

CONSOLIDATED
UNAUDITED
INTERIM
REPORT FOR THE
I QUARTER
OF 2021

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Financial year:	1 January – 31 December 2021
Reporting period:	1 January – 31 March 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 and equipment in Estonia

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 ship-building 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 (31 March 2021)

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (7.49%)

Developer and manufacturer of ultra-capacitors

LATVIA

SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

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 FIRST QUARTER RESULTS

Revenue

The consolidated unaudited revenue for the first quarter of 2021 was 30.7 (Q1 2020: 35.0) million euros, which was 12.2% more modest than in the reference period. While in the previous period, existing procurement contracts were performed, in the reporting quarter, the production of new orders began. In addition to the usual seasonality, the profitability of the quarter was also affected by the postponed instalment works of our customers due to the cold winter months, which did not have a similar effect in the reference period. The situation was amplified by supply difficulties caused by a shortage of materials.

Financial result

The consolidated gross profit for the reporting quarter was 3,844 (Q1 2020: 4,923) thousand euros and the gross profit margin was 12.5% (Q1 2020: 14.1%). Quarterly consolidated operating profit (EBIT) amounting to 516 (Q1 2020: 1,053) thousand euros. The operating margin for the first quarter was 1.7% (Q1 2020: 3.0%). The consolidated net profit for the reporting quarter was 297 (Q1 2020: 703) thousand euros of which the share of the owners of the parent company was 310 (Q1 2020: 728) thousand euros. The earnings per share were 0.02 (Q1 2020: 0.04) euros. The lower profitability was a result of increased labour costs in due to overtime, setback on revenue and a sharp increase in the price of raw materials.

Investments

During the first quarter, the Group invested a total of 2.1 (Q1 2020: 1.1) million euros in non-current assets, incl 2.0 (Q1 2020: 0.4) million euros in property, plant, and equipment and 0.07 (Q1 2020: 0.03) million euros in intangible assets. In the reporting quarter, the construction of the fourth stage of the expansion of the production and office building in Lithuania continued. The extension was completed in mid-April. In addition, investments were made in the production technology.

Non-current financial investments increased by 0.5 million euros to 12.4 million euros during the reporting period. The main reason for the growth was the increase in the fair value of securities in the first quarter - 0.4 million euros. The value of the investments has recovered compared to the first quarter of the previous year, when the value of securities decreased by 1.3 million euros. In the reporting quarter, listed securities were acquired for 248 thousand euros and sold for 200 thousand euros. The realized profit from the sale of securities was 43 thousand euros. In the comparable period, 561 thousand euros were received from the sale of listed securities, of which the realized profit was 34 thousand euros.

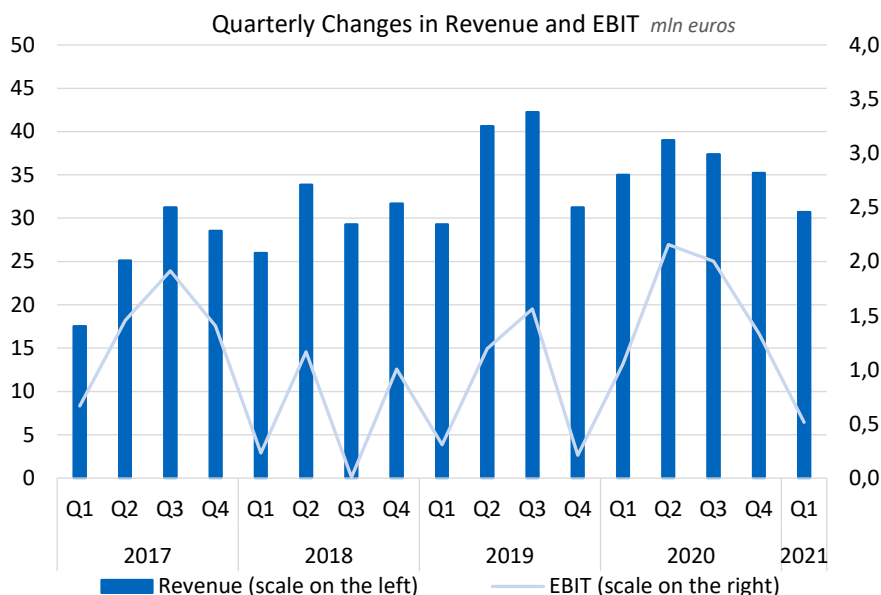
The cost of non-current assets in the statement of financial position comprised 56.6% of total assets, i.e. 67.6 (31.03.2020: 58.3) million euros.

