



**CONSOLIDATED UNAUDITED  
INTERIM REPORT FOR THE  
I QUARTER OF 2020**

Business name:	AS Harju Elekter
Commercial registry code:	10029524
Address:	Paldiski mnt.31, 76606 Keila
Phone:	+372 67 47 400
E-mail:	info.he@harjuelekter.com
Internet homepage	<a href="http://www.harjuelekter.com">www.harjuelekter.com</a>
Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2020
Reporting period:	1 January – 31 March 2020

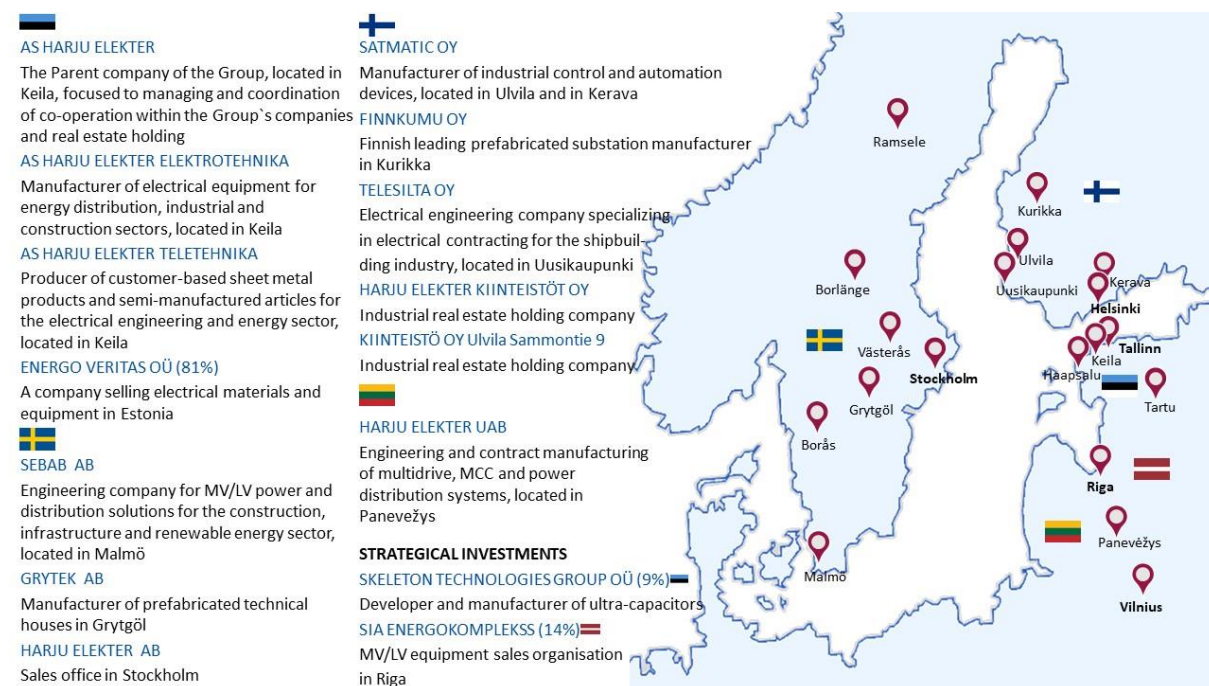
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## ORGANISATION

### Harju Elekter Group as at 31 March 2020

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



### Main activities

Harju Elekter is an industrial group established in 1968, operating in four countries, having subsidiaries in Estonia, Finland, Sweden and Lithuania. Harju Elekter is strongly orientated towards export and business outside Estonia where it markets almost 90% of its production. The business activities of the group are divided into 3 main areas:

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

### Mission

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

### Goal

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

### Vision

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

### Values

**Development** - We are keen to learn and innovative

**Cooperation** - We operate as a team

**Reliability** - No bargaining in quality

### Risks

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

# MANAGEMENT REPORT

## FINANCIAL SUMMARY OF THE FIRST QUARTER RESULTS

### Revenue

The global and Estonian coronavirus (Covid-19) pandemic did not directly affect the Group's revenue growth in the first quarter. The consolidated unaudited revenue for the first quarter 2020 was 35.0 (Q1 2019: 29.3) million euros, increasing by 19.5% compared to the comparable period. In the reporting period, several new customers were gained, and the orders by customers under framework agreements also significantly increased in all production facilities as a result of the warm winter.

### Financial result

The consolidated gross profit for the reporting quarter was 4,923 (Q1 2019: 3,788) thousand euros, the gross margin was 14.1% (Q1 2019: 12.9%). Consolidated operating profit (EBIT) for the first quarter was 1,053 (Q1 2019: 307), three times higher than in the same period last year. The operating margin for the first quarter was 3.0%. The consolidated net profit for the reporting quarter was 703 (Q1 2019: 165) thousand euros of which the share of the owners of the Parent company amounted to 728 (Q1 2019: 182) thousand euros. Earnings per share (EPS) was 0.04 (Q1 2019: 0.01) euros in the first quarter. While the low profitability of the comparable period was affected by the increase in production input prices and wages, as well as the underload of production due to the lower than expected order volume of Finnish electricity networks, then in the reporting quarter the Group has taken a significant step forward towards improving profitability.

### Investments

The cost of non-current assets in the statement of financial position decreased by 1.6 million euros to 58.3 million euros in three months, accounting for 52.8% of assets. The main reasons of the decrease in the value of non-current assets was the partial sale of securities listed on the Helsinki Stock Exchange prior to the market decline, but also a decrease in the value of others in the amount of 1.3 million euros. The securities listed on the stock exchange are a long-term investment which can, however, be immediately utilised to improve liquidity, if necessary. The value of the securities portfolio has decreased by 26% in Q1 as a result of the effect of the global coronavirus pandemic (Covid-19) on stock markets.

In the reporting period, the Group invested a total of 1.1 (Q1 2019: 1.9) million euros in non-current assets, incl. 0.7 (Q1 2019: 0.2) million euros in investment properties, 0.4 (Q1 2019: 1.6) million euros in property, plant and equipment and 0.03 (Q1 2019: 0.1) million euros in intangible assets. In Q1, preparations began for the fourth stage of construction for the production and office building in Lithuania. In addition, investments were made in the construction of a production facility in the Allika Industrial Park, and plots of land were purchased. Major investments are knowingly directed into the upcoming quarters, observing the general state of the world. Investments are made in unavoidable areas, which are directly necessary to organise production and perform contracts.

### Current assets

The volume of the Group's current assets has increased 4.0 million euros to 52.1 million euros in the the first quarter due to the increase in revenue, including inventories increased by 3.6 million euros to 22.6 million euros. Stock inventory grew on the account of affordable materials, the price of which is estimated to increase in Q2. Regardless of the recession in the global economy, no significant deterioration in the payment habits of the Group's customers could be observed in Q1. Trade and other receivables increased by 4.7% to 24.0 million euros in three months. The Group has sufficient financial reserves to guarantee the performance of its obligations, increase stock inventory, if necessary, and continue any investments previously agreed on. Credit ratings and limits assigned to customers will be regularly reviewed to avoid their payment difficulties.

