 | 8,264 |
| Other non-current liabilities | | 65 | 66 | 97 |
| Total non-current liabilities | | 9,534 | 7,098 | 8,361 |
| Total liabilities | | 51,972 | 42,078 | 45,878 |
| Equity | | | | |
| Share capital | | 11,176 | 11,176 | 11,176 |
| Share premium | | 804 | 804 | 804 |
| Reserves | | 15,173 | 6,709 | 2,673 |
| Retained earnings | | 53,080 | 54,858 | 52,003 |
| Total equity attributable to the owners of the parent company | | 80,233 | 73,547 | 66,656 |
| Non-controlling interests | | -160 | -150 | -149 |
| Total equity | | 80,073 | 73,397 | 66,507 |
| TOTAL LIABILITIES AND EQUITY | | 132,045 | 115,475 | 112,385 |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

| | Note | 1 April – 31 June | | 1 January – 30 June | |
|----------------------------------|------|-------------------|--------------|---------------------|---------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Revenue | 6 | 36,310 | 39,014 | 67,028 | 74,012 |
| Cost of sales | | -32,004 | -33,546 | -58,877 | -63,621 |
| Gross profit | | 4,306 | 5,468 | 8,151 | 10,391 |
| Distribution costs | | -1,315 | -1,180 | -2,529 | -2,488 |
| Administrative expenses | | -2,437 | -2,333 | -4,654 | -4,895 |
| Other income | | 188 | 275 | 360 | 327 |
| Other expenses | | -91 | -74 | -160 | -126 |
| Operating profit | 6 | 651 | 2,156 | 1,168 | 3,209 |
| Finance income | | 51 | 71 | 68 | 108 |
| Finance costs | | -60 | -46 | -158 | -147 |
| Profit before tax | | 642 | 2,181 | 1,078 | 3,170 |
| Income tax | 8 | -154 | -210 | -293 | -496 |
| Profit for the period | | 488 | 1,971 | 785 | 2,674 |
| Profit attributable to: | | | | | |
| Owners of the parent company | | 485 | 1,979 | 795 | 2,708 |
| Non-controlling interests | | 3 | -8 | -10 | -34 |
| Earnings per share | | | | | |
| Basic earnings per share (EUR) | 7 | 0.03 | 0.11 | 0.04 | 0.15 |
| Diluted earnings per share (EUR) | 7 | 0.03 | 0.11 | 0.04 | 0.15 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 1 April – 31 June | | 1 January – 30 June | |
|--|------|-------------------|--------------|---------------------|--------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Profit for the period | | 488 | 1,971 | 785 | 2,674 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Net gain on revaluation of financial assets | | 19 | 34 | -4 | -14 |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Gain on sales of financial assets | 2 | 221 | 46 | 265 | 80 |
| Impact of exchange rate changes | 2 | 7,954 | 490 | 8,319 | -845 |
| Total comprehensive income for the period | | 8,194 | 570 | 8,580 | -779 |
| Other comprehensive income | | 8,682 | 2,541 | 9,365 | 1,895 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 8,680 | 2,550 | 9,375 | 1,929 |
| Non-controlling interests | | 2 | -9 | -10 | -34 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | | 1 January – 30 June | |
|---|------|---------------------|---------------|
| | Note | 2021 | 2020 |
| Cash flows from operating activities | | | |
| Profit for the period | | 785 | 2,674 |
| <u>Adjustments</u> | | | |
| Depreciation and amortization | 3,4 | 1,957 | 1,817 |
| Gain on sale of property, plant and equipment | | -12 | -8 |
| Loss on liquidation of property, plant and equipment | | 0 | 2 |
| Share-based payments | 9 | 149 | 120 |
| Finance income | | -68 | -108 |
| Finance costs | | 158 | 147 |
| Income tax | 8 | 293 | 496 |
| <u>Changes</u> | | | |