Current assets

The Group's current assets increased by 2.1 million euros to 51.8 million euros during the reporting quarter, including a decrease in cash by 0.2 million to 2.6 million. Trade and other receivables decreased by 0.6 million to 26.7 million euros and inventories increased by 2.2 million to 21.1 million euros. Inventories and unrealized products increased due to delays in shipment. Also due to the increase in materials, that were stocked up because of the raw material shortage that is prevalent in Europe.

Liabilities

As at the reporting date, the Group had liabilities in total of 45.3 million euros, of which short-term part accounted for 82.4%. During the reporting quarter current liabilities increased by 2.3 million euros to 37.3 million euros, incl. increase in trade and other payables by 4.9 million euros and prepayments from customers decreased 1.4 million euros. Borrowings increased by a total of 0.1 million euros during the first quarter, with current borrowings and non-current borrowings being at the end of the period 11.3 and 7.9 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 3 months
REVENUE**30.7** million euros
(3m 2020: 35.0)Consolidated 3 months
EBIT**0.5** million euros
(3m 2020: 1.1)Consolidated 3 months
NET PROFIT**0.3** million euros
(3m 2020: 0.7)Consolidated 3 months
REVENUE CHANGE**-12.2%**Consolidated 3 months
EBIT CHANGE**-51%****Key indicators**

(EUR'000)

	3 months 2021	3 months 2020	+/-
Revenue	30,717	34,998	-12.2%
Gross profit	3,844	4,923	-21.9%
EBITDA	1,485	1,943	-23.5%
Operating profit (EBIT)	516	1,053	-51.0%
Profit for the period	297	703	-57.8%
Incl. attributable to owners of the parent company	310	728	-57.4%
Earnings per share (EPS) (euros)	0.02	0.04	-57.4%

Ratios

(%)

	3 months 2021	3 months 2020	+/-
Distribution cost to revenue	4.0	3.7	0.3
Administrative expenses to revenue	7.2	7.3	-0.1
Labour cost to revenue	23.7	19.0	4.7
Gross margin (gross profit / revenue)	12.5	14.1	-1.6
EBITDA marginal (EBITDA / revenue)	4.8	5.6	-0.8
Operating margin (EBIT / revenue)	1.7	3.0	-1.3
Net margin (profit for the period / revenue)	1.0	2.0	-1.0
Return of equity ROE (profit for the period/average equity)	0.4	1.1	-0.7

	31.03.2021	31.03.2020	+/-
Equity ratio (equity / total assets) (%)	62.1	60.2	1.9
Current ratio (current assets / short-term liabilities)	1.4	1.4	0.0
Quick ratio ((current assets - inventories) / current liabilities)	0.8	0.8	0.0

COMMENTARY FROM THE MANAGEMENT

2021 has had a difficult beginning for Harju Elekter. Based on the example of previous crises, we knew that the setbacks would reach us with a delay of up to a year, and we knew how to be prepared for these. At the same time, there were circumstance that we could not foresee: even more than the health crisis, production was affected by the general raw material crisis, increase in the price of materials, and short-term standstills.

Regardless of several health protecting restrictions at factories, viral outbreaks caused some supply difficulties. Luckily, the outbreaks were localized quickly, and as a result, we have not had to fully shut down factories on any day.

New delays in supply are caused by a shortage of raw materials which, in turn, increases productions costs. The increase in production costs is mainly caused by the general increase in prices of materials and components. In part, the increase in production costs is also related to the price of electricity that reached record levels on several days at the beginning of the year but returned to normal by the end of the quarter. The low availability of qualified workforce and wage pressure also play a part.

The increase in the price and shortage of materials and components give reason to believe that the world economy is recovering, together with pressure on the acceleration of inflation. According to forecasts, the increase in the price of sheet metal and electrical components will continue in Q2 and Q3, which will affect both our procurement contracts as well as the work of our partners and competitors.

The decrease in sales volumes in Q1 was related to the preparation period for the performance of new concluded procurement contracts. The deliveries that began in Q2 give reason to believe that we can recover our sales volumes in the following periods. At that, we are turning special attention to companies, the performance of whose procurement contracts is most affected by the increase in price of production inputs. The situation that has arisen forces us to find even more possibilities to make production more efficient.

The investment decisions made in 2020 are only beginning to justify themselves. Several digitalization projects are nearing completion and our first industrial robot has begun working. In mid-April, we finished the extension of the Lithuanian factory to be ready for the increase in orders. A strong increase in queries and orders can be seen in all operating segments, which gives reason to believe that a challenging, yet fascinating economic cycle awaits after the retreat of the crisis.



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 2021 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 2021, 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.