### Liabilities

As at the reporting date, the Group had total liabilities of 43.9 million euros, of which short-term liabilities accounted for 81.9%. During the reporting quarter short-term liabilities increased by 3.0 million euros to 36.0 million euros, incl. an increase in trade and other payables by 5.1 million euros in total, to 21.5 million euros and increase in short-term borrowings by 3.0 million euros, to 8.3 million euros. Long-term debt remained at the same level for three months, amounting to 7.9 million euros. Long-term loans and capital leasing have been used in connection with real estate developments in Estonia and Lithuania and investment in an automatic production equipment.

Consolidated 3 months  
REVENUE

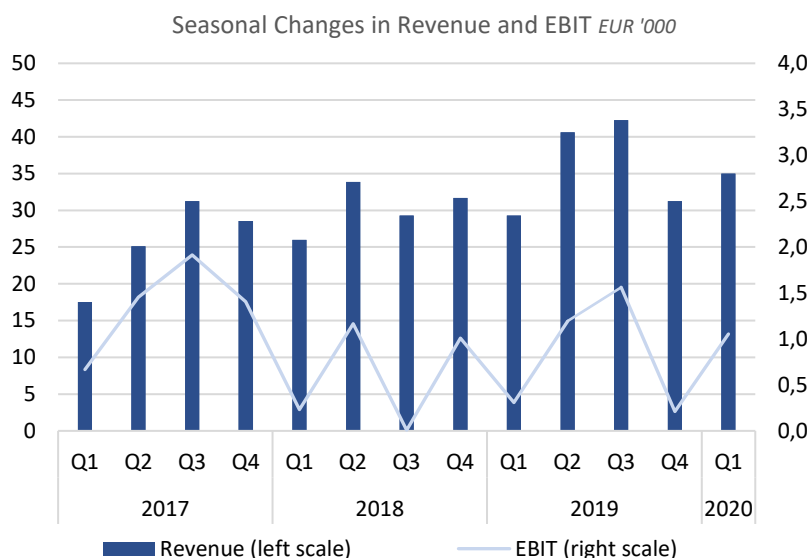
**35.0** million euros  
(2019 3M: 29.3)

Consolidated 3 months  
EBIT

**1.1** million euros  
(2019 3M: 0.3)

Consolidated 3 months  
NET PROFIT

**0.7** million euros  
(2019 3M:  
0.2)



Consolidated 3 months  
REVENUE GROWTH  
**20%**

Consolidated 3 months  
EBIT CHANGE  
**243%**

## Key indicators

(EUR '000)

	3 months 2020	3 months 2019	+/-
Revenue	34,998	29,283	19.5%
Gross profit	4,923	3,788	30.0%
EBITDA	1,943	1,167	66.5%
Operating profit (EBIT)	1,053	307	243.1%
Profit for the period	703	165	326.3%
Incl. attributed to Owners of the Company	728	182	300.2%
Earnings per share (EPS)	0.04	0.01	300.2%

## Ratios

(%)

	3 months 2020	3 months 2019	+/-
Distribution cost to revenue	3.7	4.1	-0.4
Administrative expenses to revenue	7.3	7.5	-0.2
Labour cost to revenue	19.0	21.8	-2.8
Gross margin (gross profit/revenue)	14.1	12.9	1.2
EBITDA marginal (EBITDA/revenue)	5.6	4.0	1.6
Operating margin (EBIT/revenue)	3.0	1.0	2.0
Net margin (profit for the period /revenue)	2.0	0.6	1.4
Return of equity ROE (profit for the period/average equity)	1.1	0.2	0.9

	31 March 2020	31 March 2019	+/-
Equity ratio (equity/total assets) (%)	60.2	61.6	-1.4
Current ratio (current assets/ short-term liabilities)	1.4	1.5	-0.1
Quick ratio ((current assets - inventories)/ current liabilities)	0.8	0.9	-0.1

## COMMENTARY FROM THE MANAGEMENT

Harju Elekter began the year with ambitious plans and goals. Market information and customer estimates were optimistic, in addition, extensive procurement contracts carried over from previous periods. Business activity was already active in all fields at the beginning of the year, key personnel within the Group were actively communicating with customers and partners, and development teams were utilised to the maximum. As with all businesses around the world, a new reality also hit our companies in four countries at the end of the quarter. The explosive spread of the coronavirus (Covid-19) around the world brought along the implementation of an emergency situation both in Estonia and in all of our markets. It is important to note that both we and our partners were able to quickly adapt our activity plans to the crisis that had developed, and we proceeded with what were essentially our original plans and budgets. Different measures were implemented to ensure the sustainability of business activities, and communication methods with partners were significantly changed; factories received strict rules of control and virus protection. Remote working, constant monitoring of the situation and operative information exchange became important.

All in all, first quarter economic results for the Group were good, and the coronavirus pandemic did not have a direct impact on the results. Production resources were operating under load, supply chains were operational, customers continued with orders, and we managed to avoid our employees falling ill with Covid-19. The consolidated unaudited sales revenue of Q1 2020 increased by 19.5% compared to the comparable period and was 35.0 million euros. Consolidated operating profit (EBIT) was 1,053 thousand euros, surpassing the y-o-y figure threefold, and the net profit was 703 thousand euros. However, previous crises have taught us that the recession will reach us with a delay, in half a year to a year.

The modern world is undergoing rapid changes. Today, we are witnessing the likely development of new normals. In most industries and fields of activity, investments in both autonomous systems and digitalisation are becoming increasingly more important. In addition, the emergency situation has taught us that in order to achieve economic success, we must increasingly use different e-solutions. When we look back after exiting the crisis situation, we will be able to obtain an actual overview of how strong our Group is as a whole, and whether investments made in previous years and the synergy between companies are effective. We would like to take this opportunity to thank all of our employees, customers and suppliers who have been able to adapt quickly and flexibly to changing circumstances.

## CHANGES IN THE MANAGEMENT OF GROUP COMPANIES

The Supervisory Board of AS Harju Elekter decided at its meeting held on March 16, 2020 to appoint the current member of the Management Board, Tiit Atso, as Chairman of the Management Board as of May 4, 2020. The current Chairman of the Management Board Andres Allikmäe will take the position of Head of Business Development at AS Harju Elekter, following the expiration of his Management Board member contract at 3 May 2020. The Management Board of AS Harju Elekter will continue with two members – Tiit Atso (Chairman of the Board) and Aron Kuhl-Thalfeldt (Member of the Board).

In order to simplify the coordination of sales and marketing activities and the management of Finnish subsidiaries, Harju Elekter decided to merge its subsidiaries Finnkumu Oy and Kiinteistö Oy Ulvilan Sammontie 9 with Satmatic Oy in 2020. The next step is to transfer all real estate properties located in Finland to Harju Elekter Kiinteistö Oy.



