

CONSOLIDATED
UNAUDITED INTERIM
REPORT FOR THE
III QUARTER AND
9 MONTH
OF 2021

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 September 2021

TABLE OF CONTENTS

ORGANISATION	3
MANAGEMENT REPORT	5
SUMMARY OF THE THIRD QUARTER AND 9 MONTH RESULTS	5
COMMENTARY FROM THE MANAGEMENT	7
CHANGES IN THE STRUCTURE OF THE GROUP	7
MAIN EVENTS	7
EVENTS AFTER THE REPORTING DATE	9
OPERATING RESULTS	10
<i>Revenue</i>	10
<i>Business segments</i>	10
<i>Markets</i>	11
<i>Operating expenses</i>	12
PERSONNEL	12
ANNUAL GENERAL MEETING OF SHAREHOLDERS	13
SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS	13
CONFIRMATIONS TO THE MANAGEMENT REPORT	15
INTERIM FINANCIAL STATEMENT	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	17
CONSOLIDATED STATEMENT OF CASH FLOWS	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
NOTES TO INTERIM FINANCIAL STATEMENT	20
<i>Note 1 Accounting methods and valuation principles used in the consolidated interim report</i>	20
<i>Note 2 Financial investments</i>	20
<i>Note 3 Investment properties</i>	21
<i>Note 4 Property, plant and equipment; intangible assets</i>	21
<i>Note 5 Borrowings</i>	22
<i>Note 6 Share capital</i>	22
<i>Note 7 Segment reporting</i>	22
<i>Note 8 Basic and diluted earnings per share</i>	24
<i>Note 9 Information on the statement of cash flows line items</i>	25
<i>Note 10 Transactions with related parties</i>	25
THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS	27

ORGANISATION



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

ESTONIA

AS HARJU ELEKTER

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

AS HARJU ELEKTER ELEKTROTEHNIKA

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

AS HARJU ELEKTER TELETEHNIKA

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

ENERGO VERITAS OÜ (81%)

A company trading in electrical materials

FINLAND

HARJU ELEKTER OY*

Manufacturer of 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 Panevėžys

SWEDEN

HARJU ELEKTER AB

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

HARJU ELEKTER SERVICES AB

Sales office in Stockholm

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

STRATEGICAL INVESTMENTS

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (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 THIRD QUARTER AND 9 MONTH RESULTS

Revenue

The revenue for the third quarter of 2021 was 42.2 (Q3 2020: 37.4) million euros and the revenue for the nine months was 109.2 (9M 2020: 111.4) million euros.

Financial result

The gross profit for the reporting quarter was 5,026 (Q3 2020: 5,234) thousand euros and the gross profit margin was 11.9% (Q3 2020: 14.0%). Quarterly operating profit (EBIT) amounted to 1,183 (Q3 2020: 2,002) thousand euros. The operating margin for the third quarter was 2.8% (Q3 2020: 5.4%). The net profit for the reporting quarter was 931 (Q3 2020: 1,694) thousand euros of which the share of the owners of the parent company was 915 (Q3 2020: 1,691) thousand euros. The earnings per share were 0.05 (Q3 2020: 0.10) euros. While in the previous quarters there were problems with the sheet metal deficit and price increase, then in the reporting quarter the price of electricity increased and the supply difficulties of several other materials and main components and the pressure of rising price increased. Profitability was also affected by higher labour costs due to the hiring of new specialists.

The gross profit for the nine months was 13,177 (9M 2020: 15,625) thousand euros and the gross profit margin was 12.1% (9M 2020: 14.0%). In the nine months, the operating profit (EBIT) was 2,350 (9M 2020: 5,211) thousand euros. In total, the Group's net profit for the nine months was 1,716 (9M 2020: 4,369) thousand euros and net profit per share was 0.10 (9M 2020: 0.25) euros.

Investments

During the reporting period, the Group invested a total of 5.0 (9M 2020: 4.1) million euros in non-current assets, incl. 0.5 (9M 2020: 2.1) million euros in investment properties, 4.0 (9M 2020: 1.8) million euros in property, plant, and equipment and 0.5 (9M 2020: 0.2) million euros in intangible assets. The Group directed the majority of the investments during the reporting period, i.e. 2.5 million euros, to the fourth phase of expansion 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 and in solar power plants.

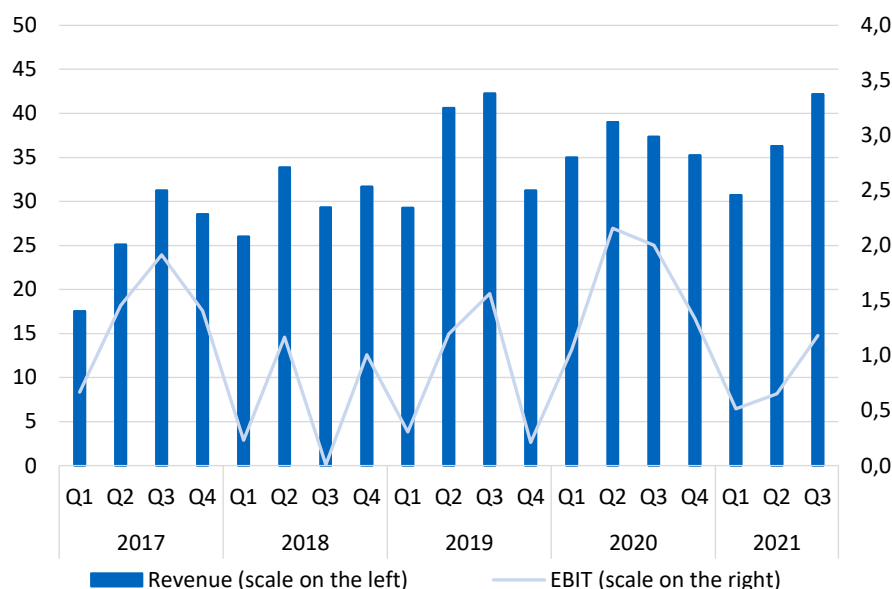
As of the reporting date, the total value of the Group's non-current financial investments was 21.3 (31.12.20: 11.9) million euros. Gains on revaluations and sales of financial assets are recognized through other comprehensive income; no significant revaluation in equity investments was made during the reporting quarter. The main part of the increase during the nine months 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, in June 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 nine months, of which the realized profit was 0.3 million euros. The fair value of securities increased by 0.4 million euros during the nine months compared to a decrease of 0.7 million euros in the comparable period. At the end of the reporting period, the value of non-current assets in the statement of financial position comprised 55.9% of total assets, i.e., 77.5 (30.09.2020: 65.7) million euros.

