



CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE III QUARTER AND 9 MONTHS OF 2019

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ORGANISATION

Harju Elekter Group

30 September 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, adding value for shareholders 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 THIRD QUARTER AND 9 MONTHS RESULTS

Revenue

The consolidated unaudited revenue for the third quarter of 2019 was 42.3 (Q3 2018: 29.3) million euros, an increase of 44.2% over the comparable period. Consolidated revenue for the first nine months increased by 25.8%, reaching 112.2 (9m 2018: 89.1) million euros.

Financial result

The consolidated gross profit for the reporting quarter was 5,375 (Q3 2018: 2,963) thousand euros, the gross margin was 12.7% (Q3 2018: 10.1%). Consolidated operating profit (EBIT) for the second quarter was 1,561 (Q3 2018: 9) thousand euros and the consolidated net profit was 1,319 (Q3 2018: 18) thousand euros. Earnings per share (EPS) was 0.08 (Q3 2018: 0.00) in the reporting quarter.

The consolidated gross profit for the reporting first nine months was 14,249 (9m 2018: 11,108) thousand euros and the gross margin was 12.7% (9m 2018: 12.5%). Consolidated operating profit (EBIT) was earned in 9 months 3,064 (9m 2018: 1,406) thousand euros. Overall, the consolidated net profit of the first nine months of 2019 was 2,313 (9m 2018: 1,157) thousand euros and earnings per share (EPS) was 0.13 (9m 2018: 0.07).

Investments

In the reporting period, the Group invested a total of 4.4 million euros in non-current assets, incl. 0.7 million euros in investment properties, 3.4 million euros in property, plant and equipment and 0.3 million euros in intangible assets. The vast majority of the investments, i.e. 2.2 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 sale office and the central warehouse of the Estonian subsidiary, and into the development projects of the Group's companies and industrial parks. In the comparable period, a total of 7.5 million euros were invested into non-current assets, of which 1.0 million euros was acquired through business combinations. The remaining amount was used for the subsidiary's Finn-Power production line, construction of the Allika industrial park and Haapsalu solar power plant.

Current assets

Similarly, to revenue increase, the volume of Group's current assets increased 24.7% by 10.9 million euros to 54.9 million. Compared with the comparable period, the current assets have increased by 4.3 million euros. Growth was mostly affected by an increase in trade and other receivables, that grew by 7.8 million euros, which was due to the high season occurring in the summer months. 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 5.4 million euros in comparison to the comparable period.

Liabilities

As at the reporting date, the Group had total liabilities of 46.2 million euros, of which short-term liabilities accounted for 80.4% (30 September 2018: 85.5%). Short-term liabilities increased by 11.0 million euros year-on-year, to 37.2 million euros, incl. an increase in trade and other payables by 4.1 million euros in total, to 20.1 million euros and increase in borrowings by 5.5 million euros, to 10.8 million euros. Long-term borrowings increased by 4.6 million euros to 9.0 million euros. Long-term loans and leases 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 amount of current and non-current borrowings has increased by 1.7 million euros.

Consolidated 9 months
REVENUE

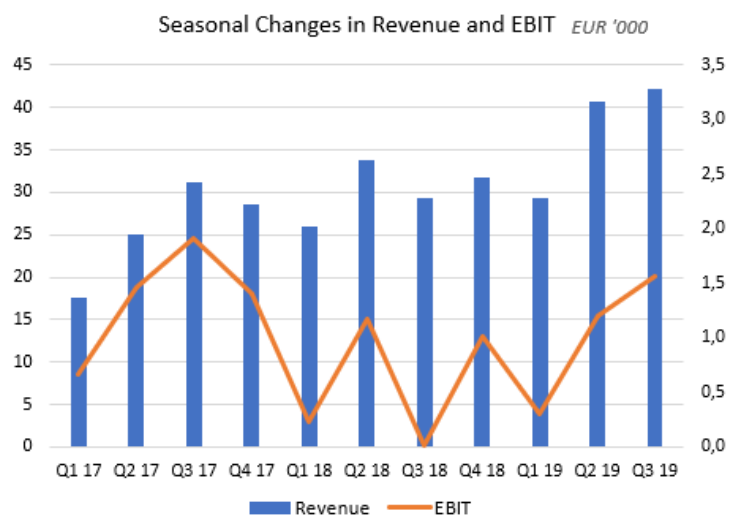
112.2 million euros
(9m 2018: 89.1)

Consolidated 9 months
EBIT

3.1 million euros
(9m 2018: 1.4)

Consolidated 9 months
NET PROFIT

2.3 million euros
(9m 2018: 1.2)

Consolidated 9 months
REVENUE CHANGE

26%

Consolidated 9 months
EBIT CHANGE

118%

Key indicators

(EUR '000)

	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- 9m/9m
Revenue	42,262	29,298	44%	112,150	89,134	26%
Gross profit	5,375	2,963	81%	14,249	11,108	28%
EBITDA	2,446	653	275%	5,679	3,300	72%
Operating profit (EBIT)	1,561	9	19,498%	3,064	1,406	118%
Profit for the period	1,319	18	7,653%	2,313	1,157	100%
Incl. attributed to Owners of the Company	1,359	11	12,699%	2,384	1,190	100%
Earnings per share (EPS)	0.08	0.00	12,699%	0.13	0.07	100%

Ratios

(%)