## MAIN EVENTS

Harju Elekter's Swedish subsidiary SEBAB AB won three important procurement victories in the electric power distribution sector during Q1. Within the framework of these projects, the Swedish subsidiaries will manufacture two special substations and a battery storage, including prefabricated substations, direct current switchboards, control cabinets, medium voltage switchboards, and a few small concrete buildings. Products will be supplied for the Swedish market. The total volume of the projects is 5.7 million euros, and deliveries will take place this year, mainly in the first half of the year.

AS Harju Elekter Elektrotehnika received a follow-up order for the delivery of data warehouse substations, which were delivered in 2019 to Singapore, and which could be regarded as the best feedback a customer can give. Cooperation with Siemens for the performance of special solutions aimed at different data warehouses will continue.

In Saue municipality, near Allika Industrial Park, two plots of lands with a total area of 14.6 ha were purchased. The properties were acquired for the purpose of building solar power plants as well as possible real estate developments.

At the beginning of this year, AS Harju Elekter Elektrotehnika underwent the auditing process where in addition to the already effective ISO 9001 and ISO 14001 quality certificates, it also applied for ISO 45001 certification. During the auditing process, an independent auditor inspected the conformity of the company's work and management organisation to the requirements of the standard. The audit was passed without any negative observations, and this work organisation will allow the company to more systematically focus attention on occupational safety, guaranteeing a safe working environment and maintaining the health of all company employees in the best way possible. The existence of internationally accepted quality systems is often a prerequisite for participating in different procurements. In February of this year, the implementation of ISO 9001 and ISO 14001 standards led to the successful certification of Estonian sales company Energo Veritas OÜ.

At the beginning of February, the companies of the Harju Elekter Group participated in the largest electrical trade fair of the year, in Jyväskylä, Finland. Sähkö, Tele, Valo & AV brought together industry professionals for the three-day trade fair, so that they could get acquainted with hundreds of exhibitors and the seminar program. The companies of the Harju Elekter Group converged on a common stand where they showcased a wide variety of the Group's products and services, including the HECON line system of the MCC, developed in the Group for 2500–4000 A solutions, and substation models designed to be suitable for Nordic requirements.



## EFFECT OF THE CORONAVIRUS (COVID-19)

The first reports of the new coronavirus (Covid-19) reached the World Health Organization (WHO) from China in December 2019 and the virus is now spreading around the world, causing problems for businesses and affecting general economic activity. On March 11, the WHO declared the coronavirus outbreak a pandemic, and, as a result, many countries have declared a state of emergency. Crossing internal and external Schengen borders has temporarily been restricted and border controls have been restored in Europe to prevent the spread of the coronavirus. At the same time, trade and transport have continued unrestricted.

Production and business operations have continued smoothly in all Group locations and if the situation changes, we have promised to notify separately by a stock exchange announcement. Potential financial effects are recognized on an ongoing basis in the Group's reporting.

We have assessed probable risk scenarios that may affect our production and supply chain. We review risk assessments regularly, and today see the following main risks:

- **Health and potential sickness of the production personnel:** In order to prevent infection, the administrative staff is working at home offices, and customer meetings and travel are prohibited. Production has been isolated, disinfection has been improved and only those directly involved in the production have access to production. The use of common facilities is prohibited. In the event of sickness, people can take a disability certificate, which is supported by the state up to 70% from the first day of illness. To replace the workforce, we are in close contact with labor hire companies and are looking for temporary workforce. People have the opportunity to work full-time or part-time in any shift.
- **Availability of materials:** To ensure availability of materials and components, we are mapping out intra-Group resources between subsidiaries. We are in constant contact with our suppliers and at the moment, we are not aware of any major supply difficulties. To reduce risks, we increase inventory levels for certain materials and components. Deliveries in connection with the closure of the Polish border have been re-organized through Denmark and Sweden, and the shipping lines between Germany and Latvia as well as between Germany and Estonia have been launched.
- **Trade:** To ensure smooth functioning of trade with the customers in the key target markets, i.e. Scandinavia, the government has made significant efforts to ensure that this will be achieved. Therefore, the trade is currently operating without interruption.
- **Demand:** We are in constant contact with our customers whose demand has remained intact until now. This is supported by the fact that the vast majority of them are related to field work and the construction of previously planned infrastructure and therefore there are currently no plans to suspend investments. There are several ongoing procurements for the following periods.
- **Current assets:** We believe that we have sufficient financial reserves to meet our liabilities, increase our stock levels if necessary and continue our previously agreed investments. Credit ratings and limits assigned to customers will be regularly reviewed to avoid their payment difficulties. Most of the Group's customers are large network companies and multinational corporations.
- **Securities of listed companies:** Securities of listed companies are long-term investments that can be immediately be used to improve liquidity. The value of the securities portfolio has decreased by 26% during the first quarter. Right now, there is no need for the Group to sell securities at a low price.

AS Harju Elekter has decided to postpone the ordinary general meeting of shareholders, planned to be held on 30 April 2020, as a result of the pandemic spread of the coronavirus (Covid-19) around the world and the emergency situation declared in Estonia, until the extraordinary circumstances have ended. Shareholders will be notified of the new date via a stock exchange announcement.



## OPERATING RESULTS

### Revenue

The consolidated revenue of the Group was 35.0 million euros in Q1 2020. Despite the low point in the economy, revenue increased in all of the Group's production companies. In comparison to the reporting quarter, consolidated revenue increased by 19.5%, including the sale of electrical equipment increased the most: 4.7 million euros. The revenue earned from the sale of electrical equipment comprised 96.7% of the sales volume of the Production segment and 86.4% of the consolidated revenue. The remaining 13.6% of the revenue of the Group was earned from the sale of metal products, project and retail sale of electrical goods, leasing out industrial real estate, and electrical works in the shipbuilding sector. The Group is yet to observe any increased uncertainty in the revenue trends of the following quarters caused by the coronavirus pandemic, but potential surprises certainly cannot be ruled out in this regard. Despite the overall difficult situation, the Group's customers under framework agreements have started the year with estimated volumes, and orders have been received for the major part of volumes planned for the first half of the year.