Current assets

The Group's current assets in total grew by 11.5 million to 61.2 million euros during the reporting period, including a decrease in cash by 1.8 million to 1.0 million, an increase in trade and other receivables by 5.2 million to 32.5 million euros and increase in inventories by 7.3 million to 26.2 million euros. The decrease in cash was mainly due to the dividends, in the amount of 2.8 million euros, paid out on May 25. During the reporting quarter, the availability of raw materials continued to be difficult, with the stock balance increasing due to delivery delays and material price increases.

Liabilities

As at the reporting date, the Group had liabilities in total of 56.7 (31.12.2020: 42.1) million euros, of which current part accounted for 78.3%. During the nine months current liabilities increased by 9.4 million euros to 44.3 million euros, incl. increase in trade and other payables by 8.0 million euros and prepayments from customers increased 0.8 million euros. Borrowings increased by a total of 5.7 million euros during the nine months, with current borrowings and non-current borrowings being at the end of the period 12.6 and 12.3 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 9 months
REVENUE**109.2** million euros
(9M 2020: 111.4)Consolidated 9 months
EBIT**1.2** million euros
(9M 2020: 5.2)Consolidated 9 months
NET PROFIT**0.8** million euros
(9M 2020: 4.4)Quarterly Changes in Revenue and EBIT *mln euros*Consolidated 9 months
REVENUE CHANGE**-2.0%**Consolidated 9 months
EBIT CHANGE**-55%****Key indicators**

(EUR'000)

	Q3 2021	Q3 2020	+/-	9 months 2021	9 months 2020	+/-
Revenue	42,168	37,360	12.9%	109,195	111,372	-2.0%
Gross profit	5,026	5,234	-4.0%	13,177	15,625	-15.7%
EBITDA	2,158	2,913	-25.9%	5,281	7,939	-33.5%
Operating profit (EBIT)	1,183	2,002	-40.9%	2,350	5,211	-54.9%
Profit for the period	931	1,694	-45.0%	1,716	4,369	-60.7%
Incl. attributable to owners of the parent company	915	1,691	-45.9%	1,710	4,398	-61.1%
Earnings per share (EPS) (euros)	0.05	0.10	-46.5%	0.10	0.25	-61.3%

Ratios

(%)

	Q3 2021	Q3 2020	+/-	9 months 2021	9 months 2020	+/-
Distribution cost to revenue	3.5	3.1	0.4	3.7	3.3	0.4
Administrative expenses to revenue	5.7	6.0	-0.3	6.5	6.4	0.1
Labour cost to revenue	17.4	17.8	-0.4	20.4	18.0	2.4
Gross margin (gross profit / revenue)	11.9	14.0	-2.1	12.1	14.0	-1.9
EBITDA marginal (EBITDA / revenue)	5.1	7.7	-2.6	4.8	7.0	-2.2
Operating margin (EBIT / revenue)	2.8	5.4	-2.6	2.2	4.7	-2.5
Net margin (profit for the period / revenue)	2.2	4.5	-2.3	1.6	3.9	-2.3
Return of equity ROE (profit for the period/average equity)	1.1	2.5	-1.4	2.2	6.6	-4.4

	30.09.2021	30.09.2020	+/-
Equity ratio (equity / total assets) (%)	59.2	61.6	-2.4
Current ratio (current assets / short-term liabilities)	1.4	1.5	-0.1
Quick ratio ((current assets - inventories) / current liabilities)	0.8	0.9	-0.1

COMMENTARY FROM THE MANAGEMENT

Harju Elekter's last quarter showed a strong recovery in sales volumes and orders, but full operation was held back by the global shortage of raw materials. Projects that were postponed into this year in anticipation of better economic conditions are now in production schedules but await electrical components.

Uncertainty in the supply of raw materials that have become more expensive leads to the need for constant rescheduling, which is inefficient and costly, but our people work hard to fulfil customer orders in the best possible way.

On the positive side, Harju Elekter's main markets, Sweden and Finland, are almost free of coronavirus restrictions, and business development and active sales can proceed smoothly. Given the worrying situation with rising levels of illness and inadequate vaccination coverage in Estonia and Lithuania, it is gratifying to note that the average vaccination rate in Harju Elekter's largest plant in Estonia is higher than the Estonian average, and that over 91% of the employees in our Lithuanian subsidiary have been vaccinated by today. We will continue to invest in disease prevention, promoting vaccination and implementing anti-coronavirus measures to help our people stay healthy.

We follow the principle that we must come out of the crisis stronger than when we entered it. For this, we will continue with investments to build the foundation for the years ahead. In order to expand our business activities, we decided to consolidate the various units of our Swedish subsidiary in Västerås and Malmö, and to set up new factories in these locations. We see that investments help to increase the competitiveness of our Swedish company in different business areas. The whole Group and our employees in Sweden are deeply engaged in becoming a major player in the Swedish electrification and automation market.

