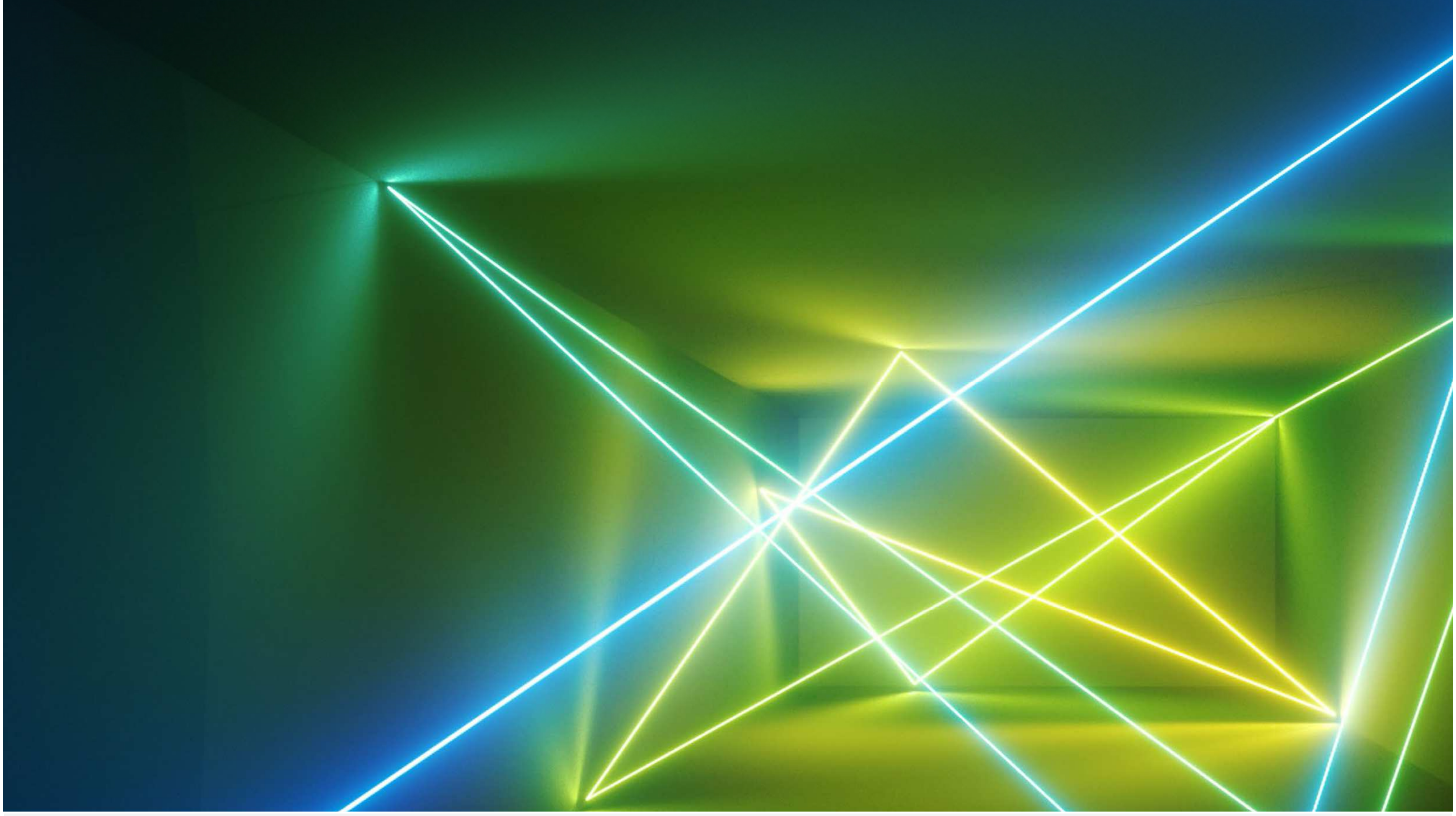
HARJU ELEKTER

# CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE II QUARTER AND 6 MONTHS OF 2019



| | |
|---|---|
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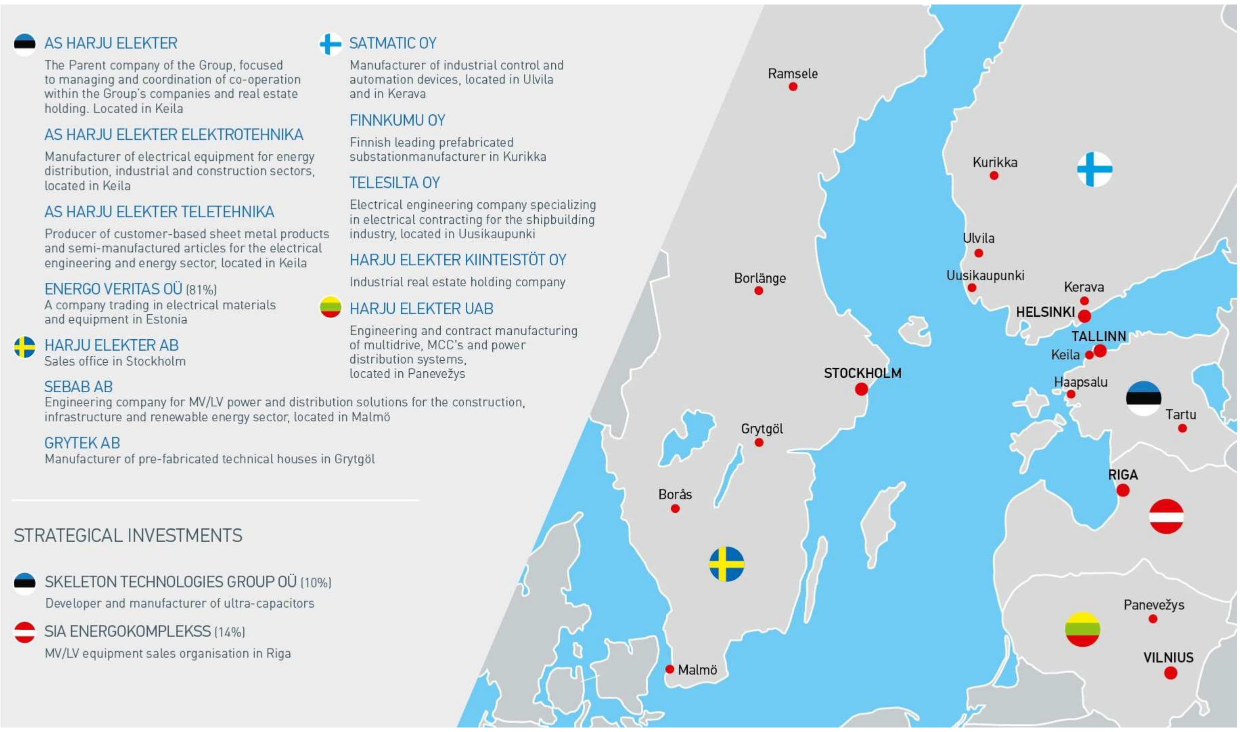
| Auditor: | AS PricewaterhouseCoopers |
| Financial year: | 1 January – 31 December 2019 |
| Reporting period: | 1 January – 30 June 2019 |

# TABLE OF CONTENTS

# ORGANISATION

## Harju Elekter Group

### 30 June 2019




## Main activities

AS Harju Elekter has been manufacturing electrical equipment since 1968. The Group's core operations include the design, manufacturing and marketing of power distribution equipment, including substations, power distribution cabinets, metering cabinets, automation centres and control centres for the energy and industrial sectors and for infrastructure. The Group's core operations are supported by the development and rent of industrial real estate.

## 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, delivering added value and being the first choice for our customers and partners and to provide to our international team with 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 -** Together we achieve more.

**Reliability -** No bargaining in quality.

## Risks

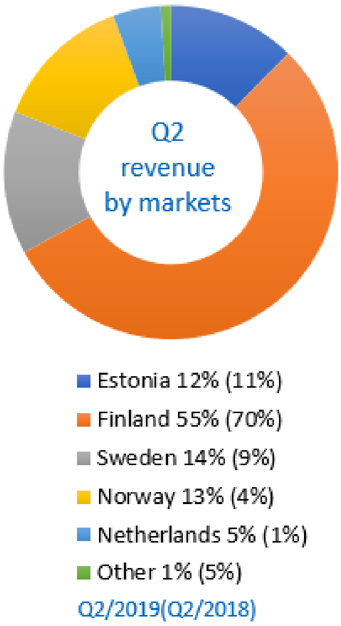
- Increase in competition
- Market risk
- Currency risk
- Lack of highly skilled specialists
- Rapid growth of wages
- Occupancy rate of rental premises
- Future of financial investments

# MANAGEMENT REPORT

## FINANCIAL SUMMARY OF SECOND QUARTER AND 6 MONTHS RESULTS

### Revenue

The consolidated unaudited revenue for the second quarter of 2019 was 40.6 (Q2 2018: 33.9) million euros, an increase of 20.0% over the comparable period. Consolidated revenue for the first half-year increased by 16.8%, reaching 69.9 (6m 2018: 59.8) million euros.