EVENTS AFTER THE REPORTING DATE

On 16 April, the construction works of the stage four extension of the plant of the Group's Lithuanian subsidiary were completed. The office and production premises have been increased from 8,765 m² to 16,761 m². The investments of up to 6 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 entered into a construction contract with AS Ehitusfirma Rand ja Tuulberg for the construction of Laohotell 3 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.

OPERATING RESULTS

Revenue

Revenue of the Harju Elekter Group decreased by 12.2% compared to the reference quarter, to 30.7 (Q1 2020: 35.0) million euros, which is an expected result considering the seasonality of the first quarter and the situation of the economic environment. The installation works for customers that were postponed due to cold winter months, beginning with new orders, supply difficulties and material shortage affected the sale of electrical equipment in the reporting quarter, compared to the previous period. Regardless of some decrease in sales of the main area of activity in a quarterly view, the sale of services increased. Lease income increased by 0.2 million euros to 0.9 million euros, and the revenue from electrical works by 0.2 million euros to 1.3 million euros.

Revenue by business activities (EUR'000)	Q1 2021	Q1 2020	+/-	% Q1 2021	% Q1 2020
Manufacturing and sale of electrical equipment	25,851	30,247	-14.5%	84.2%	86.4%
Retail and project-based sale of electrical products	1,575	1,969	-20.0%	5.1%	5.6%
Other products	799	533	49.9%	2.6%	1.5%
Lease income	884	720	22.8%	2.9%	2.1%
Electrical works	1,258	1,089	15.5%	4.1%	3.1%
Other services	350	440	-20.5%	1.1%	1.3%
Total	30,717	34,998	-12.2%	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)	Q1 2021	Q1 2020	+/-	% Q1 2021	% Q1 2020
Production	27,212	31,276	-13.0%	88.6%	89.4%
Real Estate	938	832	12.7%	3.1%	2.4%
Other activities	2,567	2,890	-11.2%	8.3%	8.2%
Total	30,717	34,998	-12.2%	100.0%	100.0%

Production

The Group's core business, Production, accounted for 89% of the Group's consolidated revenue. Beginning with new orders, the usual seasonality and the low availability of raw materials decreased the revenue of the production segment by 4.1 million to 27.2 million euros on a year-on year.

Real estate

The revenue of the Real estate segment increased by 0.1 million euros or 12.7% with the newly completed rental space in Allika Industrial Park as well as with additional tenants in Keila. In reporting quarter, lease income from the rental premises of Keila, Allika and Haapsalu Industrial Parks was earned in the amount of 0.9 million euros. The Real estate segment accounts for 3.1% of the Group's revenue.

Other activities

The revenue of Other activities decreased by 0.3 million euros to 2.6 euros in a quarterly comparison. This is mainly caused by the decrease in the revenue of retail and project-based sale of electrical products, since stores were closed as a result of restrictions established by the government. Sales continued in outdoor sales areas to enable the partial availability of products to customers and decrease the spread of the virus.

Markets

The largest target markets of the Group are Estonia, Finland, Sweden, and Norway, which is why the sales volumes of the Group are strongly affected by the events happening on these markets. The second wave of the spread of the virus has been longer and more powerful, and all countries try to manage this in their own way. The target markets of the Group stand out in the global comparison with their initial attempt to keep society as open as possible, and the later need to establish harsher restrictions which also indirectly affect the sales and profitability of the Group.

Revenue by markets (EUR'000)	Q1 2021	Q1 2020	+/-	% Q1 2021	% Q1 2020
Estonia	5,068	3,602	40.7%	16.5%	10.3%
Finland	14,600	19,466	-25.0%	47.5%	55.6%
Sweden	5,342	4,988	7.1%	17.4%	14.3%
Norway	1,869	5,430	-65.6%	6.1%	15.5%
Other	3,838	1,512	153.8%	12.5%	4.3%
Total	30,717	34,998	-12.2%	100.0%	100.0%

Estonia

Quarterly sales to the Estonian market increased by 1.5 million to 5.1 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 in the Elektrilevi OÜ framework procurement. The retail and project-based sale of electrical products have decreased in the Estonian market in relation to the decision made by the government to close retail stores to limit the spread of the virus. Estonian companies continue to contribute to the home market activities by participating in procurements and offering different industrial rental spaces for corporate customers. The Estonian market accounted for 16.5% of the consolidated revenue in the reporting quarter, which was 6.2 percentage points more than a year ago.

Finland

Sales to the Finnish market decreased by 4.9 million to 14.6 million euros in a quarterly comparison and were most 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 reporting quarter, 47.5% (Q1 2020: 55.6%) of the Group's products and services were sold to the Group's largest market, Finland.