	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- 9m/9m
Distribution cost to revenue	3.6	3.6	0.0	3.7	4.1	-0.3
Administrative expenses to revenue	5.4	6.4	-1.0	6.2	6.7	-0.6
Labour cost to revenue	14.6	19.9	-5.2	17.3	20.2	-2.9
Gross margin (gross profit/revenue)	12.7	10.1	2.6	12.7	12.5	0.2
EBITDA marginal (EBITDA/revenue)	5.8	3.7	2.1	5.1	3.7	1.4
Operating margin (EBIT/revenue)	3.7	0.0	3.7	2.7	1.6	1.2
Net margin (profit for the period /revenue)	3.1	0.1	3.1	2.1	1.3	0.8
Return of equity ROE (profit for the period/average equity)	2.0	0.1	1.9	3.5	1.7	1.8

(%)

	30 Sep 2019	30 Sep 2018	+/-
Equity ratio (equity/total assets)	59.1	68.5	-9.5
Current ratio (average current assets/average short-term liabilities)	1.5	1.9	-0.5
Quick ratio ((current assets - inventories)/ average current liabilities)	1.0	1.2	-0.2

COMMENTARY FROM THE MANAGEMENT

The Group's indicators for the reporting period are as expected and the Group's goal to continue increasing the market share in the Nordic countries has shown a positive result. The Lithuanian and Swedish subsidiaries increased their sales turnovers and Finnish subsidiaries that focus on production managed to compensate for some decline in the sale of energy network products with a growth in industrial sector and renewable energy projects. The factory expansion that supports the growth of the Lithuanian subsidiary has multiplied their sales volume. The third quarter and nine months consolidated sales revenue of AS Harju Elekter have reached a record level when compared to the previous periods and are 42.3 million euros and 112.1 million euros, respectively.

In recent years, investments have been made into the development of existing companies and into acquiring new companies but increasing the profitability of the investments still takes time. The profitability was influenced by adapting the administrative capacity of the subsidiaries to the Group's needs and was also affected by the client's decisions to spread their investment over a longer period than before. The Groups' operating profit in the third quarter was 1.6 (Q3 2018: 0) million euros and for the nine months 3.1 (9m 2018: 1.4) million euros.

This year, the management of subsidiaries has been strengthened. In the nearest quarters, the subsidiaries shall participate in several procurements and projects, the success of which allows us to reinforce our market positions and move on to providing new innovative products and services in the future.

CHANGES IN THE BOARDS OF GROUP COMPANIES

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.

There was also a change in the management of Telesilta Oy, where the current member of the board and project manager Joonas Puustelli was appointed as the CEO as of 1 October 2019. The long-time Managing Director of Telesilta Oy, Kari Laulajainen, will continue at least to the end of the year 2020.

As of 1.1.2020, a new CEO has also been appointed for Swedish subsidiaries SEBAB AB and Grytek AB. Mikael Schwartz Jonsson will start working with the Harju Elekter Group on 1 October 2019 and will work in close cooperation with the current CEO during the three-month transition period. The long-term CEO of SEBAB AB and Grytek AB, Thomas Andersson, will take the position of Sales and Marketing Director in Sweden from 1st of January 2020.

MAIN EVENTS

- In September, Lithuanian subsidiary festively opened a new production hall in Panevėžys. During nearly a year of expansion works, the subsidiary's office and production spaces increased from 2,500 sq.m. to 9,000 sq.m. In addition, 1.9 hectares of land adjacent to the already existing properties were purchased this year to ensure the possibility of future expansion. The total volume of investments was 3.5 million euros. Investments in the expansion of the production facility and upgrade of technology add notable production capacity to secure supplies for the customers in the segments of shipbuilding and industry.



- In Q3, Telesilta Oy completed several big projects. In August, the working vessel Hydrograf-17 was completed, built for the Poland Gdynia Maritime Administration at the UTV Uusikaupunki shipyard, where Telesilta Oy was the main contractor for the electric works. In September, the UTV shipyard delivered to their client the first hybrid ferry Elvy, manufactured in Finland, the electrical and navigation system turnkey solution of which was completed at Telesilta Oy. The ferry will start operating on the River Göta in Sweden.



- On 30.08.2019, a purchase and sale agreement was signed in which Satmatic Oy, a subsidiary of Harju Elekter AS, bought the real estate company Kiinteistö Oy Ulvila Sammontie 9, owned by the Municipality of Ulvila. Transaction price was 2.0 million euros. In the course of the transaction, Satmatic Oy acquired an immovable of 0.86 ha with production surfaces on the property of 4,330 sq.m. The transaction was the conclusion of the contract signed on 17.11.2008 by Satmatic Oy, a subsidiary of Harju Elekter AS, and the Municipality of Ulvila, according to which Satmatic Oy was entitled to acquire Sammontie 9, Ulvila's property with a production building built there after a 10-year lease. The activity follows the principle according to which the production areas used by the Group companies belong to the Group's ownership

- The daily business activities and production organisation of the group's company are based on an international standard of the relevant quality and environment policy. The valid ISO 9001 quality standard has been implemented in most of the group's production companies. Telesilta Oy started the preparation for the implementation of ISO 9001 in 2018. In September this year, Bureau Veritas acknowledged the company's business and production management compliant with the international quality standard ISO 9001 and issued a relevant certificate.

- Finland's economic newspaper Kauppalehti awarded Finnkumu Oy the Menestyvät 2019 title based on their economic results from June 2018 to May 2019. Such acknowledgement is given to companies with a well-established economic activity, stable growth, good results and profitability, strong financial structure, and liquidity to ensure sustainable activity.

- Through co-operation of the group's subsidiaries – electrical goods project and retail seller Energo Veritas OÜ and metal factory AS Harju Elekter Teletehnika – four external fibre optic cabinet models were developed for Elektrilevi's fast internet network project (Last Mile). Cabinet deliveries started in September. In the next 5 years, Elektrilevi plans to invest about EUR 100 million into the project, of which the materials form about a fifth.

- The Supervisory Board and 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 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.



- 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.