Revenue by business activities (EUR'000)	Q1 2020	Q1 2019	+/- Q/Q	% Q1 2020	% Q1 2019
Manufacturing and sale of electrical equipment	30,247	25,551	18.4%	86.4%	87.3%
Retail and project-based sale of electrical products	1,969	1,543	27.6%	5.6%	5.3%
Other products	533	375	42.1%	1.5%	1.3%
Lease income	720	669	7.6%	2.1%	2.3%
Electrical works	1,089	750	45.2%	3.1%	2.6%
Other services	440	395	11.4%	1.3%	1.3%
<b>Total</b>	<b>34,998</b>	<b>29,283</b>	<b>19.5%</b>	<b>100.0%</b>	<b>100.0%</b>

### Business segments

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

Revenue by segment (EUR'000)	Q1 2020	Q1 2019	+/- Q/Q	% Q1 2020	% Q1 2019
Production	31,276	25,575	22.3%	89.4%	87.3%
Real Estate	832	872	-4.6%	2.4%	3.0%
Other activities	2,890	2,836	1.9%	8.2%	9.7%
<b>Total</b>	<b>34,998</b>	<b>29,283</b>	<b>19.5%</b>	<b>100.0%</b>	<b>100.0%</b>

### Production

As is tradition, the largest part of the revenue, 89.4% (Q1 2019: 87.3%), was generated by Production, which is the main business activity of the Group. Supported by the increase in sales volumes of the companies of the Group that manufacture electrical equipment, the sales volume of the production segment increased by 22.3% to 31.3 million euros in three months.

### Real estate

The revenue of the Real estate segment has been stable and has mostly been affected by changes in rental premises, and changes in rent prices to some extent. In Q1, rental income from the rental premises of Keila, Allika and Haapsalu Industrial Parks was earned in the amount of 0.83 million euros, making up 2.4% (Q1 2019: 3.0%) of the total revenue of the Group. We estimate a slight decline in rental income for subsequent quarters, to ensure the tenants' coping with the difficult situation.

### Other activities

The revenue of Other activities was 2.9 million euros in the Q1. Compared to the comparable period, no significant change has occurred. The revenue of the project sales of electrical goods mainly originated from customers in the power network and other infrastructure fields, construction companies and the public sector; revenue of electrical installation works originated from the shipbuilding sector.

## Markets

### Estonia

Sales to the Estonian market increased 80 thousand euros to 3.6 (Q1 2019: 3.5) million euros in the quarterly comparison, accounting for 10.3% (Q1 2019: 12.0%) of the consolidated revenue for the reporting quarter. Servicing the new framework procurement of Elektrilevi OÜ has energetically begun, and the first substations have been delivered to the customer. The sale of HETR-series power distribution and metering cabinets has also increased. The Group's Estonian companies continue to contribute to the home market activities by participating in procurements, selling electrical equipment for retail and project sales, and offering different industrial rental spaces for corporate customers.

### Finland

The Finnish market contributed the most to the increase in consolidated revenue in this reporting period; in the comparison of quarters, sales increased by 3.3 million euros to 19.5 million euros. A total of 55.6% (Q1 2019: 55.1%) of Harju Elekter's products and services were sold to the Group's largest market in Q1. Production of the Finnish power grid companies comprised the greater part of the sales volume. In Q1, 350 substations were realised on the Finnish market, which is 4% more than in the previous year. The Group has reached the delivery of the first projects in Finland with the solutions of the HECON product line, that was developed within the Group, and where customers have provided positive feedback.

### Norway

Norway is the second largest Group market, accounting for 15.5% of the Group's revenue. The revenue earned in the reporting quarter was 5.4 million euros, increasing by 1.4 million euros compared to the first quarter of 2019. The majority of the sales volume on the Norwegian market originated from the sale of products directed at the shipbuilding sector.

### Sweden

The share of the Swedish market in the consolidated sales revenue grew in the reporting period by 1.6 percentage points to 14.3%, remaining a close third after Norway among markets. In the reporting quarter, the revenue earned from the Swedish market was 5.0 million euros, which is 1.3 million euros more than in the comparable period. The growth was primarily ensured by the increase in sale of substations in Sweden. As at the end of the quarter, 85% of the orders in the framework agreement entered into in 2018 with E.ON Energidistribution AB, the largest distribution company in Sweden, had been delivered. In addition, ten compact substations were delivered to the Ellevio AB network on the Swedish market in the reporting period, which is a record result for the Estonian production company.

### Netherlands

In a quarterly comparison, sales to the Netherlands market decreased by 0.3 million euros to 1.2 million euros, accounting for 3.6% (Q1 2019: 5.4%) of the consolidated revenue for the reporting quarter.

Markets (EUR'000)	Q1 2020	Q1 2019	+/- q/q	% Q1 2020	% Q1 2019
Estonia	3,602	3,522	2.3%	10.3%	12.0%
Finland	19,466	16,137	20.6%	55.6%	55.1%
Norway	5,430	4,003	35.6%	15.5%	13.8%
Sweden	4,988	3,733	33.6%	14.3%	12.7%
Netherlands	1,244	1,586	-21.6%	3.6%	5.4%
Other	268	302	-11.3%	0.7%	1.0%
<b>Total</b>	<b>34,998</b>	<b>29,283</b>	<b>19.5%</b>	<b>100.0%</b>	<b>100.0%</b>

## Contribution to the consolidated 3 months revenue

### FINNISH companies\*

# 46%

(Q1 2019: 47%)

### LITHUANIAN companies

# 21%

(Q1 2019: 21%)

### ESTONIAN companies

# 19%

(Q1 2019: 19%)

### SWEDISH companies

# 14%

(Q1 2019: 13%)

\* Intermediate sale of Estonian companies comprises 34% of the revenue of Finnish companies.

## Operating expenses

(EUR'000)	Q1 2020	Q1 2019	+/- q/q	% Q1 2020	% Q1 2019
Cost of sales	30,075	25,495	18.0%	88.6%	88.3%
Distribution costs	1,308	1,208	8.3%	3.9%	4.2%
Administrative expenses	2,561	2,183	17.3%	7.5%	7.5%
<b>Total operating expenses</b>	<b>33,944</b>	<b>28,886</b>	<b>17.5%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>incl. depreciation and amortization</i>	890	860	3.5%	2.6%	3.0%
<i>incl. total labour cost</i>	6,640	6,375	4.2%	19.6%	22.1%
<i>incl. inclusive salary cost</i>	4,958	5,067	-2.2%	14.6%	17.5%

The total operating expenses for the reporting quarter were 33.9 (Q1 2019: 28.9) million euros. The principal part of the cost increase is attributable to the higher amount of cost of sales: 4.6 million euros in the quarterly comparison. The increase in the cost of sale provided was surpassed by sales growth by 1.5 percentage points, increasing the gross profit margin by 1.2 percentage points, compared to the Q1 2019 figures.

Other operating expenses increased by 0.5 million euros compared to the comparable period. The largest growth – 17.3% – was in administrative expenses. The share of administrative expenses in the Group's revenue comprised 7.3% (Q1 2019: 7.5%) of the revenue in the reporting period, remaining at the same level in the Group's business expenses compared to Q1 of the previous year, i.e., at 7.5%. Distribution costs have decreased by 0.1 million to 1.3 million euros compared to the comparable quarter, accounting for 3.9% of the Group's total operating expenses. The share of distribution expenses in the Group's revenue has decreased by 0.4 percentage points to 3.7% year-on-year comparison.