Sweden

In comparison with the reporting quarters, the revenue earned from the Swedish market increased by 0.4 million to 5.3 million euros. Sweden accounted for 17.4% (Q1 2020: 14.3%) of consolidated revenue in the reporting quarter, being the second largest market.

Norway

In the first quarter, the Group's products and services worth 1.9 million euros were sold to the Norwegian market, which is 3.6 million less than in the same period of the previous year. The Norwegian market accounted for 6.1% of consolidated revenue in the reporting quarter, which was 8.2 percentage points less than a year ago. The decrease in Norwegian revenue was caused by record high orders in the reference period.

Others

When comparing the quarters, revenue from Other markets increased by 2.3 million euros to 3.8 million euros. The majority of the growth in revenue was generated by sales to the German market, which generated 2.1 (Q1 2020: 0.07) million euros in the reporting quarter. In addition, revenue from the Netherlands amounted to 1.3 (Q1 2020: 1.2) million euros in the first quarter. Other countries accounted for a total of 12.5% (Q1 2020: 4.3%) of the Group's consolidated revenue.

Operating expenses

(EUR '000)	Q1 2021	Q1 2020	+/-	% Q1 2021	% Q1 2020
Cost of sales	26,873	30,075	-10.6%	88.7%	88.6%
Distribution costs	1,214	1,308	-7.2%	4.0%	3.9%
Administrative expenses	2,217	2,561	-13.4%	7.3%	7.5%
Total operating expenses	30,304	33,944	-10.7%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	969	890	8.9%	3.2%	2.6%
<i>incl. total labour cost</i>	7,285	6,640	9.7%	24.0%	19.6%
<i>incl. inclusive salary cost</i>	5,615	4,958	13.3%	18.5%	14.6%

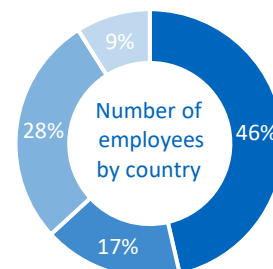
The total operating expenses for the reporting quarter were 30.3 (Q1 2020: 33.9) million euros. The majority of the 10.7% decrease in expenses was due to a decrease in the cost of sales: 3.2 million euros year-on-year. The decrease in the cost of sales was below growth rate of the revenue by 1.5 percentage points, decreasing the gross profit margin by 1.6 percentage points, compared to the Q1 2020 figures. The Group's distribution costs decreased by 0.1 million euros to 1.2 million euros, accounting for 4% of both the Group's operating expenses and revenue. Administrative expenses decreased by 0.3 million euros to 2.2 million euros, accounting for 7.2% of the Group's revenue for the reporting quarter (Q1 2020: 7.3%).

The shortage of trained specialists and wage pressure continued to be relevant topics. Labour costs increased year-on-year, amounting to 7.3 (Q1 2020: 6.6) million euros. The ratio of labour costs to the Group's revenue increased by 4.7 percentage points to 23.7% in the quarterly comparison. The increase in labour costs and average remuneration was affected most by the increase of the proportion of Swedish employees in the Group, since wage levels are significantly higher in Scandinavian countries than they are in Estonian and Lithuanian companies.

Depreciation of non-current assets totalled 969 thousand euros in the first quarter, increasing by 79 thousand euros 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 793 people, which is 4 employees less than a year ago. In the first quarter, the Group employed an average of 782 people, which was on average 6 employees more than in the comparable period. In the reporting quarter, 5.6 (Q1 2020: 5.0) million euros were paid to employees as salaries and remuneration. The average annual monthly salary per employee of the Group was 2,395 (Q1 2020: 2,130) euros. 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. To prevent the potential spread of the coronavirus, all possible measures were implemented to avoid dangerous contact and the spread of the virus. Engineers and office workers were sent to home offices, and any events that would have required gathering in a common space were postponed or held via video conference.