- Energo Veritas OÜ, a project and retailer of electrical installation products, won the procurement of transformers for the distribution network Elektrilevi worth 1.3 million euros.

- 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 products. 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.



- Subsidiaries of the Group participated actively in professional fairs in Estonia, Finland and Sweden: 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 in September, at the Alihankinta fair, the cost-efficient contractual production model Satmatic Oy, vehicle charging solutions, and the sales of strongly growing components as well as the high-quality data network products of AS Harju Elekter were introduced. At the construction fairs in Estonia, the Group's trade group product range was mainly presented.

- 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, totaling 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.

OPERATING RESULTS

Revenue

The Group develops and manufactures electrical equipment, control and power automation devices and various metal products. In addition, sales revenue is also earned from the rental of industrial real estate and electricity works in the shipbuilding sector. The Group's revenue increased by 44.2% compared to the comparable period, reaching 42.3 (Q3 2018: 29.3) million euros during the reporting quarter. The sales revenue of the nine months was a record-breaking 112.2 (9m 2018: 89.1) million euros. The major part of the increase in the Group's revenue came from sales of electrical equipment, 11.7 million euros for the quarter comparison and 25.4 million euros for the 9-month comparison. Primarily, the volumes of electrical equipment sold to the shipping and industrial sectors, i.e. produced in Lithuania, have increased.

The biggest change in the Group's shares of revenues by business activities was the volume of electrical works dropping to 2% of the Group's total revenue. The reason is large-volume electrical works projects that were ongoing in the shipbuilding sector in the first quarter of 2018, while the reporting period includes smaller-scale contracts.

Revenue by business activities (EUR '000)	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- Q/Q
Manufacturing and sale of electrical equipment	36,698	24,999	46.8%	97,992	72,617	34.9%
Retail and project-based sale of electrical products	2,856	2,077	37.5%	6,805	5,389	26.3%
Other products	528	366	44.3%	1,491	1,119	33.2%
Lease income	665	547	21.6%	1,993	1,575	26.5%
Electrical works	777	995	-21.9%	2,344	7,570	-69.0%
Other services	739	314	135.4%	1,525	864	76.5%
Total	42,262	29,298	44.2%	112,150	89,134	25.8%

Business segments

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

Production

The sales revenue in the Production segment increased by 11.7 million euros, to 36.6 million euros in the reporting quarter and by 25.0 to 98.2 million euros in the nine months. The revenue increase of the Production segment is caused by an increase in the sales of electrical equipment, which contributes to the main part (99%) of the total revenue of the Production segment. The Lithuanian company has mostly contributed to the increase in the revenue of the Production segment, the production capacity of which has increased significantly thanks to the opening of a new production building while the revenues have tripled.

Real estate

The growth pace of the sales revenue from the Real estate segment is similar to the growth of revenue in previous quarters. With year-on-year comparison, the revenue has increased from 0.2 million euros to 0.8 million euros. During the nine months, Real estate segment sales totaled 2.5 million euros, accounting for 1.8% (9m 2018: 2.0%) of the Group's nine-month revenue. Rental income is earned 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 revenue of Other activities has increased by 1.1 million euros, to 4.9 million euros year-on-year and has declined by 2.7 million euros to 11.5 million euros for the nine-month comparison. Comparing with the comparable period, the reduction is caused by large-volume electrical works projects in the shipbuilding sector in the first half of 2018.

Revenue by segment (EUR '000)	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- Q/Q
Production	36,649	24,966	46.8%	98,163	73,134	34.2%
Real Estate	754	598	26.1%	2,455	1,818	35.0%
Other activities	4,858	3,734	30.1%	11,533	14,182	-18.7%
Total	42,262	29,298	44.2%	112,150	89,134	25.8%

Markets

Estonia

The Group's Estonian companies continue to contribute to the home market activities by participating in procurements, selling electrical products for retail and project sales, and offering different industrial rental premises for corporate customers. Sales to the Estonian market grew to 4.7 (Q3 2018: 4.3) million euros in Q3 and to 13.2 (9m 2018: 10.7) million euros in the 9 months and accounting for 11.0% and 11.8% (Q3 2018: 14.7% and 9m 2018: 12.0%) of the consolidated revenue, respectively.

Finland

Revenue increased by 1.1 million euros in the reporting quarter but decreased by 2.3 million euros in 9 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. However, the sales in the other electrical equipment increased. In the reporting quarter, Finland market accounted for 44.1% (Q3 2018: 60.0%) and in the 9 months, 50.8% (9m 2018: 66.5%) of the Group's consolidated revenue. Although its share is 15.7 percentage points less than in the previous period, it continues to be the largest market in the Group. The decrease in the Finnish market share of the Group's sales revenue was affected by the growth of revenue in both Sweden and Norway.

Sweden

The share of the Swedish market in the consolidated sales revenue continues rose, reaching 12.7% (Q3 2018: 11.7%) in the reporting quarter and 13.1% (9m 2018: 9.4%) in the 9 months. In the reporting quarter, sales in Sweden were 5.4 million euros and in the 9 months 14.7 million euros, increasing by 2.0 million euros and 6.4 million euros, respectively. The growth was ensured by an increase in the sales of substations in Sweden and adding bigger projects to the Swedish subsidiary, acquired in 2018.

Norway

As a result of the Group's Lithuanian subsidiary's successful sales, sales to the Norwegian market have increased the most, reaching the second position among the Group's markets. Sales to the Norwegian market accounted for 19.7% (Q3 2018: 7.9%) of the consolidated revenue in the reporting quarter and 15.9% (9m 2018: 6.3%) in the 9 months. In quarterly comparisons, sales to the Norwegian market increased by 6.0 million euros to 8.3 million euros and in the first nine months by 12.1 million euros to 17.8 million euros.