In summary, the increase of business expenses in Q1 was 2.0 percentage points smaller than the increase in revenue. To prevent the loss-making consequences of the global coronavirus (Covid-19) pandemic, special attention is brought to the availability of materials in production units and security of supply regarding purchase and procurement activities. In the context of today's crisis regulations, the first priority in production companies is the availability of materials and workforce, and no significant delays affecting the implementation of projects have been observed.

The increase in sales volumes and the expansion of production in the Lithuanian subsidiary has brought along the requirement for additional workforce and utilisation of overtime, as well. In addition, the costs of the share option program were reflected as labour costs in the amount of 59 (Q1 2019: 44) thousand euros in the reporting quarter. Labour costs increased by 0.3 to 6.6 million euros year-on-year comparison. The ration of labor costs to the Group's revenue continued to decrease year-on-year comparison, being 19.0% (Q1 2019: 21.8%).

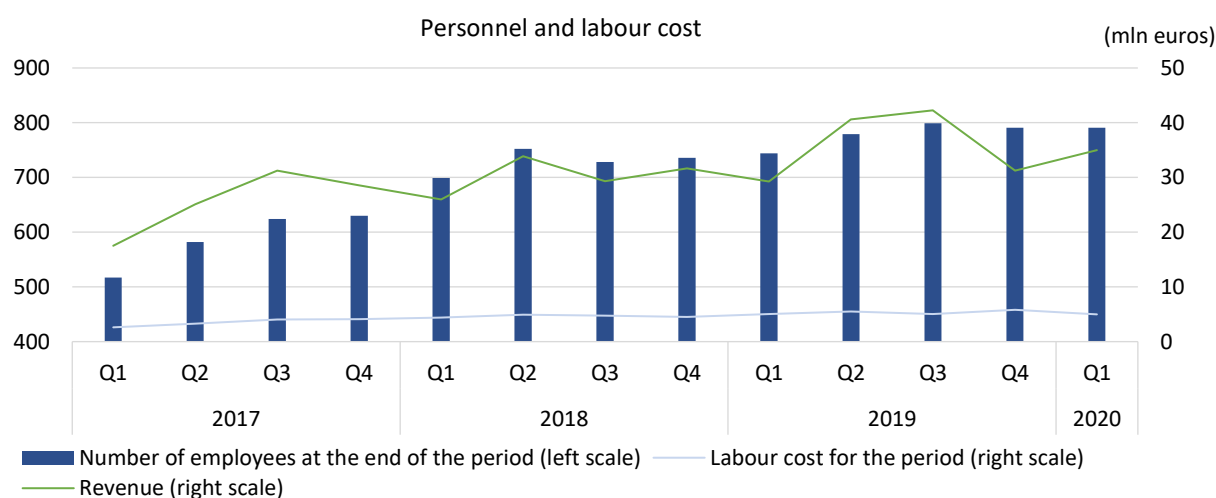
Depreciation of non-current assets was included in expenses in the first quarter in the total amount of 0.9 million euros, which is not significantly higher than in the first quarter of 2019.

## PERSONNEL

At the end of the reporting period, the Group had 797 employees, being 53 employees more than a year ago. The change was caused by a significant increase in production volume in the Lithuanian subsidiary. During the reporting quarter, the Group employed an average of 776 people, which was an average of 43 employees more than in the comparable period. In today's situation, the Group's essential jobs have been fulfilled, and the first priority besides human health is to keep production going as effectively as possible in the crisis situation. To prevent the spread of the coronavirus, all possible measures have been implemented to avoid dangerous contact and the spread of the virus. Only the Group's personnel have access to the premises, careful disinfection and utilisation of protective equipment is taking place. Engineers and office workers have been directed to home offices, and any events that would have required gathering in a common space have been postponed or held via video conference. It is a pleasure to admit that our people have predominantly been healthy, have had a positive sense of duty, and have been extremely cooperative. The measures implemented so far have been effective, we will continue to implement these measures as long as they are necessary.

In the reporting quarter, 5.0 (Q1 2019: 5.1) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,130 (Q1 2019: 2,303) euros.

	Average numbers of employees		Numbers of employees			%	
	Q1 2020	Q1 2019	31.03.2020	31.03.2019	+/-	31.03.2020	31.03.2019
	Estonia	333	389	354	395	-41	44.4%
Finland	136	133	137	136	1	17.2%	18.3%
Lithuania	249	151	247	156	91	31.0%	21.0%
Sweden	58	60	59	57	2	7.4%	7.7%
<b>Total</b>	<b>776</b>	<b>733</b>	<b>797</b>	<b>744</b>	<b>53</b>	<b>100.0%</b>	<b>100.0%</b>



## 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 as of the reporting date: 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 Supervisory Board of AS Harju Elekter decided at its meeting held on March 16, 2020 to appoint the current member of the Management Board, Tiit Atso, as Chairman of the Management Board as of May 4, 2020. Starting from May 4, 2020 the Management Board of AS Harju Elekter will continue with two members – Tiit Atso (Chairman of the Board) and Aron Kuhi-Thalfeldt (Member of the Board). 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](http://www.harjuelekter.com).

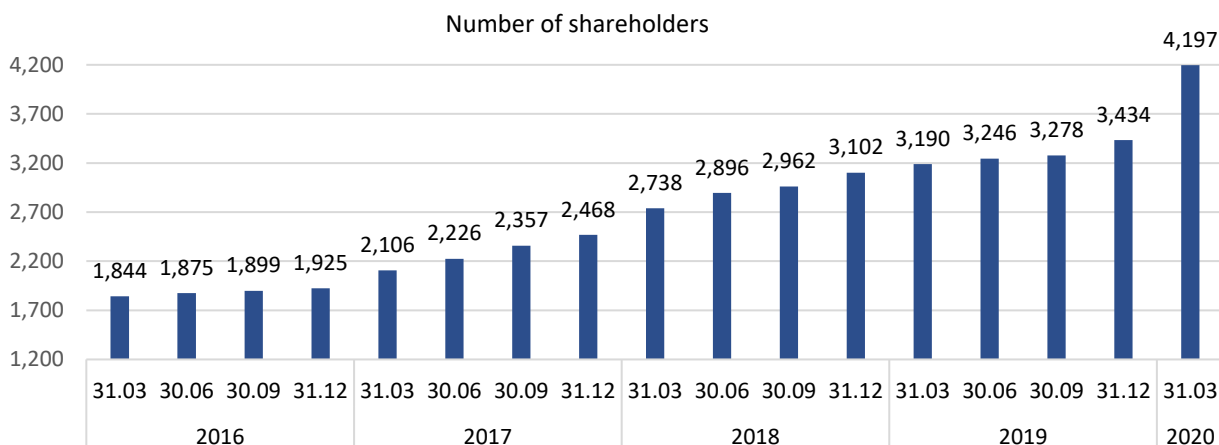
## SHARES OF HARJU ELEKTER AND SHAREHOLDERS

Security trading history:	Q1 2020	2019	2018	2017	2016
Opening price	4.26	4.12	5.00	2.85	2.62
Highest price	4.89	5.20	6.68	5.08	2.94
Lowest price	3.20	4.01	3.89	2.80	2.43
Closing price	3.61	4.21	4.12	5.00	2.83
Traded shares (pc)	497,314	531,415	1,100,773	1,349,617	947,294
Turnover (in million euros)	1.99	2.35	5.98	5.46	2.45
Capitalisation (in million euros)	64.04	74.68	73.10	88.70	50.20
Overage number of the shares	17,739,880	17,739,880	17,739,880	17,739,880	17,739,880
EPS	0.04	0.14	0.09	1.64	0.18

Price of AS Harju Elekter share (in euros) on Nasdaq Tallinn Stock Exchange between 31 December 2015 - 31 March 2020 (Nasdaq Tallinn, [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com))



As at 31 March 2020, AS Harju Elekter had 4,197 shareholders. The number of shareholders increased during the accounting quarter by 763 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 31 March 2020, 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](http://www.nasdaqbaltic.com)).