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 AS Harju Elekter Elektrotehnika and Harju Elekter Oy will manufacture and deliver to Caruna Oy about 1,000 prefabricated substations over a period of three years. For the contract there is an extension option of two years, which will be done after 2023 for each year separately.

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

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

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



manages the Stockholm metro, represent the continuation of cooperation that already started with the modernisation of the Slussen metro last autumn.

Q2



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

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

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

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



AS Harju Elekter participated in the additional round of equity raising for OÜ Skeleton Technologies Group with an investment of 1.24 million euros. Following the increase in the share capital of OÜ Skeleton Technologies Group, 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.

Q3

On 28 July 2021, the increase in the share capital of AS Harju Elekter by 175,565.25 euros was entered in the commercial register in connection with the exercise of option agreements. To increase the share capital, new shares were issued to members of management bodies, managing specialists and engineers of companies belonging to the Harju Elekter Group that participated in the stock option plan approved by the annual General Meeting on 3 May



2018. A total of 96 current and former employees participated in the share issue, subscribing for a total of 278,675 shares. After the increase of the share capital, Harju Elekter has a total of 18,018,555 ordinary shares without nominal value and the share capital amounts to 11,352,689.65 euros.

In July, AS Harju Elekter increased its portfolio of solar power plants by investing in eight solar power plants with an installed capacity of 64.8 kW. With the investment, in the amount of 0.5 million euros, the

number of Group's solar power plants with the same capacity increased from five to thirteen and renewable energy production capacity increased from 1,737 kW to 2,255 kW. It is forecasted, that this year the production of renewable energy will increase at least by 15% to 1,500 MWh.

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



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

EVENTS AFTER THE REPORTING DATE

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

In response to increasing demand for Elektra electric vehicle chargers, the Group acquired an additional production area of 1,075 m² near the current facility in Ulvila on 21 October.

OPERATING RESULTS

Revenue

The revenue of the Group was 42.2 (Q3 2020: 37.4) million euros in the third quarter, increasing by 12.9% compared to the comparable period. Revenue increased in all areas of business activity, but the main contribution came from the sale of electrical equipment, which was 35.2 (Q3 2020: 31.7) million euros. This is mainly due to the increase in the volume of orders in the framework contracts. Revenue from the sale of electrical equipment accounted for 83.4% of the Group's revenue. The revenue earned from the manufacturing and sale of electrical equipment comprised 83.4% of the Group quarterly revenue. The remaining 16.6% of the revenue of the Group was earned from the sale of metal products, retail and project-based sale of electrical goods, leasing out industrial real estate, and electrical works in the shipbuilding sector.

The revenue for the nine months decreased by 2.0% to 109.2 (9M 2020: 111.4) million euros compared to the comparable period. The manufacturing and sale of electrical equipment decreased the most, amounting to 91.0 (2020 9M: 95.0) million euros. At the same time, the revenue from the electrical works in the shipbuilding sector increased by 1.4 million to 4.3 million euros in a nine-month comparison. Fulfilling orders depends to a large extent on the global situation, where the availability of materials and components has deteriorated. The Group's employees are working daily to find ways to resolve the situation and reschedule production cycles.

Revenue by business activities (EUR '000)	Q3 2021	Q3 2020	+/-	9M 2021	9M 2020	+/-	% 9M 2021	% 9M 2020
Manufacturing and sale of electrical equipment	35,168	31,666	11.1%	91,026	94,975	-4.2%	83.4%	85.3%
Retail and project-based sale of electrical products	3,203	2,581	24.1%	7,235	7,855	-7.9%	6.6%	7.1%
Other products	946	665	42.3%	2,832	2,044	38.6%	2.6%	1.8%
Lease income	791	711	11.3%	2,333	2,120	10.0%	2.1%	1.9%
Electrical works	1,449	1,156	25.3%	4,310	2,870	50.2%	3.9%	2.6%
Other services	611	581	5.2%	1,459	1,508	-3.2%	1.4%	1.3%
Total	42,168	37,360	12.9%	109,195	111,372	-2.0%	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)	Q3 2021	Q3 2020	+/-	9M 2021	9M 2020	+/-	% 9M 2021	% 9M 2020
Production	36,968	32,093	15.2%	95,811	95,309	0.5%	87.7%	85.4%
Real Estate	945	803	17.7%	2,792	2,411	15.8%	2.6%	2.2%
Other activities	4,255	4,464	-4.7%	10,592	13,652	-22.4%	9.7%	12.4%
Total	42,168	37,360	12.9%	109,195	111,372	-2.0%	100.0%	100.0%

Production

Postponement of orders from previous quarters to the third quarter increased the Production segment's revenue year-on-year by 4.9 million euros to 37.0 million euros. In a nine-month comparison, the revenue of the Production segment remained at the same level, being 95.8 (9M 2020: 95.3) million euros. The Group's core business, Production, accounted for 87.7% of the Group's revenue in the reporting quarter as well as in the nine months.

Real estate

The revenue of the Real estate segment increased in a quarterly and in a nine-month comparison, with the new rental space in Allika Industrial Park completed at the end of year 2020, being 0.9 (Q3 2020: 0.8) and 2.8 (9M 2020: 2.4) million euros, respectively. The Real estate segment accounts for 2.6% of the Group's nine-month revenue.

Other activities

The revenue from Other activities decreased in a quarterly and in nine-month comparison, to 4.3 (Q3 2020: 4.5) and 10.6 (Q3 2020: 13.7) million euros, respectively. This is mainly due to the restructuring of the electrical equipment sales organization in Sweden. In addition, the revenue of the retail and project-based sale of electrical products decreased at the beginning of the year due to the disruption of store operations due to COVID-19 restrictions. Other activities accounted for 9.7% of the Group's nine-month revenue.