Netherlands

From the second half of 2018, the Group started deliveries and supplies to the Netherlands, where we have managed to retain a stable revenue growth. In quarterly comparison, sales to the Netherlands market increased by 2.9 million euros and in the first nine months by 7.0 million euros. The Netherlands made up 9.7% (Q3 2018: 4.0%) of the consolidated revenue in the reporting quarter and 6.7% (9M 2018: 0.6%) in the 9 months.

Contribution to the consolidated 9 months revenue

FINNISH companies

45%

(9m 2018: 61%)

LITHUANIAN companies

24%

(9m 2018: 12%)

ESTONIAN companies

18%

(9m 2018: 18%)

SWEDISH companies

13%

(9m 2018: 9%)

Markets (EUR '000)	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- Q/Q
Estonia	4,651	4,302	8.1%	13,200	10,674	23.7%
Finland	18,640	17,577	6.0%	56,972	59,236	-3.8%
Sweden	5,381	3,416	57.5%	14,745	8,391	75.7%
Norway	8,314	2,326	257.5%	17,794	5,646	215.2%
Netherlands	4,106	1,186	246.2%	7,564	1,727	1298.0%
Other	1,170	491	138.3%	1,876	3,460	-59.6%
Total	42,262	29,298	44.2%	112,150	89,134	25.8%

Operating expenses

(EUR'000)	Q3 2019	Q3 2018	+/- Q/Q	9 months 2019	9 months 2018	+/- Q/Q
Cost of sales	36,887	26,335	40.1%	97,901	78,026	25.5%
Distribution costs	1,516	1,052	44.1%	4,198	3,644	15.2%
Administrative expenses	2,296	1,882	21.9%	6,929	5,998	15.5%
Total operating expenses	40,699	29,269	39.0%	109,028	87,668	24.4%
<i>incl. depreciation of fixed assets</i>	885	645	37.2%	2,615	1,894	38.1%
<i>incl. total labour cost</i>	6,191	5,817	6.4%	19,435	18,090	7.9%
<i>incl. inclusive salary cost</i>	5,031	4,766	5.6%	15,626	14,046	11.2%

Operating expenses of the reporting quarter were 40.7 (Q3 2018: 29.3) million euros and of the 9 months were 109.0 (9m 2018: 87.7) million euros in total. The principal part of the cost increase is attributable to the higher expenses on cost of sales: 10.6 million euros in the quarterly and 19.9 million euros in the yearly comparison, the growth rate was smaller than the increase of sales revenues. This increased the gross profit margin in relation to the comparable period by 2.6 and 0.2 percentage points, respectively.

Focusing on increasing export has also increased the marketing costs. The Group's companies have participated in several professional fairs and they actively search for possibilities to increase business volumes. Distribution costs have increased by 0.5 million compared to the comparable quarter and 0.6 million euros in the 9 months. The rate of distribution cost to revenue has remained at the same level (3,6%) quarter on quarter comparison but decreased to 3.7% (9m 2018: 4.1%) in the 9 months 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 0.4 million euros increase of administrative expenses in the quarterly comparison and 0.9 million euros increase compared to the 9 months. At the same time, share of administrative expenses in the Group revenues has decreased, accounting for 5.4% (Q3 2018: 6.4%) of the reporting quarter and 6.2% (9m 2018: 6.7%) of the 9 months revenue.

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 6.4%, to 6.2 million euros year-on-year and by 7.9% to 19.4 million euros in the 9 months comparison. Labor costs rate decreased in both, quarterly and 9 months comparisons, accounting for 14.6% (Q3 2018: 19.9%) and 17.3% (Q9 2018: 20.2%), respectively.

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 0.7 million euros to 2.6 million euros in the 9-month comparison.

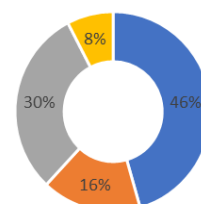
EMPLOYEES AND REMUNERATION

As of the end of the reporting period, the Group had 799 employees, being 71 employees more than a year ago. Largest change of the employees (109 people) was due to the significantly increased production volumes in the Lithuanian subsidiary. During the nine months, the Group employed an average of 779 people, which was an average of 70 employees more than in the comparable period.

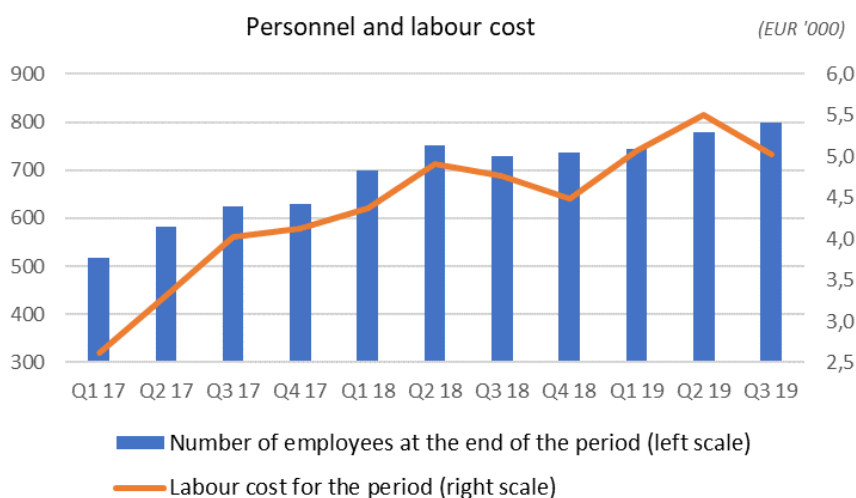
In the reporting quarter, 5.0 (Q3 2018: 4.8) and during the 9 months 15.6 (9m 2018: 14.0) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,230 euros, an increase of 1.2% to the comparable period. The cost of wages was affected by the hiring 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.

