

CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE II QUARTER AND 6 MONTHS 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	www.harjuelekter.com
Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2020
Reporting period:	1 January – 30 June 2020

TABLE OF CONTENTS

ORGANISATION	3
MANAGEMENT REPORT	5
SUMMARY OF THE SECOND QUARTER AND 6 MONTHS RESULTS	5
COMMENTARY FROM THE MANAGEMENT	7
CHANGES IN THE MANAGEMENT OF GROUP COMPANIES	7
MAIN EVENTS	8
EVENTS AFTER THE REPORTING PERIOD	9
EFFECT OF THE CORONAVIRUS (COVID-19)	9
OPERATING RESULTS	10
<i>Revenue</i>	10
<i>Business segments</i>	10
<i>Markets</i>	11
<i>Operating expenses</i>	12
PERSONNEL	12
ANNUAL GENERAL MEETING OF SHAREHOLDERS	13
SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS	13
CONFIRMATIONS TO THE MANAGEMENT REPORT	15
INTERIM FINANCIAL STATEMENT	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	17
CONSOLIDATED STATEMENT OF CASH FLOWS	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
NOTES TO INTERIM FINANCIAL STATEMENT	20
<i>Note 1 Accounting methods and valuation principles used in the consolidate interim report</i>	20
<i>Note 2 Financial investments</i>	20
<i>Note 3 Investment properties</i>	21
<i>Note 4 Property, plant and equipment; intangible assets</i>	21
<i>Note 5 Borrowings</i>	21
<i>Note 6 Segment reporting</i>	22
<i>Note 7 Basic and diluted earnings per share</i>	23
<i>Note 8 Information on the statement of cash flows line items</i>	24
<i>Note 9 Transactions with related parties</i>	24
THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS	26

ORGANISATION

Harju Elekter Group as at 30 June 2020

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



ESTONIA

AS HARJU ELEKTER

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

AS HARJU ELEKTER ELEKTROTEHNIKA

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

AS HARJU ELEKTER TELETEHNIKA

Producer of customer-based sheet metal products and semi-manufactured articles for the electrical engineering and energy sector, located in Keila.

ENERGO VERITAS OÜ (81%)

A company trading in electrical materials and equipment in Estonia.

STRATEGICAL INVESTMENTS

ESTONIA

SKELETON TECHNOLOGIES GROUP OÜ (9%)

Developer and manufacturer of ultra-capacitors.

FINLAND

SATMATIC OY

Manufacturer of industrial control and automation devices, located in Ulvila and in Kerava.

FINNKUMU OY

Finnish leading prefabricated substation manufacturer in Kurikka.

TELESILTA OY

Electrical engineering company specializing in electrical contracting for the ship-building industry, located in Uusikaupunki.

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company.

KIINTEISTÖT OY Ulvia Sammontie 9

Industrial real estate holding company.

SWEDEN

HARJU ELEKTER AB

Sales office in Stockholm.

SEBAB AB

Engineering company for MV/LV power and distribution solutions for the construction, infrastructure and renewable energy sector, located in Malmö.

GRYTEK AB

Manufacturer of prefabricated technical houses in Grytgöl.

LITHUANIA

HARJU ELEKTER UAB

Manufacturer of automatic equipment, control and distribution units, located in Panevežys.

LATVIA

SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

Main activities

Harju Elekter is an industrial group established in 1968, operating in four countries, having subsidiaries in Estonia, Lithuania, Finland and Sweden. Harju Elekter is strongly orientated towards export and business around the Baltic Sea 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

SUPERVISORY AND MANAGEMENT BOARDS

The Supervisory Board of AS Harju Elekter has 5 members with the following membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (Member of the Estonian Association of Engineers and Committee of Energy of the Academy of Sciences), Mr. Aare Kirsme (Member of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ) and Mr. Andres Toome (consultant, Managing Director of OÜ Tradematic).