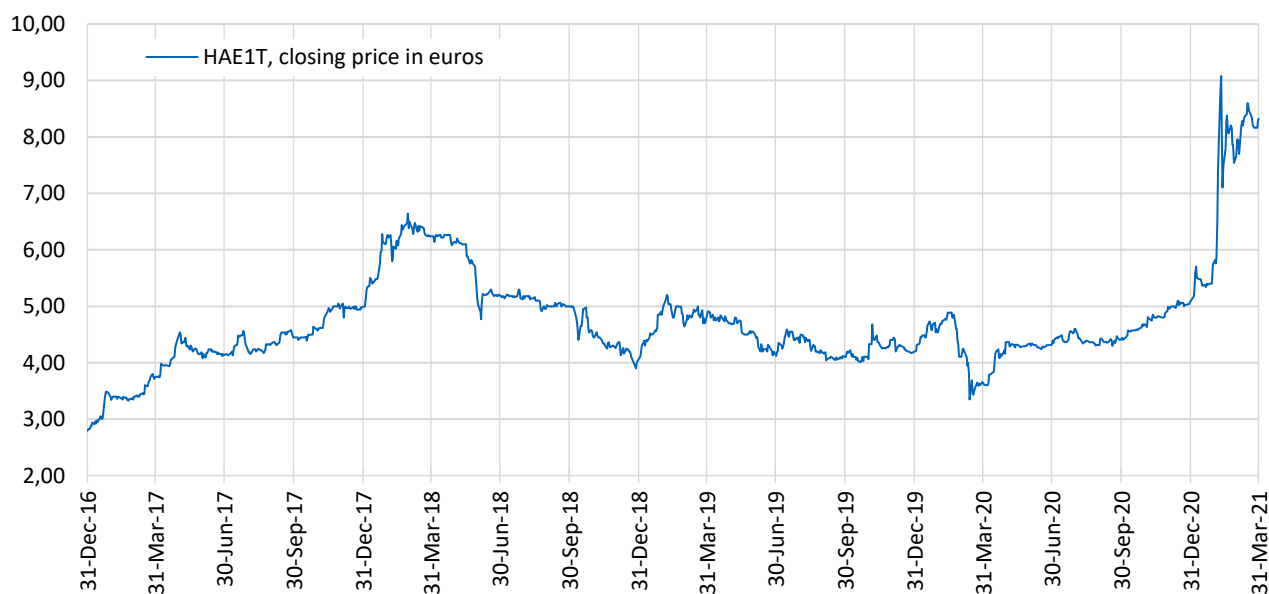
- Estonia 368 (31.03.20: 354)
- Finland 133 (31.03.20: 137)
- Lithuania 221 (31.03.20: 247)
- Sweden 71 (31.03.20: 59)

	Average numbers of employees		Numbers of employees		+/-	%	
	Q1 2021	Q1 2020	31.03.2021	31.03.2020		31.03.2021	31.03.2020
Estonia	356	333	368	354	14	46.4%	44.4%
Finland	133	136	133	137	-4	16.8%	17.2%
Lithuania	222	249	221	247	-26	27.9%	31.0%
Sweden	71	58	71	59	12	8.9%	7.4%
Total	782	776	793	797	-4	100.0%	100.0%

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history	Q1 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)	8.30	5.18	4.21	4.12	5.00
Traded shares (pcs)	1,194,687	1,160,598	531,415	1,100,773	1,349,617
Turnover (in million euros)	8.92	4.99	2.35	5.98	5.46
Capitalisation (in million euros)	147.24	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)	0.02	0.31	0.14	0.09	1.64

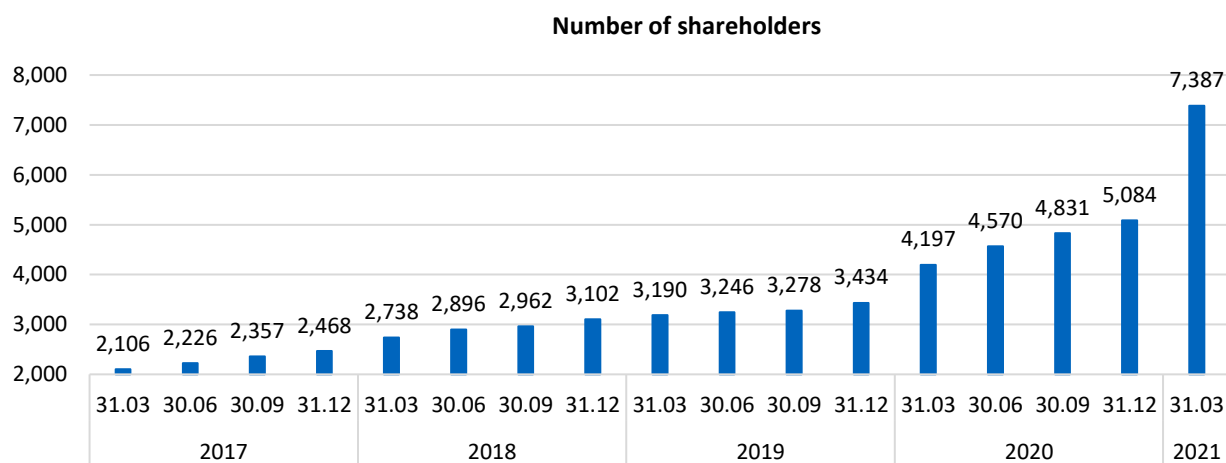
Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2016 – 31 March 2021 (Nasdaq Tallinn. <http://www.nasdaqbaltic.com/>)



Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 31 March 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 %	50	0.7	14.9	Endel Palla	7.04
< 0.1%	7,327	99.2	21.4	Shareholders holding under 5%	50.86
Total	7,387	100.0	100.0	Total	100.00

As at 31 March 2021, AS Harju Elekter had 7,387 shareholders. The number of shareholders increased during the reporting quarter by 2,303 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 31 March 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 April 2021



Aron Kuhi-Thalfeldt

Member of the Management Board

27 April 2021



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 March 2021	31 December 2020	31 March 2020
Current assets				
Cash and cash equivalents		2,614	2,843	3,978
Trade and other receivables		26,663	27,226	24,035
Prepayments		1,454	820	1,421
Inventories		21,104	18,856	22,620
Total current assets		51,835	49,745	52,054
Non-current assets				
Deferred income tax assets		569	514	494
Non-current financial investments	2	12,373	11,918	8,631
Investment properties	3	23,375	23,605	21,743
Property, plant and equipment	4	24,068	22,494	20,180
Intangible assets	4	7,186	7,199	7,205
Total non-current assets		67,571	65,730	58,253
TOTAL ASSETS	6	119,406	115,475	110,307
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	11,317	12,056	8,320
Prepayments from customers		2,760	4,182	2,479
Trade and other payables		20,703	15,837	21,527
Tax liabilities		2,454	2,871	3,412
Current provisions		35	34	217
Total current liabilities		37,269	34,980	35,955
Borrowings	5	7,921	7,032	7,900
Other non-current liabilities		65	66	63
Total non-current liabilities		7,986	7,098	7,963
Total liabilities		45,255	42,078	43,918
Equity				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		7,123	6,709	2,088
Retained earnings		55,211	54,858	52,461
Total equity attributable to the owners of the parent company		74,314	73,547	66,529
Non-controlling interests		-163	-150	-140
Total equity		74,151	73,397	66,389
TOTAL LIABILITIES AND EQUITY		119,406	115,475	110,307

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 January – 31 March	
	Note	2021	2020
Revenue	6	30,717	34,998
Cost of sales		-26,873	-30,075
Gross profit		3,844	4,923
Distribution costs		-1,214	-1,308
Administrative expenses		-2,217	-2,561
Other income		172	52
Other expenses		-69	-53
Operating profit	6	516	1,053
Finance income		17	37
Finance costs		-98	-102
Profit before tax		435	988
Income tax	8	-138	-285
Profit for the period		297	703
Profit attributable to:			
Owners of the parent company		310	728
Non-controlling interests		-13	-25
Earnings per share			
Basic earnings per share (EUR)	7	0.02	0.04
Diluted earnings per share (EUR)	7	0.02	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 January – 31 March	
	Note	2021	2020
Profit for the period		297	703
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net gain on revaluation of financial assets		-23	-48
<i>Items that will not be reclassified to profit or loss</i>			
Gain on sales of financial assets	2	43	34
Impact of exchange rate changes	2	365	-1,335
Total comprehensive income for the period		385	-1,349
Other comprehensive income		682	-646
Total comprehensive income attributable to:			
Owners of the Company		695	-621
Non-controlling interests		-13	-25