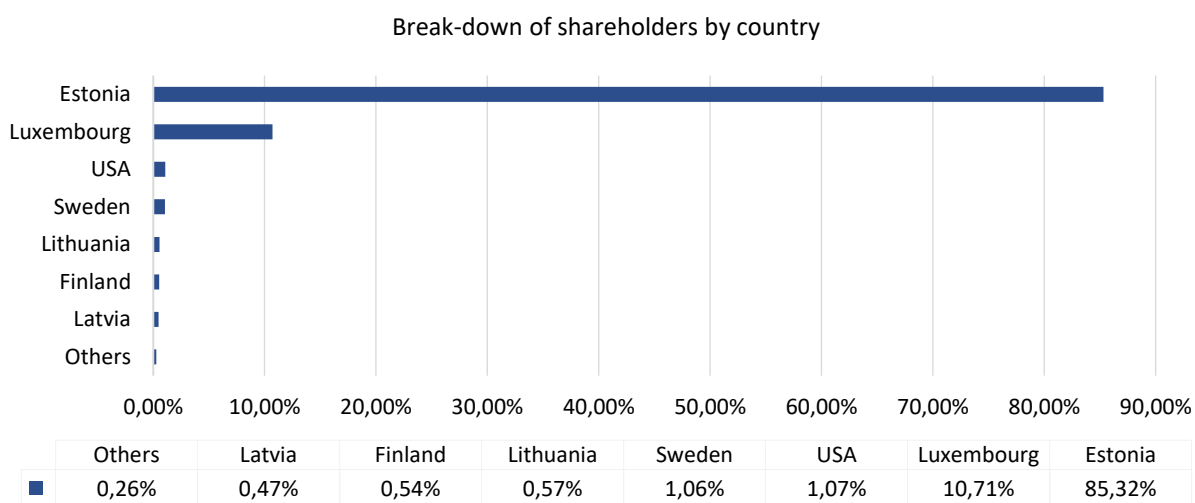
Division of shareholders by size of holding as at 31 March 2020:

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.0	42.1
1.0 – 10.0%	8	0.2	21.6
0.1 – 1.0 %	57	1.5	16.6
< 0.1%	4,126	98.3	19.7
<b>Total</b>	<b>4,197</b>	<b>100.0</b>	<b>100.0</b>

Shareholders (over 5%) as at 31 March 2020:

Shareholders	Holding (%)
AS Harju KEK	31.39
ING Luxembourg S.A.	10.71
Endel Palla	7.04
Shareholders holding under 5%	50.86
<b>Total</b>	<b>100.00</b>

Break-down of shareholders by country:





## 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                      29 April 2020



Tiit Atso                                      Member of the Management Board                      29 April 2020



Aron Kuhi-Thalfeldt                      Member of the Management Board                      29 April 2020



## INTERIM FINANCIAL STATEMENT

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 March 2020	31 December 2019	31 March 2019
<b>Currents assets</b>				
Cash and cash equivalents		3,978	4,878	4,168
Trade and other receivables		24,035	22,958	24,355
Prepayments		1,421	1,166	1,654
Inventories		22,620	19,010	21,752
<b>Total current assets</b>		<b>52,054</b>	<b>48,012</b>	<b>51,929</b>
<b>Non-current assets</b>				
Deferred income tax assets		494	472	97
Non-current financial investments	2	8,631	10,494	10,026
Investment properties	3	21,743	21,259	19,762
Property, plant and equipment	4	20,180	20,402	20,620
Intangible assets	4	7,205	7,260	7,245
<b>Total non-current assets</b>		<b>58,253</b>	<b>59,887</b>	<b>57,750</b>
<b>TOTAL ASSETS</b>	6	<b>110,307</b>	<b>107,899</b>	<b>109,679</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Borrowings	5	8,320	11,305	9,022
Prepayments from customers		2,479	2,212	1,324
Trade and other payables		21,527	16,448	21,416
Tax liabilities		3,412	2,959	2,551
Current provisions		217	34	17
<b>Total current liabilities</b>		<b>35,955</b>	<b>32,958</b>	<b>34,330</b>
Borrowings	5	7,900	7,901	7,762
Other non-current liabilities		63	64	34
<b>Non-current liabilities</b>		<b>7,963</b>	<b>7,965</b>	<b>7,796</b>
<b>Total liabilities</b>		<b>43,918</b>	<b>40,923</b>	<b>42,126</b>
<b>Equity</b>				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		2,088	3,412	3,114
Retained earnings		52,461	51,699	52,498
<b>Total equity attributable to the owners of the company</b>		<b>66,529</b>	<b>67,091</b>	<b>67,592</b>
Non-controlling interests		-140	-115	-39
<b>Total equity</b>		<b>66,389</b>	<b>66,976</b>	<b>67,553</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>110,307</b>	<b>107,899</b>	<b>109,679</b>

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 January - 31 March	
		2020	2019
Revenue	6	34,998	29,283
Cost of sales		-30,075	-25,495
<b>Gross profit</b>		<b>4,923</b>	<b>3,788</b>
Distribution costs		-1,308	-1,208
Administrative expenses		-2,561	-2,183
Other income		52	48
Other expenses		-53	-138
<b>Operating profit</b>	6	<b>1,053</b>	<b>307</b>
Finance income		37	101
Finance costs		-102	-43
<b>Profit before tax</b>		<b>988</b>	<b>365</b>
Income tax	8	-285	-200
<b>Profit for the period</b>		<b>703</b>	<b>165</b>
<b>Profit attributable to:</b>			
Owners of the Company		728	182
Non-controlling interests		-25	-17
<b>Earnings per share</b>			
Basic earnings per share (EUR)	7	0.04	0.01
Diluted earnings per share (EUR)	7	0.04	0.01