### Financial result

The consolidated gross profit for the reporting quarter was 5,087 (Q2 2018: 4,802) thousand euros, the gross margin was 12.5% (Q2 2018: 14.2%). Consolidated operating profit (EBIT) for the second quarter was 1,195 (Q2 2018: 1,166) thousand euros and the consolidated net profit was 829 (Q2 2018: 1,038) thousand euros. Earnings per share (EPS) was 0.05 (Q2 2018: 0.06) in the reporting quarter.

The consolidated gross profit for the reporting first half-year was 8,875 (6m 2018: 8,146) thousand euros and the gross margin was 12.7% (6m 2018: 13.6%). Consolidated operating profit (EBIT) was earned in 6 months 1,502 (6m 2018: 1,398) thousand euros. Overall, the consolidated net profit of the first half-year 2019 was 994 (6m 2018: 1,140) thousand euros. And earnings per share (EPS) was 0.06 (2018 6m: 0.07).

### Investments

In the reporting period, the Group invested a total of 3.0 million euros in non-current assets, incl. 0.2 million euros in investment properties, 2.6 million euros in property, plant and equipment and 0.2 million euros in intangible assets. The vast majority of the investments, i.e. 1.8 million euros, was aimed at the expansion of the production facilities of the Lithuanian subsidiary. The rest of the investments were placed into integration of the new flagship store of the Estonian subsidiary and the central warehouse, and into the development projects of the Group's companies and industrial parks. In the comparable period, a total of 4.6 million euros were invested in non-current assets, of which 1.0 million was acquired through business combinations.

### Current assets

The volume of Group's current assets increased by 12.7 million euros in 6 months, to 56.7 million euros, having decreased by 3.0 million in a year. The change in current assets in relation to the comparable period resulted from different circumstances. The largest impact was due to the increase in inventories and trade receivables due to growth of the business and unfinished product volumes, totalling 13.3 million euros. The decision made in the fourth quarter of 2018 to record short-term financial investments as non-current financial assets, which decreased the volume of current assets by 5.3 million euros in comparison to the comparable period.

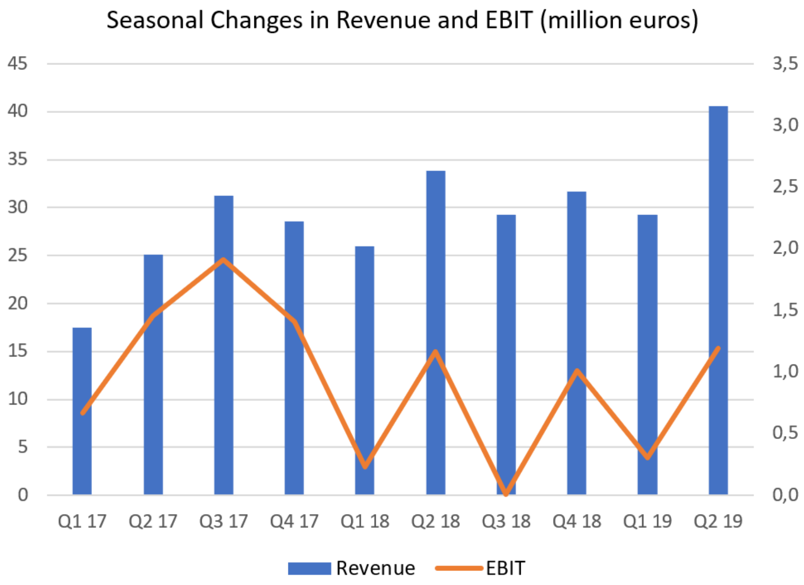
### Liabilities

As at the reporting date, the Group had total liabilities of 49.5 million euros, of which short-term liabilities accounted for 82.5% (30 June 2018: 82.4%). Short-term liabilities increased by 13.5 million euros year-on-year, to 40.9 million euros, incl. trade and other payables by 4.5 million euros in total, to 22.7 million euros and borrowings by 8.4 million euros, to 12.3 million euros. Long-term borrowings increased by 4.4 million euros to 8.6 million euros. Long-term loans and financial leasing have been used in connection with real estate developments in Estonia and Lithuania and investment in an automatic sheet metal punching-bending line. Due to the implementation of the new accounting policies of IFRS 16 Leases, the volume of current and non-current borrowings has increased by 1.8 million euros.

Consolidated 6 months
REVENUE
**69.9** million euros (6m 2018: 59.8)

Consolidated 6 months
EBIT
**1.5** million euros (6m 2018: 1.4)

Consolidated 6 months
NET PROFIT
**1.0** million euros (6m 2018: 1.1)




Consolidated 6 months
REVENUE CHANGE
**16.8%**

Consolidated 6 months
EBIT CHANGE
**7.4%**

| Key indicators *(EUR´000)* | Q2 2019 | Q2 2018 | +/- Q/Q | 6 months 2019 | 6 months 2018 | +/- 6m/6m |
|---|---|---|---|---|---|---|
| Revenue | 40,606 | 33,851 | *20.0%* | 69,889 | 59,837 | *16.8%* |
| Gross profit | 5,087 | 4,802 | *5.9%* | 8,875 | 8,146 | *8.9%* |
| EBITDA | 2,065 | 1,797 | *14.9%* | 3,232 | 2,647 | *22.1%* |
| Operating profit (EBIT) | 1,195 | 1,166 | *2.5%* | 1,502 | 1,398 | *7.4%* |
| Profit for the period | 829 | 1,038 | *-20.1%* | 994 | 1,140 | *-12.8%* |
| Incl. attributed to Owners of the Company | 843 | 1,047 | *-19.5%* | 1,025 | 1,180 | *-13.1%* |

| Ratios *(%)* | Q2 2019 | Q2 2018 | +/- Q/Q | 6 months 2019 | 6 months 2018 | +/- 6m/6m |
|---|---|---|---|---|---|---|
| Distribution cost to revenue | 3.6 | 4.2 | *-0.6* | 3.8 | 4.3 | *-0.5* |
| Administrative expenses to revenue | 6.0 | 6.5 | *-0.5* | 6.6 | 6.9 | *-0.3* |
| Labour cost to revenue | 16.9 | 19.3 | *-2.4* | 19.0 | 20.4 | *-1.4* |
| Gross margin (gross profit/revenue) | 12.5 | 14.2 | *-1.7* | 12.7 | 13.6 | *-0.9* |
| EBITDA marginal (EBITDA/revenue) | 5.1 | 5.3 | *-0.2* | 4.6 | 4.4 | *0.2* |
| Operating margin (EBIT/revenue) | 2.9 | 3.4 | *-0.5* | 2.1 | 2.3 | *-0.2* |
| Net margin (profit for the period /revenue) | 2.0 | 3.1 | *-1.1* | 1.4 | 1.9 | *-0.5* |
| Return of equity ROE (profit for the period/average equity) | 1.2 | 1.5 | *-0.3* | 1.5 | 1.7 | *-0.2* |

| *(%)* | 30 June 19 | 30 June 18 | +/- |
|---|---|---|---|
| Equity ratio *(equity/total assets)* | 56.9 | 67.9 | *-11.0* |
| Current ratio *(average current assets/average short-term liabilities)* | 1.4 | 2.0 | *-0.6* |
| Quick ratio *((current assets - inventories)/ average current liabilities)* | 0.8 | 1.2 | *-0.4* |

# COMMENTARY FROM THE MANAGEMENT


The first half of the year has been successful for the Group's Lithuanian, Finnish and Swedish companies that have experienced strong sales growth. At the same time, the year has been much more modest for the Estonian companies, mainly due to the slowing down of the Finnish electricity network renovation plan which has kept orders from the Finnish distribution network substations lower than originally planned. The consolidated sales revenue of AS Harju Elekter in Q2 was 40.6 million euros and its 6 month sales revenue amounted to 69.9 million euros. The operating profit in Q2 was 1.2 million euros and in the first half of the year, 1.5 million euros. Profitability was significantly affected by two legal disputes that were reflected in the reporting quarter, totalling 0.4 million euros. One of the litigations has ended and the final loss was 0.2 million euros. For a pending dispute with the Finnish Customs, 50% of the potential loss is reserved in costs. Actual gain/loss will become apparent at the end of the process.

The Group faces various challenges, one of the most important of them being the continued timely execution of large orders and ensuring the quality. Increase in production volumes has created the need for recruiting new specialists and seasonal workers and increased the number of Group employees to 848 by the end of the reporting period, which is 96 people more than a year ago.