Management Board of AS Harju Elekter has two members as of the reporting date: Mr. Tiit Atso (Chairman of the Group), and Mr. Aron Kuhl-Thalfeldt (Member of the Management Board, Head of the 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. The former Chairman of the Management Board, Andres Allikmäe, took to the position of Head of Business Development at AS Harju Elekter, following the expiration of his Management Board member contract on 3 May 2020. 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 <http://www.harjuelekter.com/>.

MANAGEMENT REPORT

SUMMARY OF THE SECOND QUARTER AND 6 MONTHS RESULTS

Revenue

The global and Estonian coronavirus (Covid-19) pandemic did not significantly affect the Group's revenue in the reporting quarter. The consolidated unaudited revenue for the second quarter of 2020 was 39.0 (Q2 2019: 40.6) million euros. Consolidated revenue for the first half of the year increased by 5.9% and reached 74.0 (6m 2019: 69.9) million euros.

Financial result

The consolidated gross profit for the reporting quarter was 5,468 (Q2 2019: 5,087) thousand euros, the gross margin was 14.0% (Q2 2019: 12.5%). Consolidated operating profit (EBIT) was 2,156 (Q2 2019: 1,195) thousand euros. The operating margin for the Q2 was 5.5%. The consolidated net profit for the reporting quarter was 1,971 (Q2 2019: 829) thousand euros of which the share of the owners of the Parent company amounted to 1,979 (Q2 2019: 843) thousand euros. Earnings per share (EPS) was 0.11 (Q2 2019: 0.05) euros in the Q2. While the low profitability in the Q2 of 2019 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 substantial step forward towards improving profitability, doubling operating profit.

The consolidated gross profit for the first half of the year was 10,391 (6m 2019: 8,875) thousand euros and the gross profit margin was 14.0% (6m 2019: 12.7%). In the first six months, the consolidated operating profit (EBIT) was 3,209 (6m 2019: 1,502) thousand euros. In total, the Group's net profit for the first half of the year was 2,674 (6m 2019: 994) thousand euros. Net profit per share increased by 164.1% compared to the comparable period and reached 0.15 (6m 2019: 0.06) euros.

Investments

The cost of non-current assets in the statement of financial position decreased by 2.0 million euros to 57.9 million euros during six months, accounting for 51.5% of assets. The main reasons of the decrease in the value of non-current assets was the partial sale of the listed securities with profit and the decrease in the value of others in the amount of 0.8 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 remaining securities in the portfolio has decreased by 15% in six months as a result of the effect of the global coronavirus pandemic (Covid-19) on stock markets.

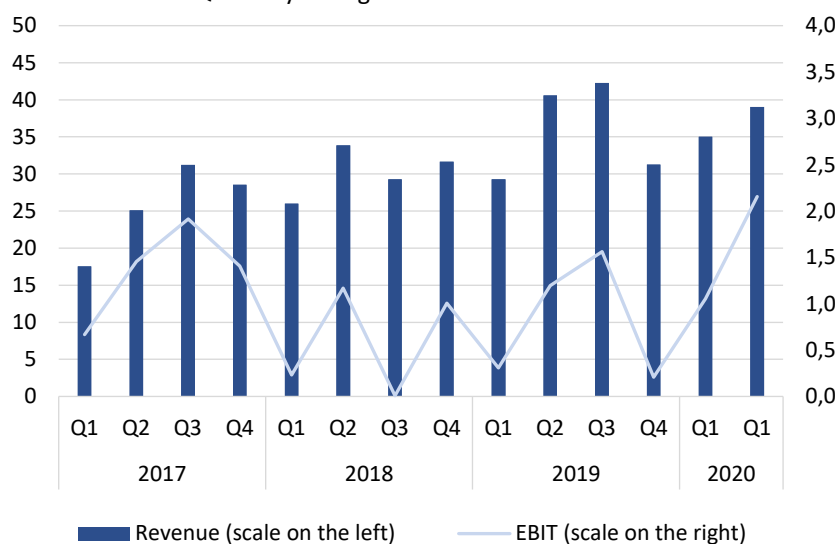
In the reporting period, the Group invested a total of 2.2 (6m 2019: 3.0) million euros in non-current assets, incl. 1.3 (6m 2019: 0.2) million euros in investment properties, 0.8 (6m 2019: 2.6) million euros in property, plant and equipment and 0.1 (6m 2019: 0.2) million euros in intangible assets. In Q1, preparations for the construction of the fourth stage of expansion of the production and office building in Lithuania were started. In addition, investments were made in the construction of a production facility in the Allika Industrial Park, and plots of land were purchased.