| Changes in trade and other receivables | | -538 | -4,671 |
| Changes in inventories | | -6,001 | -2,799 |
| Changes in trade and other payables | | 4,227 | 6,383 |
| Corporate income tax paid | 8 | -369 | -642 |
| Interest paid | | -176 | -109 |
| Total cash flow (-outflow) from operating activities | | 405 | 3,302 |
| Cash flows from investing activities | | | |
| Payments for investment properties | 8 | -106 | -1,066 |
| Payments for property, plant and equipment | 8 | -3,519 | -771 |
| Payments for intangible assets | | -207 | -105 |
| Acquisition of financial investments | 2 | -1,737 | 0 |
| Proceeds from sale of investment property | | 0 | 93 |
| Proceeds from sale of property, plant and equipment | | 28 | 20 |
| Dividends received | | 66 | 66 |
| Dividends income tax paid | | -10 | -10 |
| Received interests | | 7 | 0 |
| Proceeds from sale of other financial investments | | 981 | 1,681 |
| Total cash flow (-outflow) from investing activities | | -4,497 | -92 |
| Cash flows from financing activities | | | |
| Change in overdraft balance | 5 | 4,671 | -3,224 |
| Proceeds from borrowings | 5 | 2,821 | 185 |
| Repayment of borrowings | 5 | -1,448 | -556 |
| Repayments of lease liabilities | 5 | -547 | -590 |
| New lease liabilities | | 165 | 0 |
| Dividends paid | | -2,838 | 0 |
| Total cash flow (-outflow) from financing activities | | 2,824 | -4,185 |
| Total net cash flow (-outflow) | | -1,268 | -975 |
| Cash and cash equivalents at the beginning of the period | | | |
| Changes in cash and cash equivalents | | -1,268 | -975 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 1 | 3 |
| Cash and cash equivalents at the end of the period | | 1,576 | 3,906 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 1 January - 31 June | Attributable to owners of the parent company | | | | | Non-controlling interests | Total equity |
|---|--|---------------|---------------|-------------------|---------------|---------------------------|---------------|
| | Share capital | Share premium | Reserves | Retained earnings | Total | | |
| Balance at 1 January 2020 | 11,176 | 804 | 3,412 | 51,699 | 67,091 | -115 | 66,976 |
| Comprehensive income | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 2,708 | 2,708 | -34 | 2,674 |
| Other comprehensive income | 0 | 0 | -859 | 80 | -779 | 0 | -779 |
| Total comprehensive income | 0 | 0 | -859 | 2,788 | 1,929 | -34 | 1,895 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Share-based payments (Note 7,9) | 0 | 0 | 120 | 0 | 120 | 0 | 120 |
| Dividends | 0 | 0 | 0 | -2,484 | -2,484 | 0 | -2,484 |
| Total transactions with owners | 0 | 0 | 120 | -2,484 | -2,364 | 0 | -2,364 |
| Balance at 31 June 2020 | 11,176 | 804 | 2,673 | 52,003 | 66,656 | -149 | 66,507 |
| Balance at 1 January 2021 | 11,176 | 804 | 6,709 | 54,858 | 73,547 | -150 | 73,397 |
| Comprehensive income | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 795 | 795 | -10 | 785 |
| Other comprehensive income | 0 | 0 | 8,315 | 265 | 8,580 | 0 | 8,580 |
| Total comprehensive income | 0 | 0 | 8,315 | 1,060 | 9,375 | -10 | 9,365 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Share-based payments (Note 7,9) | 0 | 0 | 149 | 0 | 149 | 0 | 149 |
| Dividends | 0 | 0 | 0 | -2,838 | -2,838 | 0 | -2,838 |
| Total transactions with owners | 0 | 0 | 149 | -2,838 | -2,689 | 0 | -2,689 |
| Balance at 31 June 2021 | 11,176 | 804 | 15,173 | 53,080 | 80,233 | -160 | 80,073 |