Harju Elekter has decided to bring all of the Group’s companies under a single brand. The first one to completely have taken over the Harju Elekter trademark is the Lithuanian subsidiary (main house in the picture above) whose legal name is HARJU ELEKTER UAB starting from July.

In the first half of the year, several important developments of the Group were completed. Above all, we should highlight the completion of the expansion of the production facility of the Lithuanian subsidiary RIFAS UAB and start of production in new premises, and the opening of a new sales office and the central warehouse of the Estonian subsidiary Energo Veritas OÜ at 19 Tuisu Street, Tallinn.

# MAIN EVENTS


- The Supervisory Board and the Management Board of AS Harju Elekter have decided to bring all companies of the Group under the single Harju Elekter trademark. Using a common logo helps to strengthen the Group's competitiveness and creates additional benefits and opportunities for marketing, providing a clear image of the capabilities of the Harju Elekter Group. Based on the above, the Lithuanian subsidiary RIFAS UAB was renamed HARJU ELEKTER UAB. The entry was made into the Lithuanian Register of Legal Entities on 2 July 2019.

- Subsidiaries of the Group participated actively in professional fairs in Estonia, Finland and Sweden in the first half of the year: Elfack 2019, the largest Nordic electricity fair in Gothenburg, showcased the HECON line system of the Universal Mechanical Engine Control Centres (MCC), developed for 2500A-4000A solutions, and the HEKA 1VM SS2 prefabricated substation dedicated to the needs of the local market; the trade fair for electricity and information networks, the Verkosto in Tampere, introduced products directed to the energy distribution sector; and the construction fair Eesti Ehitab in Tallinn displayed the product range of the Group's stores.
- The expansion works of the production facility of the Lithuanian subsidiary in Panevežys are nearing the end and new production premises are being taken into use phase by phase. The expansion works will end in the second quarter, whereupon the subsidiary will have 9,000 sq.m of office and production space, instead of the former 3,500 sq.m. Investments in the expansion of the production facility and upgrade of technology enable on to add notable production capacity to secure supplies for the customers of the subsidiary in the segments of ship-building and industry. The total volume of investments is 3.5 million euros. In addition, 1.9 hectares of land adjacent to the already existing properties were purchased in Lithuanian to ensure the possibility of future expansion.
- On 2 May 2019, the AGM of shareholders of AS Harju Elekter was held; it approved the 2018 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.18 euro per share for 2018, totalling 3.2 million euros. The shareholders registered in the shareholders' registry on 16 May 2019 as of the end of the business day in the accounting system, entitled to dividend. The dividends were paid to the shareholders on 24 May 2019 by a transfer to the bank account of the shareholder.
- Energo Veritas OÜ, a project and retailer of electrical installation goods, won the procurement of transformers for the distribution network Elektrilevi worth 1.3 million euros.
- The subsidiary AS Harju Elekter Elektrotehnika received an order for 54 special-purpose prefabricated substations to be supplied to Konecranes during a period of one year. Supplies are sent to the United Arab Emirates.

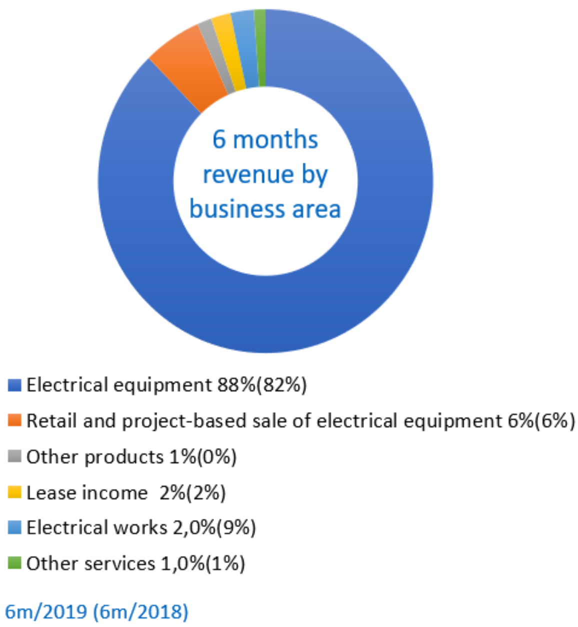

- On 1 April, the subsidiary Energo Veritas OÜ opened a new sales office and central warehouse at 19 Tuisu Street, Tallinn. The good location and larger premises create better possibilities for customer service and quicker issuing of goods. Also, the assortment of products in the area of electricity and weak current materials, construction of telecom and power grid will expand notably, and the sales capability of products in Estonia will increase.
- In connection with the restructuring of the activities of Harju Elekter Group in Finland and consolidation of Satmatic Oy and Finnkumu Oy under one common management, the Group appointed Jan Osa, the former manager of AS Harju Elekter Elektrotehnika, as the new CEO of Satmatic Oy and Finnkumu Oy, who started in this position at Satmatic Oy from 1 April 2019 and at Finnkumu Oy from 1 July 2019. The former head of the sales department Indrek Ulmas was appointed as the managing director of AS Harju Elekter Elektrotehnika starting from 1 April 2019.

# OPERATING RESULTS

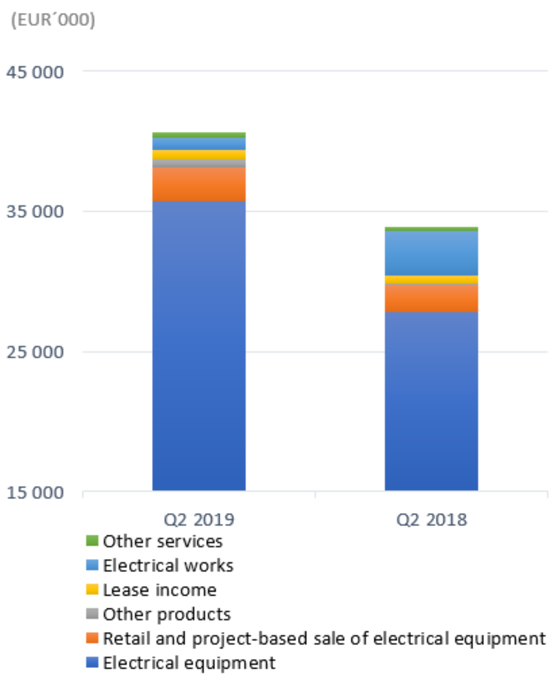
## Revenue

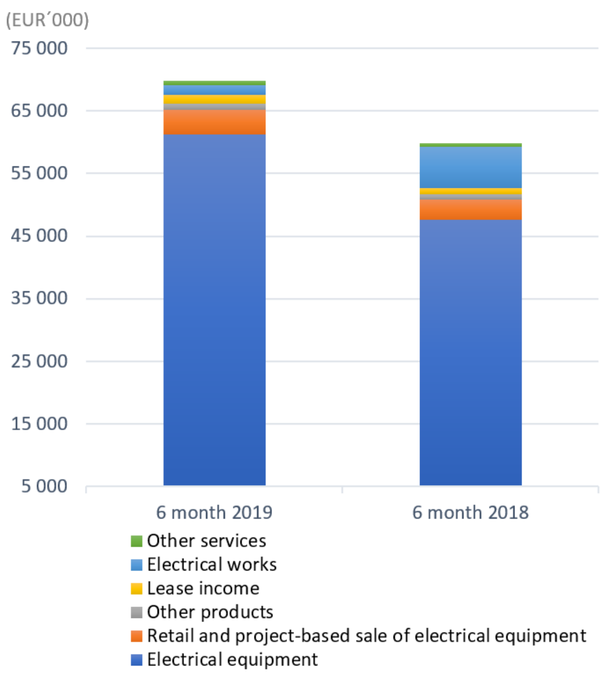
The Group manufactures and sells electrical, control and power automation devices and various metal products. In addition, sales revenue is also earnt from the rental of industrial real estate and electricity works in the ship-building sector. The Group's revenue increased by 20.0% compared to the comparable period, reaching 40.6 (Q2 2018: 33.9) million euros during the reporting quarter. The sales revenue of the first half of the year was a record-breaking 69.9 (2018 6m: 59.8) million euros.