Employees per country as at 30 September 2019

■ Estonia 364 ■ Finland 131
■ Lithuania 243 ■ Sweden 61



	Average numbers of employees				Numbers of employees as at 30 September		
	Q3 2019	Q3 2018	9 months 2019	9 months 2018	2019	2018	+/-
Estonia	385	411	390	394	364	407	-43
Finland	134	136	133	133	131	131	0
Lithuania	243	133	194	134	243	134	109
Sweden	62	53	62	48	61	56	5
Total	824	733	779	709	799	728	71



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 (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

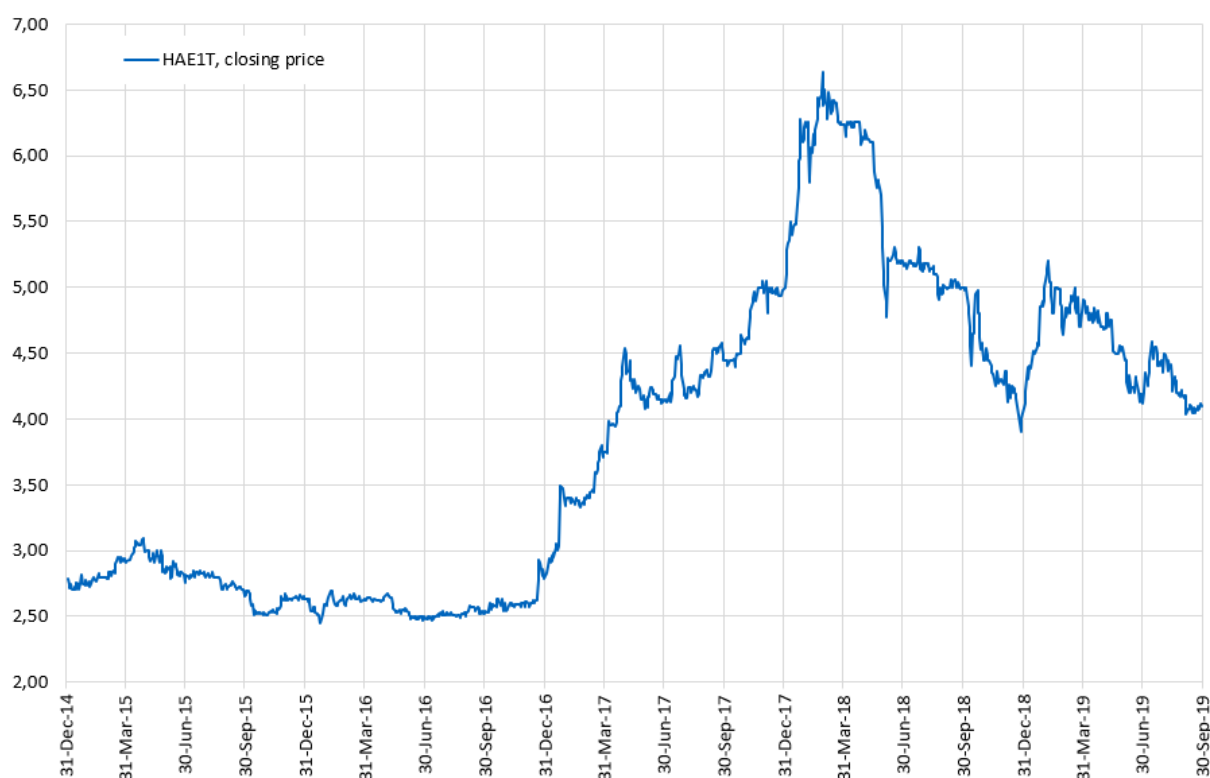
On May 2, 2019, the Annual General Meeting of Shareholders of AS Harju Elekter (AGM) was held, in which 83 shareholders and their authorized representatives participated, representing a total of 12 173 587 votes, being 68.62% of the total votes.

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 were transferred to the shareholders' bank accounts on May 24, 2019.

SHARES OF HARJU ELEKTER AND SHAREHOLDERS

Security trading history:	2015	2016	2017	2018	9m 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	4.03
Closing price	2.63	2.83	5.00	4.12	4.10
Traded shares (pc)	1,086,451	947,294	1,349,617	1,100,773	338,322
Turnover (in million euros)	2.96	2.45	5.46	5.98	1.52
Capitalisation (in million euros)	46.7	50.2	88.7	73.1	73.73
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	0.13