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

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31 June 2021 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Harju Elekter Oy, Harju Elekter Kiinteistöt Oy, Telesilta Oy, Harju Elekter AB, Harju Elekter Services AB and Harju Elekter UAB (the "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since 30 September 1997; 31.39% of its shares are held by AS Harju KEK.

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

According to the assessment of the Management Board, the interim report for the second quarter and 6 month of 2021 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor reviewed by auditors and only includes the consolidated reports of the Group.

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

Note 2 Financial investments

| | 30.06.2021 | 31.12.2020 | 30.06.2020 |
|---|----------------|-----------------|----------------|
| Listed securities (fair value through other comprehensive income) | 2,748 | 2,822 | 2,571 |
| Other equity investments (fair value through other comprehensive income) | 18,503 | 9,089 | 5,469 |
| Other financial assets through profit or loss | 8 | 7 | 7 |
| Total | 21,259 | 11,918 | 8,047 |
| Changes | 6M 2021 | 12M 2020 | 6M 2020 |
| 1. Financial assets at fair value through other comprehensive income | | | |
| Carrying amount at the beginning of the period | 11,911 | 10,486 | 10,486 |
| Acquisitions | 1,737 | 104 | 0 |
| Sale of financial investment | -716 | -1,601 | -1,601 |
| Change in fair value through other comprehensive income | 8,319 | 2,922 | -845 |
| Carrying amount at the end of the period | 21,251 | 11,911 | 8,040 |
| 2. Financial assets at fair value through profit and loss | | | |
| Carrying amount at the beginning of the period | 7 | 8 | 8 |
| Change in fair value through profit and loss | 1 | -1 | -1 |
| Carrying amount at the end of the period | 8 | 7 | 7 |
| Total carrying amount at the end of the period | 21,259 | 11,918 | 8,047 |

A total of 981 thousand euros was received from the partial sale of the listed securities in the first half of the year. Realized gain on sale of financial assets in the amount of 265 thousand euros was recognized through other comprehensive income. The fair value of securities increased by 394 thousand euros during the first half of the year and compared to a decrease of 845 thousand euros during the first six months of 2020.

As of 30 June 2021, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 18.0 (30.06.2020: 5.3) million euros, in the shares of SIA Energokomplekss in the amount of 0.3 (30.06.2020: 0.2) million euros and in the shares of IGL-Technologies Oy in the amount of 0.2 million euros.

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

AS Harju Elekter acquired a 10% stake in OÜ Skeleton Technologies Group on 3 June 2015. The company is engaged in the development and production of supercapacitors and is gradually increasing production. The assessment of future cash flows of the OÜ Skeleton Technologies Group includes significant uncertainty. During the additional financing round, AS Harju Elekter invested 1.2 million euros in the company in the reporting quarter. The Group's management assessed the fair value of the holding in the company based on the issue price of the new shares used in the financing round, the economic indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and the marketability of the weighted instrument. The measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. After the investment round, the registered holding of AS Harju Elekter in OÜ Skeleton Technologies Group decreased to 7.22%, while the fair value of the financial investment increased by 7.9 million euros to 18.0 million euros due to the revaluation.

Note 3 Investment properties

| | Note | 6M 2021 | 12M 2020 | 6M 2020 |
|---|------|---------------|---------------|---------------|
| Balance at the beginning of the period | | 23,605 | 21,259 | 21,259 |
| Additions | 6 | 208 | 3,103 | 1,338 |
| Depreciation | 6 | -485 | -851 | -425 |
| Reclassification from property, plant and equipment | 4 | 0 | 94 | 1 |
| At the end of the period | | 23,328 | 23,605 | 22,173 |

Note 4 Property, plant and equipment; intangible assets

| | Note | 6M 2021 | 12M 2020 | 6M 2020 |
|---|------|---------------|---------------|---------------|
| 1. Property, plant and equipment | | | | |
| Balance at the beginning of the period | | 22,494 | 20,402 | 20,402 |
| Additions to right-of-use assets | | 0 | 150 | 0 |
| Additions | 6 | 3,485 | 4,642 | 772 |
| Sales and write-off in carrying amount | | -17 | -31 | -22 |
| Depreciation | 6 | -1,308 | -2,570 | -1,232 |
| Reclassification from inventories | | 233 | 0 | 0 |
| Reclassification to investment properties | 3 | 0 | -94 | -1 |
| Impact of exchange rate changes | | -8 | -5 | -1 |
| At the end of the period | | 24,879 | 22,494 | 19,918 |
| 2. Intangible assets | | | | |
| Balance at the beginning of the period | | 7,199 | 7,260 | 7,260 |
| Additions | 6 | 189 | 313 | 99 |
| Amortization | 6 | -164 | -373 | -160 |
| Impact of exchange rate changes | | 0 | -1 | 0 |
| At the end of the period | | 7,224 | 7,199 | 7,199 |