Sales of electrical equipment accounted for 88.0% of the Group's sales revenue. This is mainly due to the increase in electrical equipment sales, which increased by 7.9 million euros in the reporting quarter and by 13.7 million euros in 6 months. The share was also influenced by the reduction in the volume of Electrical works. There were several large-scale unfinished works in the shipping industry in the first quarter of 2018, which were completed at the end of the last year. The works in the reporting quarter have rather included small contracts.




| **Revenue by business activities** *(EUR´000)* | **Q2 2019** | **Q2 2018** | ***+/- Q/Q*** | **6 months 2019** | **6 months 2018** | ***+/- Q/Q*** |
|---|---|---|---|---|---|---|
| Electrical equipment | 35,743 | 27,817 | *28.5%* | 61,293 | 47,618 | *28.7%* |
| Retail and project-based sale of electrical equipment | 2,406 | 1,932 | *24.6%* | 3,949 | 3,312 | *19.2%* |
| Other products | 589 | 100 | *489.4%* | 963 | 752 | *28.1%* |
| Lease income | 659 | 532 | *23.8%* | 1,328 | 1,028 | *29.2%* |
| Electrical works | 818 | 3,173 | *-74.2%* | 1,568 | 6,575 | *-76.2%* |
| Other services | 391 | 297 | *31.6%* | 788 | 552 | *42.8%* |
| **Total** | **40,606** | **33,851** | ***20.0%*** | **69,889** | **59,837** | ***16.8%*** |



## Markets

### Estonia

The Group's Estonian companies make a contribution increasing our market share in the Estonian market, both in potential procurements and in offering rental premises to corporate customers. Sales to the Estonian market grew to 5.0 (Q2 2018: 3.5) million euros in Q2 and to 8.6 (6m 2018: 6.4) million euros in the H1 and accounting for 12.3% (Q2 and 6m 2018: 10.5%) of the consolidated sales revenue of the both period.

### Finland

Sales on the Group's largest market, Finland, have decreased insignificantly compared to the reference period. Revenue in the reporting quarter decreased by 1.5 million euros and by 3.3 million euros in 6 months and was mainly affected by the adjustment of the renovation plan of Finnish power and network construction projects to a smaller volume than originally planned. In the reporting quarter, Finland accounted for 54.7% (Q2 2018: 70.0%) and in the first half of the year, 54.8% (6m 2018: 69.6%) of the Group's products and services. The decrease in the Finnish market share of the Group's sales revenue was affected by the growth of sales revenue in both Sweden and Norway.

### Sweden

In the reporting quarter, sales in Sweden were 5.6 million euros and in the first half of the year 9.4 million euros, increasing by 2.7 million euros and 4.4 million euros, respectively. The share of the Swedish market in the consolidated sales revenue continues rose, reaching 13.9% (Q2 2018: 8.8%) in the reporting quarter and 13.4% (6m 2018: 8.3%) in the 6 months. The growth was due to the added sales volumes of the Swedish subsidiaries, acquired in 2018, as well as the goal-orientated work of other subsidiaries towards Sweden. We expect Swedish sales revenue to increase further in the coming quarters, as indicated by the continued growth of orders from Sweden's largest distribution network company E.ON Energidistribution AB, as well as several new major projects with orders starting from the second quarter.

### Norway

Sales to the Norwegian market increased the most, having quadrupled to 5.5 (Q2 2018: 1.2) million euros compared to the same period last year and accounting for 13.5% (Q2 2018: 3.7%) of the consolidated revenue in the reporting quarter. Within 6 months, 9.5 million euros has been sold to the Norwegian market. Successful sales work of the Lithuanian subsidiary of the Group to increase its market share in Norway provides confidence that sales growth will continue its upwards trend.

**Contribution to the consolidated 6 months revenue**

ESTONIAN companies
**17,9%**
(6m 2018: 17.4%)

FINNISH companies
**49,0%**
(6m 2018: 62.7%)

LITHUANIAN companies
**13,2%**
(6m 2018: 8.2%)

SWEDISH companies
**19,9%**
(6m 2018: 11.7%)

### Netherlands

From the second half of 2018, the Group started deliveries and supplies to the Netherlands, where we have managed to retain a stable sales revenue for the fourth quarter in a row. The Netherlands made up 4.6% (2018 Q2: 1.2%) of the consolidated sales revenue in the reporting quarter and 4.9% (2018 6m: 0.9%) in the first half of the year.

| **Markets** *(EUR´000)* | **Q2 2019** | **Q2 2018** | ***+/- Q/Q*** | **6 moths 2019** | **6 months 2018** | ***+/- Q/Q*** |
|---|---|---|---|---|---|---|
| Estonia | 5,028 | 3,547 | *41.8%* | 8,550 | 6,372 | *34.2%* |
| Finland | 22,194 | 23,700 | *-6.4%* | 38,331 | 41,659 | *-8.0%* |
| Sweden | 5,631 | 2,975 | *89.3%* | 9,364 | 4,976 | *88.2%* |
| Norway | 5,477 | 1,238 | *342.4%* | 9,480 | 3,320 | *185.5%* |
| Netherlands | 1,872 | 415 | *351.1%* | 3458 | 541 | *539.1%* |
| Other | 404 | 1,977 | *-79.6%* | 706 | 2,969 | *-76.2%* |
| **Total** | **40,606** | **33,851** | ***20.0%*** | **69,889** | **59,837** | ***16.8%*** |

## Business segments

The Group's operations are divided into three segments - Production, Real Estate and Other activities.

| **Revenue by segment** *(EUR´000)* | **Q2 2019** | **Q2 2018** | ***+/- Q/Q*** | **6 months 2019** | **6 months 2018** | ***+/- Q/Q*** |
|---|---|---|---|---|---|---|
| Production | 35,938 | 27,576 | *30.3%* | 61,514 | 48,168 | *27.7%* |
| Real Estate | 828 | 597 | *38.8%* | 1,701 | 1,220 | *39.4%* |
| Other activities | 3,840 | 5,678 | *-32.4%* | 6,674 | 10,449 | *-36.1%* |
| **Total** | **40,606** | **33,851** | ***20.0%*** | **69,889** | **59,837** | ***16.8%*** |

### Production

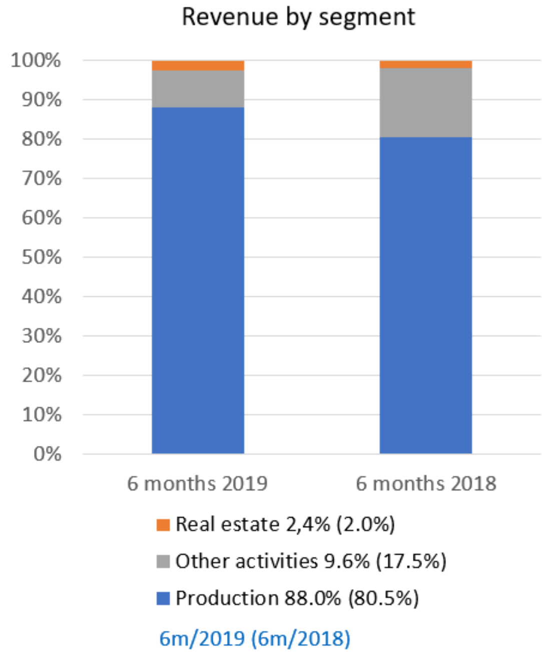
The sales revenue in the Production segment increased by 8.4 million euros, to 35.9 million euros in the reporting quarter and by 13.3 to 61.5 million euros in the first half of the year. Main share of the sales revenue (99%) in the Production segment comes from the sale of electrical equipment.

### Real Estate

Sales growth in the Real Estate segment is similar to the first quarter, with quarterly sales increasing from 0.2 million euros to 0.8 million euros. In the first half of the year, Real Estate segment sales totalled 1.7 million euros, accounting for 2.4% of the Group's six-month sales revenue. Rental income is earnt on new rental premises in the Allika industrial park and from the tenants in the territory of Keila and Haapsalu industrial parks.

### Other activities

The sales revenue of Other activities has declined by 1.8 million euros, to 3.8 million year-on-year and by 3.8 million euros to 6.7 million euros for the half-year comparison. The decline is mainly related to decreased volumes of electrical works in the ship-building sector.




## Operating expenses

| *(EUR´000)* | **Q2 2019** | **Q2 2018** | *+/- Q/Q* | **6 months 2019** | **6 months 2018** | *+/- Q/Q* |
|---|---|---|---|---|---|---|
| Cost of sales | 35,519 | 29,049 | *22.3%* | 61,014 | 51,691 | *18.0%* |
| Distribution costs | 1,474 | 1,431 | *3.0%* | 2,682 | 2,592 | *3.5%* |
| Administrative expenses | 2,450 | 2,187 | *12.0%* | 4,634 | 4,116 | *12.6%* |
| **Total operating expenses** | **39,443** | **32,667** | ***20.7%*** | **68,330** | **58,399** | ***17.0%*** |
| *incl. depreciation of fixed assets* | *870* | *631* | *37.9%* | *1,730* | *1,249* | *38.5%* |
| *incl. total labour cost* | *6,869* | *6,545* | *5.0%* | *13,244* | *12,193* | *8.6%* |
| *incl. inclusive salary cost* | *5,528* | *4,906* | *12.7%* | *10,595* | *9,281* | *14.2%* |

Operating expenses of the reporting quarter were 39.4 (Q2 2018: 32.8) million euros and of the 6 months were 68.3 (6m 2018: 58.4) million euros in total. The principal part of the cost increase is attributable to the higher expenses on cost of sales: 6.5 million euros in the quarterly and 9.3 million euros in the yearly comparison, outpacing the growth rate of sales revenues and reducing the gross profit margin in relation to the comparable period by 1.7 and 0.9 percentage points.