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 January - 31 March	
	2020	2019
<b>Profit for the period</b>	<b>703</b>	<b>165</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Net gain on revaluation of financial assets	-48	-38
<i>Items that will not be reclassified to profit or loss</i>		
Gain on sales of financial assets	34	0
Impact of exchange rate changes	-1,335	443
<b>Total comprehensive income for the period</b>	<b>-1,349</b>	<b>405</b>
<b>Other comprehensive income</b>	<b>-646</b>	<b>570</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	-621	587
Non-controlling interests	-25	-17

## CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 31 March	
	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit for the period		703	165
<u>Adjustments</u>			
Depreciation and amortization	3,4	890	860
Gain on sale of property, plant and equipment	8	-5	-17
Share-based payments	9	59	45
Finance income		-37	-101
Finance costs		102	43
Income tax	8	285	200
<u>Changes</u>			
Changes in trade and other receivables		-1,461	-2,498
Changes in inventories		-3,468	-4,285
Changes in trade and other payables		5,850	6,241
Corporate income tax paid	8	-224	-235
Interest paid		-69	-31
<b>Total cash flow (-outflow) from operating activities</b>		<b>2,625</b>	<b>387</b>
<b>Cash flows from investing activities</b>			
Payments for investment property	8	-642	-191
Payments for property, plant and equipment		-403	-1,625
Payments for intangible assets	8	-29	-102
Proceeds from sale of property, plant and equipment	8	12	30
Proceeds from sale of other financial investments		561	0
<b>Total cash flow (-outflow) from investing activities</b>		<b>-501</b>	<b>-1,888</b>
<b>Cash flows from financing activities</b>			
Change in overdraft balance	5	-2,576	2,315
Proceeds from borrowings	5	164	728
Repayment of borrowings	5	-278	-204
Repayments of lease liabilities		-297	-285
<b>Total cash flow (-outflow) from financing activities</b>		<b>-2,987</b>	<b>2,554</b>
<b>Total net cash flow (-outflow)</b>		<b>-863</b>	<b>1,053</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
Changes in cash and cash equivalents		-863	1,053
Effect of exchange rate fluctuations on cash and cash equivalents		-37	-27
<b>Cash and cash equivalents at the end of the period</b>		<b>3,978</b>	<b>4,168</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 31 March	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
<b>Balance at 1 January 2019</b>	<b>11,176</b>	<b>804</b>	<b>2,665</b>	<b>52,316</b>	<b>66,961</b>	<b>-22</b>	<b>66,939</b>
<b>Comprehensive income</b>							
Profit for the period	0	0	0	182	182	-17	165
Other comprehensive income	0	0	405	0	405	0	405
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>405</b>	<b>182</b>	<b>587</b>	<b>-17</b>	<b>570</b>
<b>Transaction with owners recognized directly in equity</b>							
Share-based payments (Note 9)	0	0	44	0	44	0	44
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>44</b>
<b>Balance at 31 March 2019</b>	<b>11,176</b>	<b>804</b>	<b>3,114</b>	<b>52,498</b>	<b>67,592</b>	<b>-39</b>	<b>67,553</b>
<b>Balance at 1 January 2020</b>	<b>11,176</b>	<b>804</b>	<b>3,412</b>	<b>51,699</b>	<b>67,091</b>	<b>-115</b>	<b>66,976</b>
<b>Comprehensive income</b>							
Profit for the period	0	0	0	728	728	-25	703
Other comprehensive income	0	0	-1,383	34	-1,349	0	-1,349
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-1,383</b>	<b>762</b>	<b>-621</b>	<b>-25</b>	<b>-646</b>
<b>Transaction with owners recognized directly in equity</b>							
Share-based payments (Note 9)	0	0	59	0	59	0	59
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>59</b>
<b>Balance at 31 March 2020</b>	<b>11,176</b>	<b>804</b>	<b>2,088</b>	<b>52,461</b>	<b>66,529</b>	<b>-140</b>	<b>66,389</b>

## 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 31 March 2020 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy and its subsidiaries Finnkumu Oy and Kiinteistö Oy Ulvila Sammontie 9, 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) 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 2019. The interim report should be read in conjunction with the Group's annual report of 2019, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for the 2020 first 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.

### Note 2 Financial investments

	31 March 2020	31 December 2019	31 March 2019
Listed securities (fair value through other comprehensive income)	3,155	5,017	5,155
Other equity investments (fair value through other comprehensive income)	5,469	5,469	4,864
Other financial assets through profit or loss	7	8	7
<b>Total</b>	<b>8,631</b>	<b>10,494</b>	<b>10,026</b>
<b>Changes</b>	<b>3M 2020</b>	<b>2019</b>	<b>3M 2019</b>
<b>1. Financial assets at fair value through other comprehensive income</b>			
Carrying amount at the beginning of the period	10,486	9,576	9,576
Acquisitions	0	730	0
Sale of financial investment	-561	-462	0
Change in fair value through other comprehensive income	-1,301	642	443
<b>Carrying amount at the end of the period</b>	<b>8,624</b>	<b>10,486</b>	<b>10,019</b>
<b>2. Financial assets at fair value through profit and loss</b>			
Carrying amount at the beginning of the period	8	11	11
Change in fair value through profit and loss	-1	-3	-4
<b>Carrying amount at the end of the period</b>	<b>7</b>	<b>8</b>	<b>7</b>
<b>Total carrying amount at the end of the period</b>	<b>8,631</b>	<b>10,494</b>	<b>10,026</b>

Realized gain on sale of financial assets in the amount of 34 thousand euros was recognized through other comprehensive income.



## Note 3 Investment properties

	Note	3M 2020	12M 2019	3M 2019
Balance at the beginning of the year		21,259	19,804	19,804
Additions		696	913	160
Depreciation		-213	-821	-202
Reclassification to investment property	4	1	1,363	0
<b>At the end of the period</b>		<b>21,743</b>	<b>21,259</b>	<b>19,762</b>

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

	Note	3M 2020	12M 2019	3M 2019
<b>1. Property, plant and equipment</b>				
Balance at the beginning of the year		20,402	17,403	17,403
Right-of-use assets (IFRS 16 initial application)		0	2,118	2,118
Additions to right-of-use assets		0	490	0
Additions		400	4,189	1,656
Sales and write-off in carrying amount		-15	-74	-13
Depreciation		-594	-2,357	-540
Reclassification to investment property	3	-1	-1,363	0
Impact of exchange rate changes		-12	-4	-4
<b>At the end of the period</b>		<b>20,180</b>	<b>20,402</b>	<b>20,620</b>
<b>2. Intangible assets</b>				
Balance at the beginning of the year		7,260	7,260	7,260
Additions		31	355	103
Amortization		-83	-340	-118
Impact of exchange rate changes		-3	-15	0
<b>At the end of the period</b>		<b>7,205</b>	<b>7,260</b>	<b>7,245</b>