Markets

Revenue by markets (EUR '000)	Q3 2021	Q3 2020	+/-	9M 2021	9M 2020	+/-	% 9M 2021	% 9M 2020
Estonia	7,508	7,656	-1.9%	19,466	17,006	14.5%	17.8%	15.3%
Finland	20,029	16,450	21.8%	53,016	54,907	-3.4%	48.6%	49.3%
Sweden	5,767	6,564	-12.1%	17,231	17,471	-1.4%	15.8%	15.7%
Norway	5,082	4,150	22.5%	8,952	13,939	-35.8%	8.2%	12.5%
Germany	2,058	791	160.2%	5,869	1,139	415.3%	5.4%	1.0%
Netherlands	959	1,583	-39.4%	3,290	4,672	-29.6%	3.0%	4.2%
Other	765	166	360.8%	1,371	2,238	-38.7%	1.2%	2.0%
Total	42,168	37,360	12.9%	109,195	111,372	-2.0%	100.0%	100.0%

Estonia

Sales to the Estonian market remained practically at the same level in the reporting quarter, totalling 7.5 (Q3 2020: 7.6) million euros in a year-on-year comparison. Revenue increased by 2.5 million euros to 19.5 million euros in nine-month comparison, accounting for 17.8% (9M 2020: 15.3%) of the Group revenue. Revenue was mainly earned from the production of prefabricated substations and retail and project-based sale of electrical products.

Finland

The Group's revenue in Finland was 20.0 million euros in the reporting quarter. This is 3.6 million euros more than in the previous year and a historically a record result in the Finnish market when comparing third quarters. Production of the Finnish power grid companies comprised the greater part of the sales volume. In a nine-month comparison, the revenue of the Finnish market was lower than in the previous period, being 53.0 (9M 2020: 54.9) 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. During the nine months, 48.6% (9M 2020: 49.3%) of the Group's products and services were sold to the Group's largest market, Finland.

Sweden

The revenue earned from the Swedish market decreased slightly compared to both the reporting quarters and the nine months, amounting 5.8 (Q3 2020: 6.6) and 17.2 (Q3 2020: 17.5) million euros, respectively. The production and supply of substations for new framework contracts has been started. Sweden accounted for 15.8% (9M 2020: 15.7%) of revenue in the nine months, being the third largest market in the Group. The Group sees market potential in Sweden and is making investments to increase the revenue.

Norway

Sales to the Norway market are gradually recovering. In the third quarter, the Group sold products and services worth 5.1 (Q3 2020: 4.2) million euros were to the Norwegian market. During the nine months, 9.0 million euros were earned from the Norwegian market, which was 5.0 million euros less than in the same period of the previous year. The decrease in Norwegian revenue was due to record high orders in the reference period, as well as the slow pace of recovery in the maritime industry. The Norwegian market accounted for 8.2% (9M 2020: 12.5%) of the nine-month revenue.

Others

When comparing the quarters, revenue from Other markets decreased by 2.2 million euros to 3.8 million euros. Among them, sales to Germany increased the most in the reporting quarter, totalling 2.0 (Q3 2020: 0.8) million euros. In a nine-month comparison, revenue from other markets increased by 2.5 million euros to 10.5 million euros, accounting for 9.6% (9M 2020: 7.2%) of revenue. During the nine months the majority of the growth in revenue was generated by sales to the German market, which generated 5.9 (9M 2020: 1.1) million euros. In addition, revenue from the Netherlands amounted to 3.3 (9M 2020: 4.7) million euros.

Operating expenses

(EUR'000)	Q3 2021	Q3 2020	+/-	9M 2021	9M 2020	+/-	% 9M 2021	% 9M 2020
Cost of sales	37,142	32,126	15.6%	96,018	95,747	0.3%	89.7%	89.9%
Distribution costs	1,469	1,150	27.7%	3,999	3,639	9.9%	3.7%	3.4%
Administrative expenses	2,393	2,225	7.6%	7,048	7,119	-1.0%	6.6%	6.7%
Total operating expenses	41,004	35,501	15.5%	107,065	106,505	0.5%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	<i>975</i>	<i>911</i>	<i>7.0%</i>	<i>2,931</i>	<i>2,728</i>	<i>7.4%</i>	<i>2.7%</i>	<i>2.6%</i>
<i>incl. total labour cost</i>	<i>7,337</i>	<i>6,643</i>	<i>10.4%</i>	<i>22,266</i>	<i>20,021</i>	<i>11.2%</i>	<i>20.8%</i>	<i>18.8%</i>
<i>incl. inclusive salary cost</i>	<i>5,512</i>	<i>5,333</i>	<i>3.4%</i>	<i>17,056</i>	<i>15,635</i>	<i>9.1%</i>	<i>15.9%</i>	<i>14.7%</i>

The total operating expenses for the reporting quarter were 41.0 (Q3 2020: 35.5) million euros. Costs of sales, which accounted for 89.7% of operating expenses, was 37.1 (Q3 2020: 32.1) million euros. The gross profit margin decreased by 2.1 percentage points to 11.9% compared to the comparable quarter. Profitability was affected by similar factors as in the previous quarter: the global crisis in raw materials, raising prices of materials and logistics, therefrom the resulting inefficiencies in operations, where products cannot be delivered on time. The additional work incurred in maintaining sales volumes and finding materials increased distribution costs in the third quarter compared to the same period last year, amounting to 1.5 (Q3 2020: 1.2) euros. The distribution costs in the reporting quarter accounted for 3.7% (Q3 2020: 3.4%) of the Group's operating expenses and 3.5% (Q3 2020: 3.1%) of the revenue. Administrative expenses accounted for 6.6% (Q3 2020: 6.7%) of the Group's operating expenses and 5.7% (Q3 2020: 6.0%) of the revenue.