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



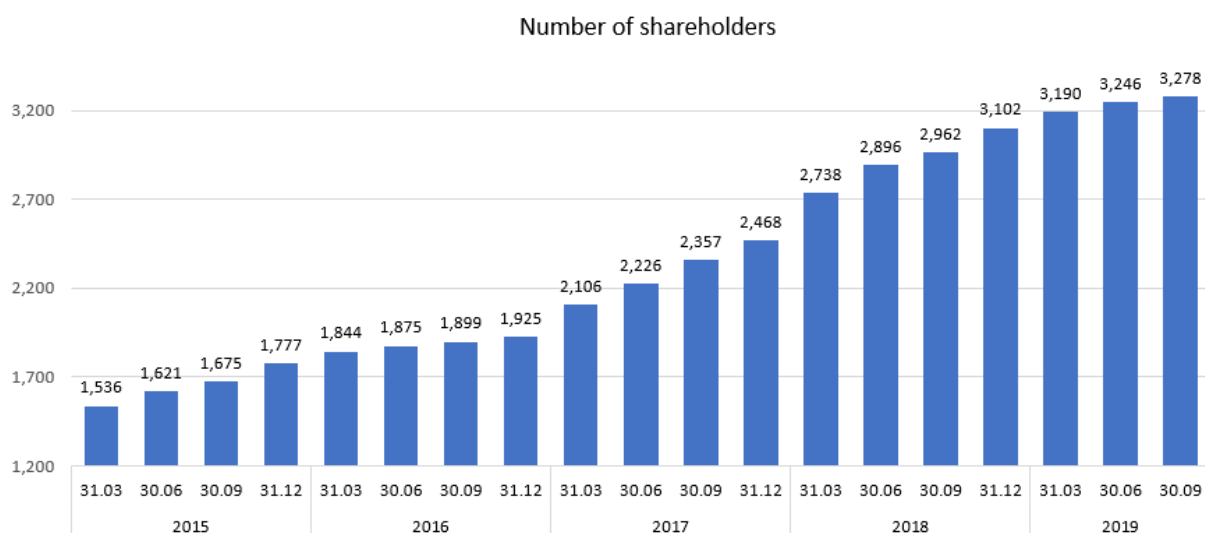
As at 30 September 2019, AS Harju Elekter had 3,278 shareholders. The number of shareholders increased during the accounting quarter by 32 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 30 September 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 September 2019:

Holding	No of share-holders	% 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%	3,210	97.9	19.2
Total	3,278	100.0	100.0

Shareholders (over 5%) as at 30 September 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	30 September 2019
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Tiit Atso	Member of the Management Board	30 September 2019
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Aron Kuhl-Thalfeldt	Member of the Management Board	30 September 2019
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INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2019	31 December 2018	30 September 2018
Currents assets				
Cash and cash equivalents		3,883	3,142	1,868
Current financial investments	2	0	0	5,414
Trade and other receivables		29,974	22,218	22,711
Prepayments		1,942	1,173	1,573
Inventories		19,059	17,468	18,974
Total current assets		54,858	44,001	50,540
Non-current assets				
Deferred income tax assets		96	98	56
Non-current financial investments	2	9,828	9,587	4,696
Investment properties	3	19,912	19,804	18,938
Property, plant and equipment	4	21,148	17,403	15,879
Intangible assets	4	7,181	7,260	7,211
Total non-current assets		58,165	54,152	46,781
TOTAL ASSETS	6	113,023	98,153	97,321
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	10,824	6,656	5,334
Prepayments from customers		3,254	1,740	1,989
Trade and other payables		20,075	14,911	15,943
Tax liabilities		2,975	2,409	2,856
Current provisions		25	14	40
Total current liabilities		37,153	25,730	26,162
Borrowings	5	9,016	5,449	4,411
Other non-current liabilities		64	35	35
Non-current liabilities		9,080	5,484	4,446
Total liabilities		46,233	31,214	30,608
Equity				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		3,396	2,665	2,715
Retained earnings		51,507	52,316	52,040
Total equity attributable to the owners of the company		66,883	66,961	66,735
Non-controlling interests		-93	-22	-22
Total equity		66,790	66,939	66,713
TOTAL LIABILITIES AND EQUITY		113,023	98,153	97,321

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 July – 30 September		1 January – 30 September	
	Note	2019	2018	2019	2018
Revenue	6	42,262	29,298	112,150	89,134
Cost of sales		-36,887	-26,335	-97,901	-78,026
Gross profit		5,375	2,963	14,249	11,108
Distribution costs		-1,516	-1,052	-4,198	-3,644
Administrative expenses		-2,296	-1,882	-6,929	-5,998
Other income		39	17	171	60
Other expenses		-41	-37	-229	-120
Operating profit	6	1,561	9	3,064	1,406
Finance income		25	171	147	523
Finance costs		-77	-15	-179	-38
Profit before tax		1,509	165	3,032	1,891
Income tax		-190	-147	-719	-734
Profit for the period		1,319	18	2,313	1,157
Profit attributable to:					
Owners of the Company		1,359	11	2,384	1,190
Non-controlling interests		-40	7	-71	-33
Profit for the period		1,319	18	2,313	1,157
Earnings per share					
Basic earnings per share (EUR)	7	0.08	0.00	0.13	0.07
Diluted earnings per share (EUR)	7	0.08	0.00	0.13	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 July – 30 September		1 January – 30 September	
	2019	2018	2019	2018
Profit for the period	1,319	18	2,313	1,157
Other comprehensive income				
Net gain on revaluation of financial assets	142	0	678	0
Impact of exchange rate changes	-20	-1	-97	-129
Total comprehensive income for the period	122	-1	581	-129
Other comprehensive income	1,441	17	2,894	1,028
Total comprehensive income attributable to:				
Owners of the Company	1,481	10	2,965	1,061
Non-controlling interests	-40	7	-71	-33
Total comprehensive income for the period	1,441	17	2,894	1,028