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 31 March	
	Note	2021	2020
Cash flows from operating activities			
Profit for the period		297	703
<u>Adjustments</u>			
Depreciation and amortization	3,4	969	890
Gain on sale of property, plant and equipment		0	-5
Share-based payments	9	72	59
Finance income		-17	-37
Finance costs		98	102
Income tax	8	138	285
<u>Changes</u>			
Changes in trade and other receivables		122	-1,461
Changes in inventories		-2,535	-3,468
Changes in trade and other payables		3,164	5,850
Corporate income tax paid	8	-392	-224
Interest paid		-102	-69
Total cash flow (-outflow) from operating activities		1,814	2,625
Cash flows from investing activities			
Payments for investment properties	8	-25	-642
Payments for property, plant and equipment	8	-2,072	-403
Payments for intangible assets		-84	-29
Acquisition of financial investments	2	-248	0
Proceeds from sale of property, plant and equipment		0	12
Dividends received		3	0
Proceeds from sale of other financial investments		200	561
Total cash flow (-outflow) from investing activities		-2,226	-501
Cash flows from financing activities			
Change in overdraft balance	5	-610	-2,576
Proceeds from borrowings	5	1,627	164
Repayment of borrowings	5	-589	-278
Repayments of lease liabilities	5	-283	-297
Total cash flow (-outflow) from financing activities		145	-2,987
Total net cash flow (-outflow)		-267	-863
Cash and cash equivalents at the beginning of the period		2,843	4,878
Changes in cash and cash equivalents		-267	-863
Effect of exchange rate fluctuations on cash and cash equivalents		38	-37
Cash and cash equivalents at the end of the period		2,614	3,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 31 March	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	728	728	-25	703
Other comprehensive income	0	0	-1,383	34	-1,349	0	-1,349
Total comprehensive income	0	0	-1,383	762	-621	-25	-646
Transaction with owners recognized directly in equity							
Share-based payments (Note 7,9)	0	0	59	0	59	0	59
Total transactions with owners	0	0	59	0	59	0	59
Balance at 31 March 2020	11,176	804	2,088	52,461	66,529	-140	66,389
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	310	310	-13	297
Other comprehensive income	0	0	342	43	385	0	385
Total comprehensive income	0	0	342	353	695	-13	682
Transaction with owners recognized directly in equity							
Share-based payments (Note 7,9)	0	0	72	0	72	0	72
Total transactions with owners	0	0	72	0	72	0	72
Balance at 31 March 2021	11,176	804	7,123	55,211	74,314	-163	74,151

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 March 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 first quarter 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

	31.03.2021	31.12.2020	31.03.2020
Listed securities (fair value through other comprehensive income)	3,278	2,822	3,155
Other equity investments (fair value through other comprehensive income)	9,089	9,089	5,469
Other financial assets through profit or loss	6	7	7
Total	12,373	11,918	8,631
Changes	3m 2021	12m 2020	3m 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	248	104	0
Sale of financial investment	-157	-1,601	-561
Change in fair value through other comprehensive income	365	2,922	-1,301
Carrying amount at the end of the period	12,367	11,911	8,624
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	6	7	7
Total carrying amount at the end of the period	12,373	11,918	8,631

A total of 200 thousand euros was received from the partial sale of the listed securities in the reporting quarter. Realized gain on sale of financial assets in the amount of 43 thousand euros was recognized through other comprehensive income. The fair value of securities increased by 365 thousand euros in Q1 2021 and decreased by 1,301 thousand euros in Q1 2020.

Other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 8,834 (31.03.2020: 5,267) thousand euros and in the shares of SIA Energokomplekss in the amount of 255 (31.03.2020: 202) thousand euros as at 31 March 2021. AS Harju Elekter acquired a 10% stake in OÜ Skeleton Technologies Group on 3 June 2015. The company is engaged in the development and production of supercapacitors and is gradually increasing production. The assessment of future cash flows of the OÜ Skeleton Technologies Group includes significant uncertainty. The measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. The information available to the Management Board of AS Harju Elekter is limited regarding future scenarios. Therefore, the assessment given is based on the principle of conservatism and considers the financial indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk and the assessment of the marketability of the instrument. Rounds of funding completed in 2020 and Q1 of 2021 have been considered in assessing value of the financial investment. As of the reporting date, the registered holding of Harju Elekter in OÜ Skeleton Technologies Group is 7.49%.

Note 3 Investment properties

	Note	3m 2021	12m 2020	3m 2020
Balance at the beginning of the period		23,605	21,259	21,259
Additions	6	12	3,103	696
Depreciation	6	-243	-851	-213
Reclassification from property, plant and equipment	4	0	94	1
Impact of exchange rate changes		1	0	0
At the end of the period		23,375	23,605	21,743

Note 4 Property, plant and equipment; intangible assets

	Note	3m 2021	12m 2020	3m 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	1,995	4,642	400
Sales and write-off in carrying amount		0	-31	-15
Depreciation	6	-647	-2,570	-594
Reclassification from inventories		233	0	0
Reclassification to investment properties	3	0	-94	-1
Impact of exchange rate changes		-7	-5	-12
At the end of the period		24,068	22,494	20,180
2. Intangible assets				
Balance at the beginning of the period		7,199	7,260	7,260
Additions	6	66	313	31
Amortization	6	-79	-373	-83
Impact of exchange rate changes		0	-1	-3
At the end of the period		7,186	7,199	7,205

Note 5 Borrowings

	31.03.2021	31.12.2020	31.03.2020
Current borrowings			
Current bank loans	7,128	7,738	6,293
Current portion of long-term bank loans	2,831	3,191	836
Current portion of lease liabilities	823	1,100	828
Other current loans	535	27	363
Total current borrowings	11,317	12,056	8,320