Compared to the nine months, total operating expenses remained almost at the same level, amounting to 107.1 (9M 2020: 106.5) million euros. The increase in raw material prices and the postponement of planned sales volumes lowered the gross margin by 2.0 percentage points to 12.1 in relation to the comparative period. The share of marketing costs and administrative expenses accounted for 3.7% (9M 2020: 3.3%) and 6.5% (9M 2020: 6.4%) of the Group's nine-month revenue, respectively.

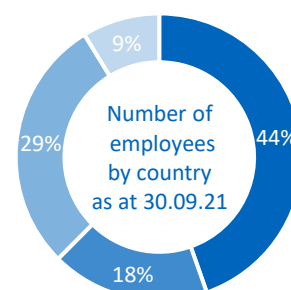
Labour costs increased with quarterly and nine-year comparison, amounting to 7.3 (Q3 2020: 6.6) and 22.3 (9M 2020: 20.0) million euros, respectively. The ratio of labor costs to the Group's revenue was 17.4% (Q3 2020: 17.8%) in the reporting quarter and 20.4% (9M 2020: 18.0%) in the nine months. The average annual monthly salary per employee of the Group was 2,328 (9M 2020: 2,218) euros. Labour costs were impacted by the hiring of new staff, by the increase in additional work, and by the constant readiness to continue the production cycle. The increase in labour costs and average wages is affected by wage pressures due to workforce shortages in all markets and by the rising share of Finnish and Swedish employees in the Group, as wages in Scandinavian countries are significantly higher than in Estonia and Lithuania.

Depreciation of non-current assets totalled 1.0 million euros in the third quarter, and 3.0 million euros in the nine months, increasing by 64 and 203 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

The addition of several special projects and the growing production backlog that were aggravated by delays in the supply chain have forced us to recruit more new staff. At the end of the reporting period, the Group employed 847 people, which was 68 employees more than a year ago. In the third quarter, the Group employed an average of 842 people, which was on average 57 employees more than in the comparable period.

In the reporting quarter, 5.5 (Q3 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. We endorse vaccinations so that work can continue in the companies, both locally and transnationally.



- Estonia 378 (30.09.20: 355)
- Finland 151 (30.09.20: 141)
- Lithuania 244 (30.09.20: 222)
- Sweden 74 (30.09.20: 61)

	Average numbers of employees				Numbers of employees				%	%
	Q3 2021	Q3 2020	9M 2021	9M 2020	30.09.2021	30.09.2020	+/-	30.09.21	30.09.20	
Estonia	385	351	372	346	378	355	23	44,6%	45,6%	
Finland	148	140	143	138	151	141	10	17,8%	18,1%	
Lithuania	233	232	226	240	244	222	22	28,8%	28,5%	
Sweden	76	62	73	60	74	61	13	8,8%	7,8%	
Total	842	785	814	784	847	779	68	100,0%	100,0%	

ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

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

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

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	9M 2021	2020	2019	2018	2017
Opening price (euros)	5.24	4.26	4.12	5.00	2.85
Highest price (euros)	10.50	5.26	5.20	6.68	5.08
Lowest price (euros)	5.20	3.20	4.01	3.89	2.80
Closing price (euros)	7.98	5.18	4.21	4.12	5.00
Traded shares (pcs)	1,833,382	1,160,598	531,415	1,100,773	1,349,617
Turnover (in million euros)	14.20	4.99	2.35	5.98	5.46
Capitalisation (in million euros)	143.79	91.89	74.68	73.09	88.70
Average number of the shares (pcs)	17,800,776	17,739,880	17,739,880	17,739,880	17,739,880
EPS (euros)	0.10	0.31	0.14	0.09	1.64

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

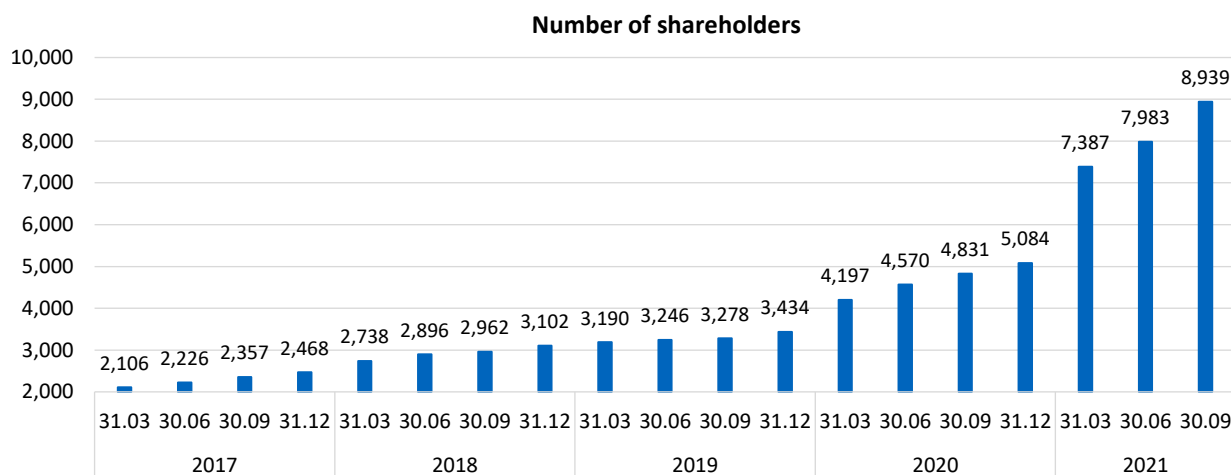
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2016 – 30 September 2021 (Nasdaq Tallinn. <http://www.nasdaqbaltic.com/>)