Note 5 Borrowings

| | 30.06.2021 | 31.12.2020 | 30.06.2020 |
|--|----------------|-----------------|----------------|
| Current borrowings | | | |
| Current bank loans | 12,227 | 7,738 | 5,645 |
| Current portion of long-term bank loans | 2,355 | 3,191 | 557 |
| Current portion of lease liabilities | 564 | 1,100 | 550 |
| Other current loans | 146 | 27 | 20 |
| Total current borrowings | 15,292 | 12,056 | 6,772 |
| Non-current borrowings | | | |
| Non-current bank loans | 7,464 | 4,461 | 4,582 |
| Non-current lease liabilities | 2,005 | 1,839 | 2,840 |
| Other non-current loans | 0 | 732 | 842 |
| Total non-current borrowings | 9,469 | 7,032 | 8,264 |
| Total borrowings | 24,761 | 19,088 | 15,036 |
| Changes | 6M 2021 | 12M 2020 | 6M 2020 |
| Loans and borrowings at the beginning of the period | 19,088 | 19,206 | 19,206 |
| Change in overdraft balances | 4,671 | -1,131 | -3,224 |
| Received non-current loans | 2,821 | 3,070 | 0 |
| Repayments of non-current loans | -835 | -1,112 | -556 |
| Other received loans | -613 | 81 | 185 |
| New lease liabilities | 165 | 149 | 0 |
| Repayments of non-current lease liabilities | -547 | -1,175 | -590 |
| Impact of exchange rate changes | 11 | 0 | 15 |
| Loans and borrowings at the end of the period | 24,761 | 19,088 | 15,036 |

Note 6 Segment reporting

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

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

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

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

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

| 1 January – 30 June | Note | Production | Real Estate | Other activities | Elimination | Consolidated |
|--|------|---------------|--------------|------------------|---------------|----------------|
| 2021 | | | | | | |
| Revenue from external customers | | 58,843 | 1,848 | 6,337 | 0 | 67,028 |
| Inter-segment revenue | | 199 | 908 | 94 | -1,201 | |
| Segment revenue | | 59,042 | 2,756 | 6,431 | -1,201 | 67,028 |
| Operating profit | | 281 | 919 | -186 | 154 | 1,168 |
| Segment assets | | 79,109 | 25,289 | 26,261 | -19,694 | 110,965 |
| Unallocated assets | | | | | | 21,080 |
| <i>incl. Financial investments</i> | | | | | | 21,004 |
| <i>incl. Other receivables and prepayments</i> | | | | | | 76 |
| Total assets | | | | | | 132,045 |
| Capital expenditure | 3,4 | 3,441 | 208 | 233 | 0 | 3,882 |
| Depreciation and amortization | 3,4 | 1,053 | 485 | 430 | -11 | 1,957 |
| 2020 | | | | | | |
| Revenue from external customers | | 63,216 | 1,607 | 9,189 | 0 | 74,012 |
| Inter-segment revenue | | 2,490 | 891 | 68 | -3,449 | |
| Segment revenue | | 65,707 | 2,498 | 9,257 | -3,449 | 74,012 |
| Operating profit | | 3,139 | 795 | -566 | -159 | 3,209 |
| Segment assets | | 70,561 | 25,049 | 23,457 | -14,792 | 104,275 |
| Unallocated assets | | | | | | 8,110 |
| <i>incl. Financial investments</i> | | | | | | 8,040 |
| <i>incl. Other receivables and prepayments</i> | | | | | | 70 |
| Total assets | | | | | | 112,385 |
| Capital expenditure | 3,4 | 766 | 1,338 | 105 | 0 | 2,209 |
| Depreciation and amortization | 3,4 | 943 | 425 | 460 | -11 | 1,817 |

Revenue by geographic regions (customer location)

| 1 January – 30 June | 2021 | 2020 |
|----------------------|---------------|---------------|
| Estonia | 11,958 | 9,350 |
| Finland | 32,987 | 38,457 |
| Sweden | 11,465 | 10,907 |
| Norway | 3,870 | 9,789 |
| Other | 6,748 | 5,509 |
| Total revenue | 67,028 | 74,012 |

Revenue by business activities

| 1 January – 30 June | 2021 | 2020 |
|--|---------------|---------------|
| Manufacturing and sale of electrical equipment | 55,857 | 63,309 |
| Retail and project-based sale of electrical products | 4,031 | 5,274 |
| Other products | 1,886 | 1,378 |
| Lease income | 1,541 | 1,409 |
| Electrical works | 2,861 | 1,714 |
| Other services | 852 | 928 |
| Total | 67,028 | 74,012 |