The Group's distribution costs comprised 1.5 million euros in the reporting quarter, increasing only marginally (3%). The distribution cost rate decreased by 0.6 percentage points, to 3.6% year-on-year and by 0.5 percentage points, to 3.8% half-year comparison.

Additional costs in connection with the ongoing integration of new companies in the Group, the launch of several development projects and daily work with the automation of production to reduce the dependence on the labour force has caused a 0.3 million euros increase in the quarterly comparison of administrative expenses and an increase of 0.5 million euros compared to the same 6 months of the previous year. The share of administrative expenses in the sales revenues of the reporting quarter comprised 6.0% (Q2 2018: 6.5%) and of the six months revenues 6.6% (6m 2018: 6.9%)

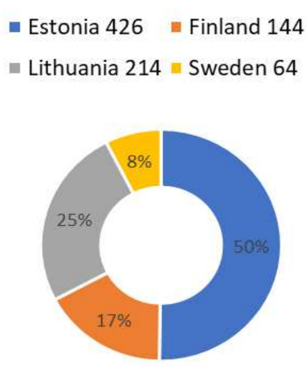
The addition of new employees to expand operations in the Lithuanian subsidiary, the wage pressure resulting from the demand for local skilled labour, as well as the increased number of employees in Finland and Sweden where salary levels are significantly higher than in the other Group companies, have increased labour costs in the reporting period. Labour costs increased by 5.0%, to 6.9 million euros year-on-year and by 8.6% to 13.2 million euros in the 6 months comparison. The labour cost rate accounted for 16.9% (Q2 2018: 19.3%) of the sales revenue in the reporting quarter and 19.0% (6m 2018: 20.4%) of the first 6-month period sales revenue.

The innovative production line and buildings that were taken into use increased the depreciation of non-current assets by 0.2 million euros, to 0.9 million euros year-on-year and by 0.5 million euros to 1.7 million euros in the 6 month comparision.

## EMPLOYEES AND REMUNERATION

As of the end of the reporting period, the Group had 848 employees, being 96 employees more than a year ago. Most of the employees (75 people) were hired to handle the significantly increased production volumes in the Lithuanian subsidiary. In the second quarter, the Group employed an average of 779 people, which was an average of 66 employees more than in the comparable period.

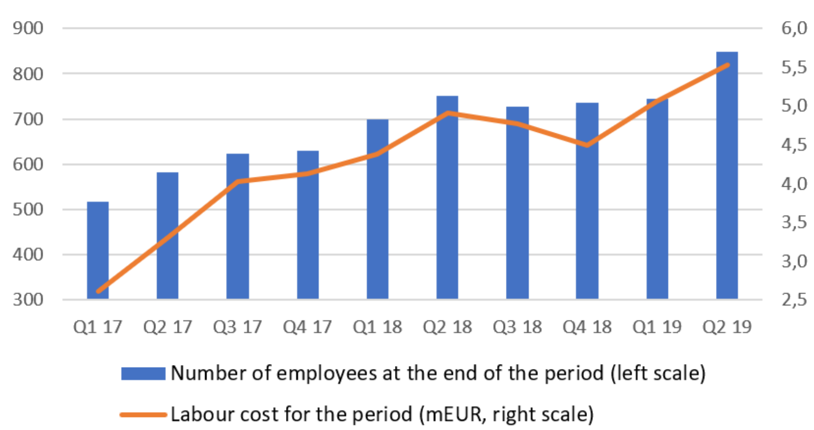
Employees per country




In the reporting quarter, 5.5 (Q2 2018: 4.9) and during the 6 months 10.6 (6m 2018: 9.3) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,335 euros, an increase of 5.1% to the comparable period. The cost of wages was affected by the hiring of new workers in Sweden, but also by the decision of the Republic of Lithuania to calculate part of the social tax as the gross salary of the employee. The last amendment did not have a significant impact on the labour costs of the Group.

| | **Average numbers of employees** | | | | **Numbers of employees 30 June** | | |
|---|---|---|---|---|---|---|---|
| | **Q2 2019** | **Q2 2018** | **6 months 2019** | **6 months 2018** | **2019** | **2018** | **+/-** |
| Estonia | 395 | 397 | 392 | 385 | 426 | 424 | *2* |
| Finland | 132 | 134 | 132 | 131 | 144 | 136 | *8* |
| Lithuania | 189 | 138 | 170 | 135 | 214 | 139 | *75* |
| Sweden | 63 | 44 | 62 | 45 | 64 | 53 | *11* |
| **Total** | **779** | **713** | **756** | **696** | **848** | **752** | **96** |

Personnel and labour cost



## SUPERVISORY AND MANAGEMENT BOARDS

The Supervisory Board of AS Harju Elekter has 5 members with the fallowing membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (TALTECH, Member of Board of Governors and Visiting Professor), 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 three members: Mr. Andres Allikmäe (Chairman and CEO of the Group), Mr. Tiit Atso (CFO of the Group) and Mr. Aron Kuhi-Thalfeldt (Head of real estate and energy division). The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise.

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 www.harjuelekter.com.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

On May 2, 2019, the Annual General Meeting of Shareholders of AS Harju Elekter (AGM) was held, in which 83 shareholders and their authorized representatives participated, representing a total of 12 173 587 votes, being 68.62% of the total votes.

The AGM approved the 2018 annual report and profit distribution and decided to pay dividends amounting to 0.18 euros per share, totally 3.2 million euros. The shareholders registered in the shareholders' registry on 16 May 2019 as of the end of the business day. The dividends transferred to the shareholders' bank accounts on May 24, 2019.

## SHARES OF HARJU ELEKTER AND SHAREHOLDERS

| **Security trading history:** | **2015** | **2016** | **2017** | **2018** | **6m 2019** |
|---|---|---|---|---|---|
| Opening price | 2.79 | 2.62 | 2.85 | 5.00 | 4.12 |
| Highest price | 3.14 | 2.94 | 5.08 | 6.68 | 5.20 |
| Lowest price | 2.49 | 2.43 | 2.80 | 3.89 | 4.11 |
| Closing price | 2.63 | 2.83 | 5.00 | 4.12 | 4.12 |
| Traded shares (pc) | 1,086,451 | 947,294 | 1,349,617 | 1,100,773 | 224,959 |
| Turnover (in million euros) | 2.96 | 2.45 | 5.46 | 5.98 | 1.04 |
| Capitalisation (in million euros) | 46.7 | 50.2 | 88.7 | 73.1 | 73.09 |
| Overage number of the shares | 17,550,851 | 17,739,880 | 17,739,880 | 17,739,880 | 17,739,880 |
| EPS | 0.18 | 0.18 | 1.64 | 0.09 | 0.06 |

Price of AS Harju Elekter share (in EUR) on Nasdaq Tallinn Stock Exchange between 1 January 2015 - 30 June 2019 (Nasdaq Tallinn, www.nasdaqbaltic.com)

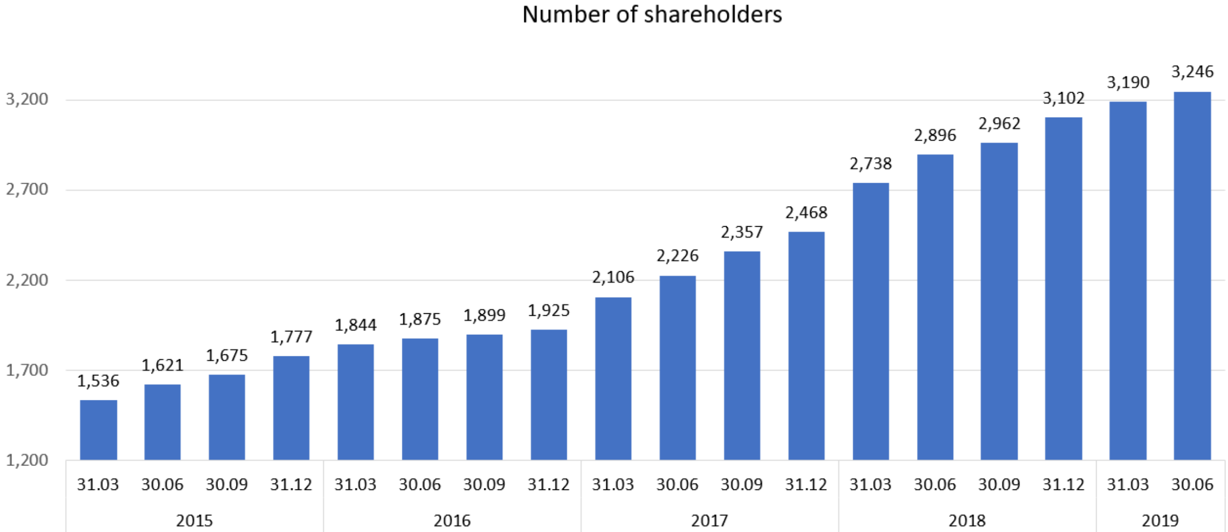

As at 30 June 2019, AS Harju Elekter had 3,246 shareholders. The number of shareholders increased during the accounting quarter by 56 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 30 June 2019, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.8% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Nasdaq Tallinn (www.nasdaqbaltic.com).