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

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	41.5	AS Harju KEK	30.90
1.0 – 10.0%	8	0.1	21.0	ING Luxembourg S.A.	10.54
0.1 – 1.0 %	52	0.6	15.1	Endel Palla	6.97
< 0.1%	8,877	99.3	22.4	Shareholders holding under 5%	50.86
Total	8,939	100.0	100.0	Total	100.00

As at 30 September 2021, AS Harju Elekter had 8,939 shareholders. The number of shareholders increased during the reporting quarter by 986 members. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 30.90% of AS Harju Elekter's share capital. At 30 September 2021, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 13.47% 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

26 October 2021



Aron Kuhi-Thalfeldt

Member of the Management Board

26 October 2021



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2021	31 December 2020	30 September 2020
Current assets				
Cash and cash equivalents		997	2,843	3,367
Trade and other receivables		32,467	27,226	26,464
Prepayments		1,601	820	1,048
Inventories		26,150	18,856	21,213
Total current assets		61,215	49,745	52,092
Non-current assets				
Deferred income tax assets		572	514	513
Non-current financial investments	2	21,321	11,918	8,146
Investment properties	3	23,369	23,605	22,758
Property, plant and equipment	4	24,750	22,494	20,330
Intangible assets	4	7,467	7,199	7,200
Total non-current assets		77,479	65,730	58,947
TOTAL ASSETS	7	138,694	115,475	111,039
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	12,585	12,056	8,871
Prepayments from customers		4,958	4,182	3,947
Trade and other payables		23,830	15,837	19,264
Tax liabilities		2,870	2,871	2,555
Current provisions		93	34	35
Total current liabilities		44,336	34,980	34,672
Borrowings	5	12,252	7,032	7,901
Other non-current liabilities		63	66	95
Total non-current liabilities		12,315	7,098	7,996
Total liabilities		56,651	42,078	42,668
Equity				
Share capital	6	11,352	11,176	11,176
Share premium		1,601	804	804
Reserves		14,807	6,709	2,842
Retained earnings		54,427	54,858	53,693
Total equity attributable to the owners of the parent company		82,187	73,547	68,515
Non-controlling interests		-144	-150	-144
Total equity		82,043	73,397	68,371
TOTAL LIABILITIES AND EQUITY		138,694	115,475	111,039

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 July – 30 September		1 January – 30 September	
	Note	2021	2020	2021	2020
Revenue	7	42,168	37,360	109,195	111,372
Cost of sales		-37,142	-32,126	-96,018	-95,747
Gross profit		5,026	5,234	13,177	15,625
Distribution costs		-1,469	-1,150	-3,999	-3,639
Administrative expenses		-2,393	-2,225	-7,048	-7,119
Other income		39	167	400	494
Other expenses		-20	-24	-180	-150
Operating profit	7	1,183	2,002	2,350	5,211
Finance income		3	8	71	116
Finance costs		-95	-122	-252	-269
Profit before tax		1,091	1,888	2,169	5,058
Income tax	9	-160	-194	-453	-689
Profit for the period		931	1,694	1,716	4,369
Profit attributable to:					
Owners of the parent company		915	1,691	1,710	4,398
Non-controlling interests		16	3	6	-29
Earnings per share					
Basic earnings per share (euros)	8	0.05	0.10	0.10	0.25
Diluted earnings per share (euros)	8	0.05	0.10	0.10	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 July – 30 September		1 January – 30 September	
	Note	2021	2020	2021	2020
Profit for the period		931	1,694	1,716	4,369
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Impact of exchange rate changes of a foreign subsidiaries		-8	-2	-13	-16
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	0	265	80
Net gain/loss (-) on revaluation of financial assets	2	49	98	8,369	-747
Total comprehensive income for the period		41	96	8,621	-683
Other comprehensive income		972	1,790	10,337	3,686
Total comprehensive income attributable to:					
Owners of the Company		956	1,787	10,331	3,715
Non-controlling interests		16	3	6	-29

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 30 September	
	Note	2021	2020
Cash flows from operating activities			
Profit for the period		1,716	4,369
<u>Adjustments</u>			
Depreciation and amortization	3,4	2,931	2,728
Gain on sale of property, plant and equipment		-17	-17
Share-based payments	10	174	193
Finance income		-71	-116
Finance costs		252	269
Income tax	9	453	689
<u>Changes</u>			
Changes in trade and other receivables		-6,017	-3,519
Changes in inventories		-7,527	-2,029
Changes in trade and other payables		8,743	4,171
Corporate income tax paid	9	-474	-839
Interest paid		-257	-198
Total cash flow (-outflow) from operating activities		-94	5,701
Cash flows from investing activities			
Payments for investment properties	9	-304	-2,142
Payments for property, plant and equipment	9	-4,076	-1,810
Payments for intangible assets		-532	-168
Acquisition of financial investments	2	-1,749	0
Proceeds from sale of investment property		0	100
Proceeds from sale of property, plant and equipment		33	28
Dividends received		981	1,681
Received interests		66	73
Proceeds from sale of other financial investments		4	0
Total cash flow (-outflow) from investing activities		-5,577	-2,238
Cash flows from financing activities			
Change in overdraft balance	5	4,041	-795
Proceeds from borrowings	5	7,649	47
Repayment of borrowings	5	-5,282	-834
Repayments of lease liabilities	5	-840	-874
New lease liabilities		165	0
Share capital contribution (incl. share premium)		946	0
Dividends paid		-2,838	-2,484
Paid dividend income tax		-10	-11
Total cash flow (-outflow) from financing activities		3,831	-4,951
Total net cash flow (-outflow)		-1,840	-1,488
Cash and cash equivalents at the beginning of the period		2,843	4,878
Changes in cash and cash equivalents		-1,840	-1,488
Effect of exchange rate fluctuations on cash and cash equivalents		-6	-23
Cash and cash equivalents at the end of the period		997	3,367