## Note 5 Borrowings

	Note	31 March 2020	31 December 2019	31 March 2019
<b>Current borrowings</b>				
Current bank loans		6,293	8,869	7,282
Current portion of long-term bank loans		836	1,112	785
Current portion of lease liabilities		828	1,125	925
Current loans from related parties	9	363	199	30
<b>Total current borrowings</b>		<b>8,320</b>	<b>11,305</b>	<b>9,022</b>
<b>Non-current borrowings</b>				
Non-current bank loans		4,581	4,582	4,157
Non-current lease liabilities		2,840	2,840	3,605
Non-current loans from related parties	9	479	479	0
<b>Total non-current borrowings</b>		<b>7,900</b>	<b>7,901</b>	<b>7,762</b>
<b>Total borrowings</b>		<b>16,220</b>	<b>19,206</b>	<b>16,784</b>

Changes	Note	3M 2020	12M 2019	3M 2019
<b>Loans and borrowings at the beginning of the year</b>		<b>19,206</b>	<b>12,105</b>	<b>12,105</b>
Change in overdraft balances		-2,576	3,902	2,315
Received current loan from related parties	9	164	648	0
Received non-current bank loans		0	2,265	728
Repayments of non-current loans		-277	-989	-204
New lease liabilities		0	490	0
Lease liabilities (IFRS 16 initial application)		0	2,118	1,977
Repayments of non-current lease liabilities		-297	-1,333	-137
<b>Loans and borrowings at the end of the period</b>		<b>16,220</b>	<b>19,206</b>	<b>16,784</b>

## Note 6 Segment reporting

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

**Production** – manufacturing and sale of electricity distribution and control equipment as well associated activities. This segment includes the Group's companies AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finkumu Oy, Kiinteistö Oy Ulvila Sammontie 9, Harju Elekter UAB, SEBAB AB and Grytek AB.

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

**Other activities** - sales of the products of the Group and its related companies as well as products needed for electrical installation works mainly to retail customers and smaller and medium-sized electrical installation companies; management services, project management for installation works and electrical engineering for shipbuilding. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes. This segment includes the Parent Company and the Group's subsidiaries Energo Veritas OÜ, 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 (in Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

1 January – 31 March	Note	Production	Real Estate	Other activities	Elimination	Consolidated
<b>2019</b>						
Revenue from external customers		25,575	872	2,836	0	29,283
Inter-segment revenue		802	363	158	-1,323	
<b>Segment revenue</b>		<b>26,377</b>	<b>1,235</b>	<b>2,994</b>	<b>-1,323</b>	<b>29,283</b>
<b>Operating profit</b>		<b>554</b>	<b>405</b>	<b>-636</b>	<b>-16</b>	<b>307</b>
Segment assets		69,447	20,841	21,653	-13,085	98,856
Unallocated assets						10,824
<i>incl. Cash and cash equivalents</i>						612
<i>incl. Financial investments</i>						10,019
<i>incl. Other receivables and prepayments</i>						193
<b>Total assets</b>						<b>109,679</b>
Capital expenditure	3,4	1,627	160	131	0	1,918
IFRS 16 Right-of-use assets		1,629	0	489	0	2,118
Depreciation and amortization	3,4	486	202	176	-4	860

1 January – 31 March	Note	Production	Real Estate	Other activities	Elimination	Consolidated
<b>2020</b>						
Revenue from external customers		31,276	832	2,890	0	34,998
Inter-segment revenue		64	447	31	-542	
<b>Segment revenue</b>		<b>31,340</b>	<b>1,279</b>	<b>2,921</b>	<b>-542</b>	<b>34,998</b>
<b>Operating profit</b>		<b>1,286</b>	<b>355</b>	<b>-434</b>	<b>-154</b>	<b>1,053</b>
Segment assets		71,117	23,014	21,161	-14,006	101,286
Unallocated assets						9,021
<i>incl. Cash and cash equivalents</i>						319
<i>incl. Financial investments</i>						8,624
<i>incl. Other receivables and prepayments</i>						78
<b>Total assets</b>						<b>110,307</b>
Capital expenditure	3,4	413	696	18	0	<b>1,127</b>
IFRS 16 Right-of-use assets	4	0	0	0	0	0
Depreciation and amortization	3,4	447	213	235	-5	<b>890</b>

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

1 January – 31 March	2020	2019
Estonia	3,602	3,522
Finland	19,466	16,137
Norway	5,430	4,003
Sweden	4,988	3,733
Netherlands	1,244	1,586
Other	268	302
<b>Total revenue</b>	<b>34,998</b>	<b>29,283</b>

#### Revenue by business activities

1 January – 31 March	2020	2019
Manufacturing and sale of electrical equipment	30,247	25,551
Retail and project-based sale of electrical products	1,969	1,543
Other products	533	375
Lease income	720	669
Electrical works	1,089	750
Other services	440	395
<b>Total</b>	<b>34,998</b>	<b>29,283</b>

#### Note 7 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 31 March 2020, the Group had a total of 633,775 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 January to 30 March 2020, the average market price of the shares was 4.00 (31 March 2019: 4.71) euros. Therefore, the potential shares had no dilutive impact.

1 January – 31 March	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	728	182
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.04	0.01
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.04	0.01

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

1 January – 31 March	Note	2020	2019
<b>Corporate income tax</b>			
Income tax expense in the statement of profit or loss		-285	-200
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		61	-40
Income tax expense on dividends		0	5
<b>Corporate income tax paid</b>		<b>-224</b>	<b>-235</b>
<b>Paid for investment properties</b>			
Acquisitions of investment properties	3	-696	-160
Liability decrease (-)/ increase (+) incurred by purchase		54	-31
<b>Paid for investment properties</b>		<b>-642</b>	<b>-191</b>

## 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 reporting year, the Group has made transactions with related parties as follows:

	31 March 2020	31 March 2019
<b>Balances with related parties:</b>		
- Loans from the members of the management boards of the subsidiaries and from companies associated with them	842	30
- Payables for goods and services	113	196
	<b>3M 2020</b>	<b>3M 2019</b>
<b>Purchase of goods and services from related parties:</b>		
- Lease of property, plant and equipment from Harju KEK	32	32
- Lease payments to a company associated with a member of the Management Board of a subsidiary	-86	86
<b>Sale of goods and services to related parties:</b>		
- Other services for Harju KEK	0	1
<b>Remuneration of the Management and Supervisory Boards:</b>		
- Salary, bonuses, additional remuneration	122	104
- Social security tax	40	34
<b>Loans received:</b>		
- Loan from a member of the Management Board of a subsidiary	164	0

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-month 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 2018, 124 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 351,925 shares, and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 7,500 shares, comprising 52,500 shares in total. In June 2019, additional 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 633,775. In the reporting quarter, share-based payments recognized as labour costs totalled to 59 (Q1 2019: 44) thousand euros, of which the share of the members of the Management and Supervisory Boards is 11 (Q1 2019: 7) 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 2020 first quarter as set out on pages 16 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 29 April 2020



Tiit Atso Member of the Management Board 29 April 2020



Aron Kuhi-Thalfeldt Member of the Management Board 29 April 2020