	31.03.2021	31.12.2020	31.03.2020
Non-current borrowings			
Non-current bank loans	6,082	4,461	4,581
Non-current lease liabilities	1,839	1,839	2,840
Other non-current loans	0	732	479
Total non-current borrowings	7,921	7,032	7,900
Total borrowings	19,238	19,088	16,220
Changes	3m 2021	12m 2020	3m 2020
Loans and borrowings at the beginning of the period	19,088	19,206	19,206
Change in overdraft balances	-610	-1,131	-2,576
Received non-current loans	1,627	3,070	0
Repayments of non-current loans	-365	-1,112	-277
Other received loans	-224	81	164
New lease liabilities	0	149	0
Repayments of non-current lease liabilities	-283	-1,175	-297
Impact of exchange rate changes	5	0	0
Loans and borrowings at the end of the period	19,238	19,088	16,220

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 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 – 31 March	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2021						
Revenue from external customers		27,212	938	2,567	0	30,717
Inter-segment revenue		67	467	56	-590	
Segment revenue		27,279	1,405	2,623	-590	30,717
Operating profit		169	389	30	-72	516
Segment assets		75,122	25,638	21,576	-15,394	106,942
Unallocated assets						12,464
<i>incl. Financial investments</i>						12,367
<i>incl. Other receivables and prepayments</i>						97
Total assets						119,406
Capital expenditure	3,4	2,007	12	55	0	2,074
Depreciation and amortization	3,4	517	243	215	-6	969
2020						
Revenue from external customers		31,276	832	2,890	0	34,998
Inter-segment revenue		64	447	31	-542	
Segment revenue		31,340	1,279	2,921	-542	34,998
Operating profit		939	355	-182	-59	1,053
Segment assets		71,117	23,333	21,161	-14,006	101,605
Unallocated assets						8,702
<i>incl. Financial investments</i>						8,624
<i>incl. Other receivables and prepayments</i>						78
Total assets						110,307
Capital expenditure	3,4	413	696	18	0	1,127
Depreciation and amortization	3,4	447	213	235	-5	890

Revenue by geographic regions (customer location)

1 January – 31 March	2021	2020
Estonia	5,068	3,602
Finland	14,600	19,466
Sweden	5,342	4,988
Norway	1,869	5,430
Other	3,838	1,512
Total revenue	30,717	34,998

Revenue by business activities

1 January – 31 March	2021	2020
Manufacturing and sale of electrical equipment	25,851	30,247
Retail and project-based sale of electrical products	1,575	1,969
Other products	799	533
Lease income	884	720
Electrical works	1,258	1,089
Other services	350	440
Total	30,717	34,998

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 31 March 2021, the Group had a total of 944,593 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.

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 and 0.55 euros in the 2020 round. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros and 4.99 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 January to 31 March 2021, the average market price of the shares was 7.47 (2020 Q1: 4.00) euros.

1 January – 31 March	Unit	2021	2020
Profit attributable to equity holders of the parent company	EUR '000	310	728
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.02	0.04
Adjusted number of shares during the period	Pc '000	17,848	17,740
Diluted earnings per share	EUR	0.02	0.04

Note 8 Information on the statement of cash flows line items

1 January – 31 March	Note	2021	2020
Corporate income tax			
Income tax expense in the statement of profit or loss		-138	-285
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-199	61
Dividend income tax expense		1	0
Income tax expense on dividends		-55	0
Impact of exchange rate changes		-1	0
Corporate income tax paid		-392	-224
Paid for investment properties			
Acquisitions of investment properties	3	-12	-696
Liability decrease (-)/ increase (+) incurred by the acquisitions		-13	54
Paid for investment properties		-25	-642
Paid for property, plant and equipment			
Acquisitions of investment properties	4	-1,995	-400
Liability decrease (-)/ increase (+) incurred by the acquisitions		-77	-14
		0	11
Paid for property, plant and equipment		-2,072	-403

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:

	31.03.2021	31.12.2020	31.03.2020
Balances with related parties:			
- Payables for goods and services	48	47	113
	3m 2021	12m 2020	3m 2020
Purchase of goods and services from related parties:			
- Lease of property, plant and equipment from AS Harju KEK	21	101	32
- Purchase of property, plant and equipment from AS Harju KEK	0	0	0
- Other services from AS Entek	124	506	155
Sale of goods and services to related parties:			
- Other services for AS Harju KEK	1	4	1
- Sale of goods to AS Entek	2	10	0
Remuneration of the Management and Supervisory Boards:			
- Salary, bonuses, additional other remuneration (incl. severance pay)	151	486	122
- Social security tax	50	160	40

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.

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	