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 30 September	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	4,398	4,398	-29	4,369
Other comprehensive income	0	0	-763	80	-683	0	-683
Total comprehensive income	0	0	-763	4,478	3,715	-29	3,686
Transactions with owners recognized directly in equity							
Share-based payments (Note 8,10)	0	0	193	0	193	0	193
Dividends	0	0	0	-2,484	-2,484	0	-2,484
Total transactions with owners	0	0	193	-2,484	-2,291	0	-2,291
Balance at 30 September 2020	11,176	804	2,842	53,693	68,515	-144	68,371
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	1,710	1,710	6	1,716
Other comprehensive income	0	0	8,356	265	8,621	0	8,621
Total comprehensive income	0	0	8,356	1,975	10,331	6	10,337
Transactions with owners recognized directly in equity							
Share capital contribution (Note 6)	176	797	0	0	973	0	973
Share-based payments (Note 8,10)	0	0	-258	432	174	0	174
Dividends	0	0	0	-2,838	-2,838	0	-2,838
Total transactions with owners	176	797	-258	-2,406	-1,691	0	-1,691
Balance at 30 September 2021	11,352	1,601	14,807	54,427	82,186	-144	82,043

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

NOTES TO INTERIM FINANCIAL STATEMENT

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

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

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

According to the assessment of the Management Board, the interim report for the third quarter and 9 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

	30.09.2021	31.12.2020	30.09.2020
Listed securities (fair value through other comprehensive income)	3,057	2,822	2,669
Other equity investments (fair value through other comprehensive income)	18,256	9,089	5,469
Other financial assets through profit or loss	8	7	8
Total	21,321	11,918	8,146
Changes	9M 2021	12M 2020	9M 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	1,749	104	0
Sale of financial investment	-716	-1,601	-1,681
Change in fair value through other comprehensive income	8,369	2,922	-667
Carrying amount at the end of the period	21,313	11,911	8,138
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	0
Carrying amount at the end of the period	8	7	8
Total carrying amount at the end of the period	21,321	11,918	8,146

A total of 981 thousand euros was received from the partial sale of the listed securities in the nine months 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 443 thousand euros during the nine months and compared to a decrease of 667 thousand euros during the nine months of 2020.

As of 30 September 2021, other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 18.0 (30.09.2020: 5.3) million euros, in the shares of SIA Energokomplekss in the amount of 0.3 (30.09.2020: 0.2) million euros and in the shares of IGL-Technologies Oy in the amount of 0.3 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. As a result of the conversion in October, the registered holding of Harju Elekter is 6.5%. The change in holding percentage is due to KIC InnoEnergy S.E. addition to Skeleton's shareholders on previously agreed terms.

Note 3 Investment properties

	Note	9M 2021	12M 2020	9M 2020
Balance at the beginning of the period		23,605	21,259	21,259
Additions	7	491	3,103	2,136
Depreciation	7	-727	-851	-638
Reclassification from property, plant and equipment	4	0	94	1
At the end of the period		23,369	23,605	22,758

Note 4 Property, plant and equipment; intangible assets

	Note	9M 2021	12M 2020	9M 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	7	4,010	4,642	1,809
Sales and write-off in carrying amount		-17	-31	-23
Depreciation	7	-1,959	-2,570	-1,855
Reclassification from inventories		233	0	0
Reclassification to investment properties	3	0	-94	-1
Impact of exchange rate changes		-11	-5	-2
At the end of the period		24,750	22,494	20,330
2. Intangible assets				
Balance at the beginning of the period		7,199	7,260	7,260
Additions	7	515	313	176
Amortization	7	-245	-373	-235
Impact of exchange rate changes		-2	-1	-1
At the end of the period		7,467	7,199	7,200

Note 5 Borrowings

	30.09.2021	31.12.2020	30.09.2020
Current borrowings			
Current bank loans	11,779	7,738	8,074
Current portion of long-term bank loans	417	3,191	278
Current portion of lease liabilities	277	1,100	273
Other current loans	112	27	246
Total current borrowings	12,585	12,056	8,871
Non-current borrowings			
Non-current bank loans	10,247	4,461	4,582
Non-current lease liabilities	2,005	1,839	2,840
Other non-current loans	0	732	479
Total non-current borrowings	12,252	7,032	7,901
Total borrowings	24,837	19,088	16,772
Changes	9M 2021	12M 2020	9M 2020
Loans and borrowings at the beginning of the period	19,088	19,206	19,206
Change in overdraft balances	4,041	-1,131	-795
Received non-current loans	7,649	3,070	0
Repayments of non-current loans	-4,635	-1,112	-834
Other received loans	-647	81	47
New lease liabilities	165	149	0
Repayments of non-current lease liabilities	-840	-1,175	-852
Impact of exchange rate changes	16	0	0
Loans and borrowings at the end of the period	24,837	19,088	16,772

Note 6 Share capital

	30.09.2021	31.12.2020	30.09.2020
Share capital (thousand euros)	11,352	11,176	11,176
Number of shares (pcs)	18,018,555	17,739,880	17,739,880
Nominal value of a share (euros)	0.63	0.63	0.63

On 19 July 2021, the Supervisory Board of AS Harju Elekter decided to increase the share capital of the company by 175,565.25 euros by issuing new ordinary shares in connection with the exercise of the employee stock option plan. The subscription term was 16 July 2021, and the issue price was 3.49 euros per share. A total of 278,675 ordinary shares were subscribed for at a book value of 0.63 euros per share. The total proceeds from the share issue amounted to 937 thousand euros of which the share premium was 797 thousand euros. Following the share capital increase, the share capital of AS Harju Elekter amounts to 11,352 thousand euros divided into 18.1 million ordinary shares without a nominal value. The shares issued will give entitlement to dividends from 2021.