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 30 September	
	Note	2019	2018
Cash flows from operating activities			
Profit for the period		2,313	1,157
<u>Adjustments</u>			
Depreciation and amortization	3,4	2,615	1,894
Gain on sale of property, plant and equipment	8	-49	-20
Share-based payments	9	150	53
Finance income		-135	-520
Finance costs		166	35
Income tax	8	719	734
<u>Changes</u>			
Changes in trade and other receivables		-8,288	-6,986
Changes in inventories		-1,591	-3,813
Changes in trade and other payables		7,477	7
Corporate income tax paid	8	-699	-850
Interest paid		-139	-37
Total cash flow (-outflow) from operating activities		2,539	-8,346
Cash flows from investing activities			
Payments for investment property	8	-920	-1,368
Payments for property, plant and equipment	8	-3,342	-2,996
Payments for intangible assets	8	-249	-215
Acquisition of subsidiaries, net of cash acquired		0	-2,906
Payments for financial investments		-204	-99
Proceeds from sale of property, plant and equipment	8	124	64
Proceeds from sale of other financial investments		578	5,000
Loans granted		-100	0
Interest received		4	16
Dividends received		127	133
Total cash flow (-outflow) from investing activities		-3,982	-2,371
Cash flows from financing activities			
Change in overdraft balance	5	4,746	3,400
Proceeds from borrowings	5	2,409	3,517
Repayment of borrowings	5	-612	-474
Other non-current liabilities		30	35
Repayments of lease liabilities	5	-951	-233
Transactions with non-controlling interests		0	-39
Dividends paid		-3,193	-4,258
Income tax paid on dividends		-167	-242
Total cash flow (-outflow) from financing activities		2,262	1,706
Total net cash flow (-outflow)		819	-9,011
Cash and cash equivalents at the beginning of the period		3,142	10,992
Changes in cash and cash equivalents		819	-9,011
Effect of exchange rate fluctuations on cash and cash equivalents		-78	-113
Cash and cash equivalents at the end of the period		3,883	1,868

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 30 September	Attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Reserves	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	1,190	1,190	-33	1,157
Other comprehensive income	0	0	-129	0	-129	0	-129
Total comprehensive income	0	0	-129	1,190	1,061	-33	1,028
Transaction with owners recognized directly in equity							
Share-based payments (Note 9)	0	0	53	0	53	0	53
Dividends paid	0	0	0	-4,258	-4,258	0	-4,258
Transactions with non-controlling interests	0	0	0	7	7	-48	-41
Total transactions with owners	0	0	53	-4,251	-4,198	-48	-4,246
Balance at 30 September 2018	11,176	804	2,768	51,987	66,735	-22	66,713
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	2,384	2,384	-71	2,313
Other comprehensive income	0	0	581	0	581	0	581
Total comprehensive income	0	0	581	2,384	2,965	-71	2,894
Transaction with owners recognized directly in equity							
Share-based payments (Note 9)	0	0	150	0	150	0	150
Dividends paid	0	0	0	-3,193	-3,193	0	-3,193
Total transactions with owners	0	0	150	-3,193	-3,043	0	-3,043
Balance at 30 September 2019	11,176	804	3,396	51,507	66,883	-93	66,790

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 September 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 and its subsidiaries Finnkumu Oy and Kiinteistö Oy Ulvila Sammontie 9, Telesilta 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. During the reporting period there have not been any significant changes in the principles described above.

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

	30 Sep- tember 2019	31 De- cember 2018	30 Septem- ber 2018
Listed securities (available-for-sale financial assets at fair value)	0	0	5,414
Total current financial investments	0	0	5,414
Listed securities (fair value through other comprehensive income)	4,955	4,712	0
Other equity investments (fair value through other comprehensive income)	4,864	4,864	4,684
Other financial assets through profit or loss	9	11	12
Total non-current financial investments	9,828	9,587	4,696
Total	9,828	9,587	10,110
Changes	9M 2019	12M 2018	9M 2018
1. Current financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	0	0	4,935
Acquisitions	0	0	99
Change in fair value through profit and loss	0	0	380
Carrying amount at the end of the period	0	0	5,414
2. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period	9,576	9,772	4,684
Acquisitions	125	99	0
Sale of financial investment	-560	0	0
Change in fair value through other comprehensive income	678	-295	0
Carrying amount at the end of the period	9,819	9,576	4,684
3. Financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	11	0	0
Acquisitions	0	12	13
Change in fair value through profit and loss	-2	-1	-1
Carrying amount at the end of the period	9	11	12
Total carrying amount at the end of the period	9,828	9,587	10,110

Note 3 Investment properties

	9M 2019	12M 2018	9M 2018
Balance at the beginning of the year	19,804	17,881	17,881
Additions	716	2,637	1,583
Depreciation	-608	-714	-526
At the end of the period	19,912	19,804	18,938

Note 4 Property, plant and equipment; intangible assets

	Note	9M 2019	12M 2018	9M 2018
1. Property, plant and equipment				
Balance at the beginning of the year		17,403	11,983	11,983
Right-of-use assets (IFRS 16 initial application)	1	2,118	0	0
Additions		3,385	6,498	4,662
Acquisitions through business combinations		0	126	126
Disposals		-74	-46	-44
Depreciation		-1,675	-1,153	-842
Impact of exchange rate changes		-9	-5	-6
At the end of the period		21,148	17,403	15,879
2. Intangible assets				
Balance at the beginning of the year		7,260	6,660	6,660
Additions		254	475	215
Acquisitions through business combinations		0	864	864
Depreciation		-332	-721	-526
Impact of exchange rate changes		-1	-18	-2
At the end of the period		7,181	7,260	7,211

Note 5 Borrowings

	Note	30 September 2019	31 December 2018	30 September 2018
Current borrowings				
Current bank loans		10,069	4,967	4,943
Current portion of long-term bank loans		278	989	37
Current portion of lease liabilities		262	670	72
Current loans from related parties	9	215	30	282
Total current borrowings		10,824	6,656	5,334
Non-current borrowings				
Non-current bank loans		5,395	3,429	4,101
Non-current lease liabilities		3,621	2,020	310
Total non-current borrowings		9,016	5,449	4,411
Total borrowings		19,840	12,105	9,745