Division of shareholders by size of holding as at 30 June 2019:

| Holding | No of shareholders | % of all share-holders | % of votes held |
|---|---|---|---|
| > 10% | 2 | 0.1 | 42.1 |
| 1,0 - 10,0% | 7 | 0.2 | 20.6 |
| 0,1 - 1,0 % | 59 | 1.8 | 18.1 |
| < 0,1% | 3,178 | 97.9 | 19.2 |
| **Total** | **3,246** | **100.0** | **100.0** |

Shareholders (over 5%) as at 30 June 2019:

| Shareholders | Holding (%) |
|---|---|
| AS Harju KEK | 31.39 |
| ING Luxembourg S.A. | 10.71 |
| Endel Palla | 7.04 |
| Shareholders holding under 5% | 50.86 |
| **Total** | **100.00** |



# 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.

| | | |
|---|---|---|
| Andres Allikmäe | Chairman of the Management Board | 31 July 2019 |
| Tiit Atso | Member of the Management Board | 31 July 2019 |
| Aron Kuhi-Thalfeldt | Member of the Management Board | 31 July 2019 |

# INTERIM FINANCIAL STATEMENT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 30 June 2019 | 31 December 2018 | 30 June 2018 |
|---|---|---|---|---|
| **Currents assets** | | | | |
| Cash and cash equivalents | | 1,978 | 3,142 | 2,997 |
| Current financial investments | 2 | 0 | 0 | 5,251 |
| Trade and other receivables | | 29,894 | 22,218 | 24,248 |
| Prepayments | | 1,728 | 1,173 | 1,408 |
| Inventories | | 23,113 | 17,468 | 19,832 |
| **Total current assets** | | **56,713** | **44,001** | **53,736** |
| **Non-current assets** | | | | |
| Deferred income tax asset | | 97 | 98 | 56 |
| Non-current financial investments | 2 | 10,245 | 9,587 | 4,696 |
| Investment property | 3 | 19,610 | 19,804 | 18,528 |
| Property, plant and equipment | 4 | 20,916 | 17,403 | 13,896 |
| Intangible assets | 4 | 7,214 | 7,260 | 7,359 |
| **Total non-current assets** | | **58,082** | **54,152** | **44,535** |
| **TOTAL ASSETS** | 6 | **114,795** | **98,153** | **98,271** |
| **LIABILITIES AND EQUITY** | | | | |
| **Liabilities** | | | | |
| Borrowings | 5 | 12,299 | 6,656 | 3,893 |
| Prepayments from customers | | 2,536 | 1,740 | 1,678 |
| Trade and other payables | | 22,738 | 14,911 | 18,239 |
| Tax liabilities | | 3,259 | 2,409 | 3,492 |
| Current provision | | 32 | 14 | 44 |
| **Total current liabilities** | | **40,864** | **25,730** | **27,346** |
| Borrowings | 5 | 8,577 | 5,449 | 4,198 |
| Other non-current liabilities | | 66 | 35 | 35 |
| **Non-current liabilities** | | **8,643** | **5,484** | **4,233** |
| **Total liabilities** | | **49,507** | **31,214** | **31,579** |
| **Equity** | | | | |
| Share capital | | 11,176 | 11,176 | 11,176 |
| Share premium | | 804 | 804 | 804 |
| Reserves | | 3,213 | 2,665 | 2,715 |
| Retained earnings | | 50,148 | 52,316 | 51,978 |
| **Total equity attributable to equity holders of the parent** | | **65,341** | **66,961** | **66,673** |
| Non-controlling interests | | -53 | -22 | 19 |
| **Total equity** | | **65,288** | **66,939** | **66,692** |
| **TOTAL LIABILITIES AND EQUITY** | | **114,795** | **98,153** | **98,271** |

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

| | | 1 April - 30 June | | 1 January – 30 June | |
|---|---|---|---|---|---|
| | Note | **2019** | **2018** | **2019** | **2018** |
| Revenue | 6 | 40,606 | 33,851 | 69,889 | 59,837 |
| Cost of sales | | -35,519 | -29,049 | -61,014 | -51,691 |
| **Gross profit** | | **5,087** | **4,802** | **8,875** | **8,146** |
| Distribution costs | | -1,474 | -1,431 | -2,682 | -2,592 |
| Administrative expenses | | -2,450 | -2,187 | -4,634 | -4,116 |
| Other income | | 83 | 29 | 131 | 43 |
| Other expenses | | -51 | -47 | -188 | -83 |
| **Operating profit** | 6 | **1,195** | **1,166** | **1,502** | **1,398** |
| Finance income | | 24 | 342 | 125 | 353 |
| Finance costs | | -61 | -11 | -104 | -25 |
| **Profit before tax** | | **1,158** | **1,497** | **1,523** | **1,726** |
| Income tax | | -329 | -459 | -529 | -586 |
| **Profit for the period** | | **829** | **1,038** | **994** | **1,140** |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 843 | 1,047 | 1,025 | 1,180 |
| Non-controlling interests | | -14 | -9 | -31 | -40 |
| **Profit for the period** | | **829** | **1,038** | **994** | **1,140** |
| **Earnings per share** | | | | | |
| Basic earnings per share (EUR) | 7 | 0.05 | 0.06 | 0.06 | 0.07 |
| Diluted earnings per share (EUR) | 7 | 0.05 | 0.06 | 0.06 | 0.07 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 1 April - 30 June | | 1 January – 30 June | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Profit for the period** | **829** | **1,038** | **994** | **1,140** |
| **Other comprehensive income** | | | | |
| Net gain on revaluation of financial assets | 94 | 0 | 536 | 0 |
| Impact of exchange rate changes | -39 | -22 | -77 | -129 |
| **Total comprehensive income for the period** | **55** | **-22** | **459** | **-129** |
| **Other comprehensive income** | **884** | **1,016** | **1,453** | **1,011** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | 898 | 1,025 | 1,484 | 1,051 |
| Non-controlling interests | -14 | -9 | -31 | -40 |
| **Total comprehensive income for the period** | **884** | **1,016** | **1,453** | **1,011** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 1 January – 30 June 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | 994 | 1,140 |
| Adjustments for: | | | |
| Depreciation and amortization | 3,4 | 1,730 | 1,249 |
| Gain on sale of property, plant and equipment | 8 | -46 | -18 |
| Share-based payment | | 89 | 8 |
| Finance income | | -125 | -353 |
| Finance costs | | 104 | 25 |
| Income tax expense | 8 | 529 | 586 |
| Changes in: | | | |
| Change in receivables related to operating activity | | -8,068 | -8,417 |
| Change in inventories | | -5,646 | -4,670 |
| Change in payables related to operating activity | | 9,605 | 4,529 |
| Corporate income tax paid | 8 | -470 | -581 |
| Interest paid | | -83 | -20 |
| **Total cash flow (-outflow) from operating activities** | | **-1,387** | **-6,522** |
| **Cash flows from investing activities** | | | |
| Acquisition of investment property | 8 | -288 | -1,072 |
| Acquisition of property. plant and equipment | 8 | -2,563 | -2,387 |
| Acquisition of intangible assets | 8 | -175 | -185 |
| Acquisition of subsidiaries, net of cash acquired | | 0 | -2,906 |
| Acquisition of financial investments | | -125 | -99 |
| Proceeds from sale of property, plant and equipment | 8 | 108 | 57 |
| Proceeds from sale of other financial investments | | 0 | 5,000 |
| Loans granted | | -100 | 0 |
| Interest received | | 0 | 16 |
| Dividends received | | 121 | 133 |
| **Total cash flow (-outflow) from investing activities** | | **-3,022** | **-1,443** |
| **Cash flows from financing activities** | | | |
| Change in overdraft balance | 5 | 6,049 | 3,236 |
| Proceeds from borrowings | 5 | 1,627 | 1,748 |
| Repayment of borrowings | 5 | -408 | -278 |
| Other non-current liabilities | | 31 | 35 |
| Repayments of lease liabilities | | -632 | -150 |
| Dividends paid | | -3,193 | -4,258 |
| Dividends income tax paid | | -166 | -242 |
| **Total cash flow (-outflow) from financing activities** | | **3,308** | **91** |
| **Total net cash flow (-outflow)** | | **-1,101** | **-7,874** |
| **Cash and cash equivalents at the beginning of the period** | | **3,142** | **10,992** |
| Changes in cash and cash equivalents | | -1,101 | -7,874 |
| Effect of exchange rate fluctuations on cash held | | -63 | -121 |
| **Cash and cash equivalents at the end of the period** | | **1,978** | **2,997** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 1 January- 30 June | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Reser-ves | Retained earnings | Total | | |
| **Balance at 1 January 2018** | **11,176** | **804** | **2,844** | **55,048** | **69,872** | **59** | **69,931** |
| **Comprehensive income** | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 1,180 | 1,180 | -40 | 1,140 |
| Other comprehensive income | 0 | 0 | -129 | 0 | -129 | 0 | -129 |
| **Total comprehensive income** | **0** | **0** | **-129** | **1,180** | **1,051** | **-40** | **1,011** |
| **Transaction with owners recognized directly in equity** | | | | | | | |
| Share-based payments | 0 | 0 | 0 | 8 | 8 | 0 | 8 |
| Dividends | 0 | 0 | 0 | -4,258 | -4,258 | 0 | -4,258 |
| **Total transactions with owners** | **0** | **0** | **0** | **-4,250** | **-4,250** | **0** | **-4,250** |
| **Balance at 30 June 2018** | **11,176** | **804** | **2,715** | **51,978** | **66,673** | **19** | **66,692** |
| **Balance at 1 January 2019** | **11,176** | **804** | **2,665** | **52,316** | **66,961** | **-22** | **66,939** |
| **Comprehensive income** | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 1,025 | 1,025 | -31 | 994 |
| Other comprehensive income | 0 | 0 | 459 | 0 | 459 | 0 | 459 |
| **Total comprehensive income** | **0** | **0** | **459** | **1,025** | **1,484** | **-31** | **1,453** |
| **Transaction with owners recognized directly in equity** | | | | | | | |
| Share-based payments | 0 | 0 | 89 | 0 | 89 | 0 | 89 |
| Dividends | 0 | 0 | 0 | -3,193 | -3,193 | 0 | -3,193 |
| **Total transactions with owners** | **0** | **0** | **89** | **-3,193** | **3,104** | **0** | **3,104** |
| **Balance at 30 June 2019** | **11,176** | **804** | **3,213** | **50,148** | **65,341** | **-53** | **65,288** |