Note 7 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 2021, the Group had a total of 1,039,493 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.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round, 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros, 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 April to 30 June 2021, the average market price of the shares was 8.40 (Q2 2020: 4.18) euros and in the period 18 June to 30 June 2021 the average market price of the shares of this year's round was 8.11 euros. During the period from 1 January to 30 June 2021, the average market price of the 2018 to 2020 round shares was 7.61 euros.

| 1 April – 30 June | Unit | 2021 | 2020 |
|---|----------|--------|--------|
| Profit attributable to equity holders of the parent company | EUR '000 | 485 | 1,979 |
| Average number of shares outstanding | Pc '000 | 17,740 | 17,740 |
| Basic earnings per share | EUR | 0.03 | 0.11 |
| Adjusted number of shares during the period | Pc '000 | 17,838 | 17,740 |
| Diluted earnings per share | EUR | 0.03 | 0.11 |
| 1 January – 30 June | Unit | 2021 | 2020 |
| Profit attributable to equity holders of the parent company | EUR '000 | 795 | 2,708 |
| Average number of shares outstanding | Pc '000 | 17,740 | 17,740 |
| Basic earnings per share | EUR | 0.04 | 0.15 |
| Adjusted number of shares during the period | Pc '000 | 17,829 | 17,740 |
| Diluted earnings per share | EUR | 0.04 | 0.15 |

Note 8 Information on the statement of cash flows line items

| 1 January – 30 June | Note | 2021 | 2020 |
|--|------|-------------|---------------|
| Corporate income tax | | | |
| Income tax expense in the statement of profit or loss | | -293 | -496 |
| Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability | | -25 | -156 |
| Dividend income tax expense | | 10 | 10 |
| Income tax expense on dividends | | -61 | 0 |
| Corporate income tax paid | | -369 | -642 |
| Paid for investment properties | | | |
| Acquisitions of investment properties | 3 | -208 | -1,338 |
| Liability decrease (-)/ increase (+) incurred by the acquisitions | | 102 | 272 |
| Paid for investment properties | | -106 | -1,066 |

| 1 January – 30 June | Note | 2021 | 2020 |
|---|------|---------------|-------------|
| Paid for property, plant and equipment | | | |
| Acquisitions of investment properties | 4 | -3,485 | -772 |
| Liability decrease (-)/ increase (+) incurred by the acquisitions | | -34 | -13 |
| Impact of exchange rate changes | | 0 | 14 |
| Paid for property, plant and equipment | | -3,519 | -771 |

Note 9 Transactions with related parties

The related parties of AS Harju Elekter include members of the Management and Supervisory Boards and their close family members and AS Harju KEK which owns 31.39% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's Supervisory and Management Boards. During the reporting period, the Group has made transactions with related parties as follows:

| | 30.06.2021 | 31.12.2020 | 30.06.2020 |
|--|----------------|-----------------|----------------|
| Balances with related parties: | | | |
| - Payables for goods and services | 63 | 47 | 153 |
| | 6M 2021 | 12M 2020 | 6M 2020 |
| Purchase of goods and services from related parties: | | | |
| - Lease of property, plant and equipment from AS Harju KEK | 77 | 101 | 52 |
| - Purchase of property, plant and equipment from AS Harju KEK | 0 | 0 | 0 |
| - Other services from AS Entek | 195 | 506 | 267 |
| Sale of goods and services to related parties: | | | |
| - Other services for AS Harju KEK | 2 | 4 | 2 |
| - Sale of goods to AS Entek | 3 | 10 | 0 |
| Remuneration of the Management and Supervisory Boards: | | | |
| - Salary, bonuses, additional other remuneration (incl. severance pay) | 235 | 486 | 316 |
| - Social security tax | 78 | 160 | 104 |

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

Share-based payments

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

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

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

In June 2021, ten more option agreements were concluded with the members of the management board of the Group company on subscription rights for a total of 100,000 share. As at the reporting date, the total number of potential ordinary shares to be issued was 944,593. During the reporting quarter, share-based payments recognized as labour costs totalled to 72 (Q1 2020: 59) thousand euros, of which the share of the members of the Management and Supervisory Boards was 12 (Q1 2020: 11) thousand euros. The pricing of the option is disclosed in Note 7.

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 first quarter of 2021 as set out on pages 15 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 and its subsidiaries are going concerns.

Tiit Atso Chairman of the Management Board 27 April 2021



Aron Kuhi-Thalfeldt Member of the Management Board 27 April 2021