Changes	Note	9M 2019	12M 2018	9M 2018
Loans and borrowings at the beginning of the year		12,105	3,535	3,535
Change in overdraft balances		5,102	4,967	4,943
Received current loan from related parties	9	185	30	282
Received non-current bank loans		1,868	2,175	1,692
Repayments of non-current loans		-612	-677	-474
New lease liabilities		25	2,680	0
Lease liabilities (IFRS 16 initial application)	1	2,118	0	0
Repayments of non-current lease liabilities		-951	-605	-233
Loans and borrowings at the end of the period		19,840	12,105	9,745

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, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy, Kiinteistö Oy Ulvila Sammontie 9, 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 the 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 September	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2018						
Revenue from external customers		73,134	1,818	14,182	0	89,134
Inter-segment revenue		1,914	1,062	642	-3,618	0
Segment revenue		75,048	2,880	14,824	-3,618	89,134
Operating profit		2,655	920	-2,129	-40	1,406
Segment assets		63,620	19,297	20,176	-16,559	86,534
Unallocated assets						10,787
<i>incl. Cash and cash equivalents</i>						254
<i>incl. Financial investments</i>						10,097
<i>incl. Other receivables and prepayments</i>						436
Total assets						97,321
Capital expenditure	3,4	4,431	1,583	1,434	0	7,450
Depreciation and amortization	3,4	817	526	566	-15	1,894
2019						
Revenue from external customers		98,163	2,455	11,533	0	112,150
Inter-segment revenue		3,255	1,061	461	-4,778	0
Segment revenue		101,418	3,516	11,994	-4,778	112,150
Operating profit		3,596	1,198	-1,562	-168	3,064
Segment assets		71,934	21,155	24,608	-15,198	102,500
Unallocated assets						10,523
<i>incl. Cash and cash equivalents</i>						590
<i>incl. Financial investments</i>						9,819
<i>incl. Other receivables and prepayments</i>						114
Total assets						113,023
Capital expenditure	3,4	3,292	716	346	0	4,355
IFRS 16 Right-of-use assets	4	1,629	0	489	0	2,118
Depreciation and amortization	3,4	1,523	608	499	-15	2,615

Revenue by geographic regions (customer location)

1 January – 30 September	2019	2018
Estonia	13,200	10,674
Finland	56,972	59,236
Sweden	14,745	8,391
Norway	17,794	5,646
Netherlands	7,564	1,727
Other	1,876	3,460
Total revenue	112,150	89,134

Revenue by business activities

1 January – 30 September	2019	2018
Manufacturing and sale of electrical equipment	97,992	70,758
Retail and project-based sale of electrical products	6,805	7,248
Other products	1,491	1,119
Lease income	1,993	1,575
Electrical works	2,344	7,570
Other services	1,525	864
Total	112,150	89,134

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 September 2019, the Group had a total of 645 775 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 the 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 July to 30 September 2019, the average market price of the shares was 4.26 euros. The average share price for the nine months for the first-round shares was 4.51 and for the second-round shares was 4.27 euros. Therefore, the potential shares had no dilutive impact.

1 July – 30 September	Unit	2019	2018
Profit attributable to equity holders of the parent	EUR '000	1,359	11
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.08	0.06
Adjusted number of shares during the period	Pc '000	17,740	17,744
Diluted earnings per share	EUR	0.08	0.00
1 January – 30 September	Unit	2019	2018
Profit attributable to equity holders of the parent	EUR '000	1,025	1,190
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.13	0.07
Adjusted number of shares during the period	Pc '000	17,740	17,742
Diluted earnings per share	EUR	0.13	0.07

Note 8 Information on the statement of cash flows line items

1 January – 30 September	Note	2019	2018
Corporate income tax			
Income tax expense in the statement of profit or loss		-719	-734
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-147	-470
Income tax prepayment/liability arising from the acquisition of a subsidiary		0	112
Income tax expense on dividends		167	242
Corporate income tax paid		-699	-850
Paid for investment properties			
Acquisitions of investment properties	3	-716	-1 583
Liability decrease (-)/ increase (+) incurred by purchase		-203	215
Paid for investment properties		-920	-1 368
Paid for property, plant and equipment			
Additions of property, plant and equipment	4	-3 338	-4 662
Liability decrease (-)/ increase (+) incurred by purchase		-4	1 666
Paid for property, plant and equipment		-3 342	-2 996
Proceeds from sale of property, plant and equipment			
Book values of disposed property, plant and equipment	4	74	44
Profit from disposal of property, plant and equipment		49	20
Proceeds from sale of property, plant and equipment		124	64
Paid for intangible assets			
Additions of intangible assets	4	-254	-215
Liability decrease (-)/ increase (+) incurred by purchase		5	0
Paid for intangible assets		-249	-215

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.

For the 9 months, the Group has made transactions with related parties as follows:

As at 30 September	2019	2018
Balances with related parties:		
- Loans from the members of the management boards of the subsidiaries and from companies associated with them	215	282
- Payables for goods and services	232	0
1 January – 30 September	2019	2018
Purchase of goods and services from related parties:		
- Lease of property, plant and equipment from Harju KEK	80	81
- Lease payments to a company associated with a member of the Management Board of a subsidiary	261	275
Sale of goods and services to related parties:		
- Other services for Harju KEK	2	8
Remuneration of the Management and Supervisory Boards:		
- Salary, bonuses, additional remuneration	296	322
- Social security tax	97	107
Loans received:		
- Loan from a member of the Management Board of a subsidiary	185	30

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 monthly salary of the 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 645,775. In the first half of 2019, share-based payments recognized as labour costs totaled to 150 (9m 2018: 53) thousand euros, of which the share of the members of the Management and Supervisory Boards is 25 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 2019 third quarter and 9 months as set out on pages 14 to 26 and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and 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	30 September 2019
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Tiit Atso	Member of the Management Board	30 September 2019
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Aron Kuhi-Thalfeldt	Member of the Management Board	30 September 2019
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