# NOTES TO INTERIM FINANCIAL STATEMENT

## Note 1 Accounting methods and valuation principles

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30 June 2019 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy (subsidiary of Satmatic Oy), Telesilta Oy, Harju Elekter AB, SEBAB AB, Grytek AB, HARJU ELEKTER UAB. AS Harju Elekter has been listed at Tallinn Stock Exchange since 31 December 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 EU) 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 2018. The interim report should be read in conjunction with the Group's annual report of 2018, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for the 2019 second quarter 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 presentation currency is euro. 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.

***Changes in significant accounting policies***

AS Harju Elekter has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group’s financial statements.

*IFRS 16 Leases*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces standard IAS 17 and associated interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminated the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Lessees will be required to recognize:

- Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- Depreciation of lease assets separately from interest on lease liabilities in the statement of profit and loss.

Group has reviewed all of the Group’s leasing arrangements in light of the new lease accounting rules in IFRS 16 and intends to apply the simplified transition approach from the beginning of 2019 and will not restate comparative amounts for the year prior to first adoption. As the result of application, the Group’s total assets in the balance sheet as at 1 January 2019 increased 2,118 thousand euros and liabilities increased 2,118 thousand euros.

The lease commitments recognized as operating leases at the reporting date recognized at the present value of the remaining lease payments, discounted using the Group’s weighted average incremental borrowing rate of 1.6%. Incremental borrowing rate is the interest rate the Group would have to pay if, instead of leasing, it finances the purchase of the same asset with a loan. At transition the right-of-use assets are measured at the amount of the initial measurement of lease liability.

The depreciation of the right-of-use asset is not longer than the lease term. The Group has decided to recognize as a periodical cost in the statement of profit and loss all lease costs from lease contracts where a remaining lease term is less than 12 months and the costs for leases of low value assets.

## Note 2 Financial investments

| As at 30 June | 2019 | 2018 |
|---|---|---|
| Listed securities (available-for-sale financial assets at fair value) | 0 | 5,251 |
| **Total current financial investments** | **0** | **5,251** |
| Listed securities (fair value through other comprehensive income) | 5,374 | 0 |
| Other equity investments (fair value through other comprehensive income) | 4,863 | 4,684 |
| Other financial assets through profit or loss | 8 | 12 |
| **Total non-current financial investments** | **10,245** | **4,696** |
| **Total** | **10,245** | **9,947** |

| Changes from 1 January to 30 June | 2019 | 2018 |
|---|---|---|
| **1. Current financial assets at fair value through profit and loss** | | |
| Carrying amount at the beginning of the period | 0 | 4,935 |
| Acquisitions | 0 | 99 |
| Change in fair value through profit and loss | 0 | 217 |
| **Carrying amount at the end of the period** | **0** | **5,251** |
| **2. Financial assets at fair value through other comprehensive income** | | |
| Carrying amount at the beginning of the period | 9,576 | 4,684 |
| Acquisitions | 125 | |
| Change in fair value through other comprehensive income | 536 | 0 |
| **Carrying amount at the end of the period** | **10,237** | **4,684** |
| **3. Non-Current financial assets at fair value through profit and loss** | | |
| Carrying amount at the beginning of the period | 11 | 0 |
| Acquisitions | 0 | 12 |
| Change in fair value through profit and loss | -3 | 0 |
| **Carrying amount at the end of the period** | **8** | **12** |
| **Total carrying amount at the end of the period** | **10,245** | **9,947** |

In the third quarter of 2017, the Group placed 5.0 million euros to the securities of listed companies. In the fourth quarter of 2018, the Group decided to reclassify those as non-current financial asset. In the reporting quarter, securities of listed companies on the Helsinki Stock Exchange were acquired in the amount of 0.1 million euros.

## Note 3 Investment property

| 1 January – 30 June | 2019 | 2018 |
|---|---|---|
| Balance at the beginning of the year | 19,804 | 17,881 |
| Additions | 211 | 996 |
| Depreciation | -405 | -349 |
| **At the end of the period** | **19,610** | **18,528** |

## Note 4 Property, plant and equipment; intangible assets

| 1 January – 30 June | Note | 2019 | 2018 |
|---|---|---|---|
| **1. Property, plant and equipment** | | | |
| Balance at the beginning of the year | | 17,403 | 11,983 |
| Right-of-use assets (IFRS 16 initial application) | 1 | 2,118 | 0 |
| Additions | | 2,562 | 2,387 |
| Acquisitions through business combinations | | 0 | 126 |
| Disposals | | -62 | -39 |
| Depreciation | | -1,099 | -553 |
| Impact of exchange rate changes | | -6 | -8 |
| **At the end of the period** | | **20,916** | **13,896** |
| **2. Intangible assets** | | | |
| Balance at the beginning of the year | | 7,260 | 6,660 |
| Additions | | 180 | 185 |
| Acquisitions through business combinations | | 0 | 864 |
| Depreciation | | -226 | -347 |
| Impact of exchange rate changes | | 0 | -3 |
| **At the end of the period** | | **7,214** | **7,359** |

## Note 5 Borrowings

| As at 30 June | 2019 | 2018 |
|---|---|---|
| **Current borrowings** | | |
| Current bank loans | 11,015 | 3,236 |
| Current portion of long-term bank loans | 578 | 233 |
| Current portion of lease liabilities | 581 | 155 |
| Current loans from related parties | 125 | 269 |
| **Total current borrowings** | **12,299** | **3,893** |
| **Non-current borrowings** | | |
| Non-current bank loans | 4,964 | 3,888 |
| Non-current lease liabilities | 3,613 | 310 |
| **Total non-current borrowings** | **8,577** | **4,198** |
| **Total borrowings** | **20,876** | **8,091** |

| Changes from 1 January to 30 June | 2019 | 2018 |
|---|---|---|
| **Loans and borrowings at the beginning of the year** | **12,105** | **3,535** |
| Change in overdraft balances | 6,049 | 3,236 |
| Received current loan from related parties | 95 | 269 |
| Received non-current bank loans | 1,532 | 1,479 |
| Repayments of non-current loans | -408 | -278 |
| New lease liabilities | 2,172 | 0 |
| Repayments of non-current lease liabilities | -669 | -150 |
| **Loans and borrowings at the end of the period** | **20,876** | **8,091** |

## Note 6 Segment reporting

Three segments- Production, Real Estate and Other activities are distinguished in the consolidated financial statements.