Note 7 Segment reporting

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

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

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

Other activities - sales of the products of the Group and its related companies as well as products needed for electrical installation works mainly to retail customers and smaller and medium-sized electrical installation

companies; management services, project management for installation works and electrical engineering for shipbuilding. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes. This segment includes the Parent Company and the Group's subsidiaries Energo Veritas OÜ and Telesilta Oy. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes.

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

1 January – 30 September	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2021						
Revenue from external customers		95,811	2,792	10,592	0	109,195
Inter-segment revenue		390	1,342	138	-1,870	
Segment revenue		96,201	4,134	10,730	-1,870	109,195
Operating profit		736	1,543	-208	279	2,350
Segment assets		84,692	25,947	27,494	-20,573	117,560
Unallocated assets						21,134
<i>incl. Financial investments</i>						21,054
<i>incl. Other receivables and prepayments</i>						80
Total assets						138,694
Capital expenditure	3,4	3,894	491	631	0	5,016
Depreciation and amortization	3,4	1,581	727	643	-20	2,931
2020						
Revenue from external customers		95,309	2,411	13,652	0	111,372
Inter-segment revenue		3,832	1,312	98	-5,242	
Segment revenue		99,141	3,723	13,750	-5,242	111,372
Operating profit		4,853	1,288	-740	-190	5,211
Segment assets		71,457	24,517	22,370	-15,537	102,807
Unallocated assets						8,232
<i>incl. Financial investments</i>						8,138
<i>incl. Other receivables and prepayments</i>						94
Total assets						111,039
Capital expenditure	3,4	1,838	2,136	147	0	4,121
Depreciation and amortization	3,4	1,422	638	684	-16	2,728

Revenue by geographic regions (customer location)

1 January – 30 September	2021	2020
Estonia	19,466	17,006
Finland	53,016	54,907
Sweden	17,231	17,471
Norway	8,952	13,939
Germany	5,869	1,139
Netherlands	3,290	4,672
Other	1,371	2,238
Total revenue	109,195	111,372

Revenue by business activities

1 January – 30 September	2021	2020
Manufacturing and sale of electrical equipment	91,026	94,975
Retail and project-based sale of electrical products	7,235	7,855
Other products	2,832	2,044
Lease income	2,333	2,120
Electrical works	4,310	2,870
Other services	1,459	1,508
Total	109,195	111,372

Note 8 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 30 September 2021, the Group had a total of 728,218 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the Nasdaq Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros. From the 2018 round, 278,675 shares were converted in the reporting quarter.

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

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round, 0.55 euros in the 2020 round and 3.55 euros in the 2021. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros, 4.99 euros and 8.05 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 July to 30 September 2021, the average market price of the shares was 8.19 (Q3 2020: 4.43) euros. During the period from 1 January to 30 September 2021, the average market price of the 2019 and 2020 round shares was 7.75 euros. In the period 18 June to 30 September 2021 the average market price of the current year shares was 8.19 euros.

1 July – 30 September	Unit	2021	2020
Profit attributable to equity holders of the parent company	EUR '000	915	1,691
Average number of shares outstanding	Pc '000	17,935	17,740
Basic earnings per share	EUR	0.05	0.10
Adjusted number of shares during the period	Pc '000	18,104	17,740
Diluted earnings per share	EUR	0.05	0.10
1 January – 30 September	Unit	2021	2020
Profit attributable to equity holders of the parent company	EUR '000	1,710	4,398
Average number of shares outstanding	Pc '000	17,805	17,740
Basic earnings per share	EUR	0.10	0.25
Adjusted number of shares during the period	Pc '000	17,903	17,740
Diluted earnings per share	EUR	0.10	0.25

Note 9 Information on the statement of cash flows line items

1 January – 30 September	Note	2021	2020
Corporate income tax			
Income tax expense in the statement of profit or loss		-453	-689
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		27	-120
Dividend income tax expense		10	11
Income tax expense on dividends		-58	-41
Corporate income tax paid		-474	-839
Paid for investment properties			
Acquisitions of investment properties	3	-491	-2,136
Liability decrease (-)/ increase (+) incurred by the acquisitions		187	-6
Paid for investment properties		-304	-2,142
Paid for property, plant and equipment			
Acquisitions of investment properties	4	-4,010	-1,809
Liability decrease (-)/ increase (+) incurred by the acquisitions		-66	-14
Impact of exchange rate changes		0	13
Paid for property, plant and equipment		-4,076	-1,810

Note 10 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 30.90% 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:

	30.09.2021	31.12.2020	30.09.2020
Balances with related parties:			
- Payables for goods and services	45	47	54
	9M 2021	9M 2020	
Purchase of goods and services from related parties:			
- Lease of property, plant and equipment from AS Harju KEK	98	81	
- Other services from AS Entek	287	370	
Sale of goods and services to related parties:			
- Other services for AS Harju KEK	2	2	
- Sale of goods to AS Entek	3	2	
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	328	406	
- Social security tax	109	134	

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. The subscription period for the shares was 16.07.2021. A total of 96 current and former employees of Harju Elekter participated in the share issue related to the exercise of the stock option programme, subscribing for a total of 278,675 shares for 972,575.75 euros.

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

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

In June 2021, ten more option agreements were concluded with the members of the management board of the Group company on subscription rights for a total of 100,000 shares.

As at the reporting date, the total number of potential ordinary shares to be issued was 728,218. During the nine months, share-based payments recognized as labour costs totalled to 174 (9M 2020: 193) thousand euros, of which the share of the members of the Management and Supervisory Boards was 38 (9M 2020: 33) thousand euros. The pricing of the option is disclosed in Note 8.

THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements for the third quarter and 9 months of 2021 as set out on pages 15 to 26 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

26 October 2021



Aron Kuhi-Thalfeldt

Member of the Management Board

26 October 2021