***Production*** – The manufacture and sale of power distribution and control systems as well as services related to manufacturing. This segment includes the Group's companies AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Harju Elekter Kiinteistöt Oy, HARJU ELEKTER UAB, SEBAB AB and Grytek AB.

***Real Estate*** - Real estate development, maintenance and rental, services related to managing real estate and production capacities 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 Parent company.

***Other activities*** - The segment is involved in selling products of the Group and companies related to the Group as well as other goods necessary for electrical installation works mainly to retail customers and small- and medium-sized electrical installation companies and in providing management services as well as electrical installation works for the shipbuilding. This segment includes the Parent Company and the Group's subsidiaries Energo Veritas OÜ, Harju Elekter AB 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 cash, other receivables, prepayments and other financial investments. Unallocated liabilities consist of the Parent company's (Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

| 1 January – 30 June | Note | **Production** | **Real Estate** | **Other activities** | **Elimi-nation** | **Consoli-dated** |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Revenue from external customers | | 48,168 | 1,220 | 10,449 | 0 | 59,837 |
| Inter-segment revenue | | 1,078 | 659 | 378 | -2,115 | 0 |
| **Segment revenue** | | **49,246** | **1,879** | **10,827** | **-2,115** | **59,837** |
| **Operating profit** | | **1,454** | **-70** | **15** | **-1** | **1,398** |
| Segment assets | | 66,794 | 18,996 | 11,777 | -16,259 | 81,308 |
| Unallocated assets | | | | | | 16,963 |
| *incl. Cash and cash equivalents* | | | | | | *297* |
| *incl. Shares and other securities* | | | | | | *14,529* |
| *incl. Other receivables and pre-payments* | | | | | | *252* |
| **Total assets** | | | | | | **98,271** |
| Capital expenditure | 3.4 | 3,500 | 996 | 59 | 0 | 4,555 |
| Depreciation and amortization | 3.4 | 534 | 349 | 376 | -10 | 1,249 |
| **2019** | | | | | | |
| Revenue from external customers | | 61,514 | 1,701 | 6,674 | 0 | 69,889 |
| Inter-segment revenue | | 1,836 | 710 | 314 | -2,860 | ,0 |
| **Segment revenue** | | **63,350** | **2,411** | **6,988** | **-2,860** | **69,889** |
| **Operating profit** | | **1,898** | **798** | **-1,137** | **-57** | **1,502** |
| Segment assets | | 74,178 | 21,100 | 22,613 | -14,372 | 103,519 |
| Unallocated assets | | | | | | 11,277 |
| *incl. Cash and cash equivalents* | | | | | | *864* |
| *incl. Shares and other securities* | | | | | | *10,238* |
| *incl. Other receivables and pre-payments* | | | | | | *175* |
| **Total assets** | | | | | | **114,795** |
| Capital expenditure | 3.4 | 2,425 | 211 | 317 | 0 | 2,953 |
| IFRS 16 Right-of-use assets | 4 | 1,629 | 0 | 489 | | 2,118 |
| Depreciation and amortization | 3.4 | 990 | 405 | 344 | -9 | 1,730 |

**Revenue by geographic regions (customer location)**

| 1 January – 30 June | 2019 | 2018 |
|---|---|---|
| Estonia | 8,550 | 6,372 |
| Finland | 38,331 | 41,659 |
| Sweden | 9,364 | 4,976 |
| Norway | 9,480 | 3,320 |
| Netherlands | 3,458 | 541 |
| Other | 706 | 2,969 |
| **Total revenue** | **69,889** | **59,837** |

**Revenue by business activity:**

| 1 January – 30 June | 2019 | 2018 |
|---|---|---|
| Electrical equipment | 61,293 | 47,618 |
| Retail and project-based sale of electrical equipment | 3,949 | 3,312 |
| Other products | 963 | 752 |
| Lease income | 1,328 | 1,028 |
| Electrical works | 1,568 | 6,575 |
| Other services | 788 | 552 |
| **Total** | **69,889** | **59,837** |

## Note 7 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 30 June 2019, the Group had a total of 657,275 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 first round was 3.49 euros and in the second round, 3.98 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 share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the first round and 0.73 euros in the second round. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros and 4.71 euros and the potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 April to 30 June 2019, the average market price of the first-round shares was 4.54 euros and from 17 June to 30 June 2019, the average market price of the second-round shares was 4.36 euros. Therefore, the potential shares had no dilutive impact.

| 1 April – 30 June | Unit | 2019 | 2018 |
|---|---|---|---|
| Profit attributable to equity holders of the parent | EUR '000 | 843 | 1,047 |
| Average number of shares outstanding | Pc '000 | 17,740 | 17,740 |
| Basic earnings per share | EUR | 0.05 | 0.06 |
| Adjusted number of shares during the period | Pc '000 | 17,740 | 17,740 |
| Diluted earnings per share | EUR | 0.05 | 0.06 |

| 1 January – 30 June | Unit | 2019 | 2018 |
|---|---|---|---|
| Profit attributable to equity holders of the parent | EUR '000 | 1,025 | 1,180 |
| Average number of shares outstanding | Pc '000 | 17,740 | 17,740 |
| Basic earnings per share | EUR | 0.06 | 0.07 |
| Adjusted number of shares during the period | Pc '000 | 17,740 | 17,741 |
| Diluted earnings per share | EUR | 0.06 | 0.07 |

## Note 8 Information on the statement of cash flows line items

| 1 January – 30 June | Note | 2019 | 2018 |
|---|---|---|---|
| **Corporate income tax** | | | |
| Income tax expense in the statement of profit or loss | | -529 | -586 |
| Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability | | -107 | -349 |
| Income tax prepayment/liability arising on the acquisition of a subsidiary | | 0 | 112 |
| Income tax expense on dividends | | 166 | 242 |
| **Corporate income tax paid** | | **-470** | **-581** |
| **Paid for investment properties** | | | |
| Acquisitions of investment properties | 3 | -211 | -996 |
| Liability decrease (-)/ increase (+) incurred by purchase | | -77 | -76 |
| **Paid for investment properties** | | **-288** | **-1 072** |
| **Paid for property, plant and equipment** | | | |
| Additions of property, plant and equipment | 4 | -2,562 | -2,387 |
| Liability decrease (-)/ increase (+) incurred by purchase | | -1 | 0 |
| **Paid for property, plant and equipment** | | **-2,563** | **-2,387** |
| **Proceeds from sale of property, plant and equipment** | | | |
| Book values of disposed property, plant and equipment | 4 | 62 | 39 |
| Profit on disposal of property, plant and equipment | | 46 | 18 |
| **Proceeds from sale of property, plant and equipment** | | **108** | **57** |
| **Paid for intangible assets** | | | |
| Additions of intangible assets | 4 | -180 | -185 |
| Liability decrease (-)/ increase (+) incurred by purchase | | 5 | 0 |
| **Paid for intangible assets** | | **-175** | **-185** |

## Note 9 Transactions with related parties

The related party of AS Harju Elekter includes, 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.

For the 6 months, the Group has made transactions with related parties as follows:

| As at 30 June | 2019 | 2018 |
|---|---|---|
| **Balances with related parties:** | | |
| - Loans from the members of the management boards of the subsidiaries and from companies associated with them | 125 | 269 |
| - Payables for goods and services | 151 | 0 |

| 1 January – 30 June | 2019 | 2018 |
|---|---|---|
| **Purchase of goods and services from related parties:** | | |
| - Lease of property, plant and equipment from Harju KEK | 56 | 58 |
| - Lease payments to a company associated with a member of the Management Board of a subsidiary | 175 | 148 |
| **Sale of goods and services to related parties:** | | |
| - Other services for Harju KEK | 1 | 1 |
| **Remuneration of the Management and Supervisory Boards** | | |
| - Salary, bonuses, additional remuneration | 194 | 217 |
| - Social security tax | 64 | 72 |

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: Chairman in the amount of 10 months and other members 8 months remuneration of a member of the Management Board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthlies remuneration of a development manager. Members of the Management Board have no rights related to pension. During the reporting quarter and 12-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 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.

As at the reporting date, the total number of potential ordinary shares to be issued was 657,275. In the first half of 2019, share-based payments recognised as labour costs totalled 89,000 euros, of which the share of the members of the Management and Supervisory Boards comprised 14,000 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 2019 second quarter and 6 months as set out on pages 14 to 25 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 consolidate 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.

| | | | |
|---|---|---|---|
| Andres Allikmäe | Chairman of the Management Board | 31 July 2019 | |
| Tiit Atso | Member of the Management Board | 31 July 2019 | |
| Aron Kuhi-Thalfeldt | Member of the Management Board | 31 July 2019 | |