Current assets

The volume of the Group's current assets has increased 6.5 million euros to 54.5 million euros in the first half of the year due to the increase in revenue, including inventories increased by 2.9 million euros to 22.0 million euros. Inventory grew on the account of affordable materials to prevent the risk of crisis. Regardless of the recession in the global economy, no significant deterioration in the payment habits of the Group's customers could be observed in the first half of the year. Trade and other receivables increased by 16.7% to 26.8 million euros in six months. The Group has sufficient financial reserves to guarantee the performance of its obligations, increase inventory, if necessary, and continue any investments previously agreed on. Credit ratings and limits assigned to customers will be regularly reviewed to avoid potential payment difficulties.

Liabilities

As at the reporting date, the Group had total liabilities of 45.9 million euros, of which short-term liabilities accounted for 81.8%. During the first half of the year short-term liabilities increased by 4.6 million euros to 37.5 million euros, incl. an increase in trade and other payables by 7.8 million euros in total, to 24.2 million euros. The change also includes a 2.5-million-euro dividend payment obligation to shareholders. Short-term borrowings decreased by 4.6 million euros to 6.8 million euros. Long-term debt was 8.3 million euros. Non-current loans and leasing have been used in connection with real estate developments in Estonia and Lithuania and investment in an automatic production equipment.

Consolidated 6 months
REVENUE74.0 million euros
(6m 2019: 69.9)Consolidated 6 months
EBIT3.2 million euros
(6m 2019: 1.5)Consolidated 6 months
NET PROFIT2.7 million euros
(6m 2019: 1.0)Quarterly Changes in Revenue and EBIT *mln euros*Consolidated 6 months
REVENUE GROWTH

6%

Consolidated 6 months
EBIT GROWTH

114%

Key indicators
(EUR '000)

	Q2 2020	Q2 2019	+/-	6 months 2020	6 months 2019	+/-
Revenue	39,014	40,606	-3.9%	74,012	69,889	5.9%
Gross profit	5,468	5,087	7.5%	10,391	8,875	17.1%
EBITDA	3,084	2,065	49.3%	5,027	3,232	55.5%
Operating profit (EBIT)	2,156	1,195	80.4%	3,209	1,502	113.6%
Profit for the period	1,971	829	137.8%	2,674	994	169.0%
Incl. attributable to Owners of the Company	1,979	843	134.8%	2,708	1,025	164.1%
Earnings per share (EPS)	0.11	0.05	134.8%	0.15	0.06	164.1%

Ratios
(%)

	Q2 2020	Q2 2019	+/-	6 months 2020	6 months 2019	+/-
Distribution cost to revenue	3.0	3.6	-0.6	3.4	3.8	-0.4
Administrative expenses to revenue	6.0	6.0	-0.0	6.6	6.6	0.0
Labour cost to revenue	17.3	16.9	0.4	18.1	19.0	-0.9
Gross margin (gross profit / revenue)	14.0	12.5	1.5	14.0	12.7	1.3
EBITDA marginal (EBITDA / revenue)	7.9	5.1	2.8	6.8	4.6	2.2
Operating margin (EBIT / revenue)	5.5	2.9	2.6	4.3	2.1	2.2
Net margin (profit for the period / revenue)	5.1	2.0	3.1	3.6	1.4	2.2
Return of equity ROE (profit for the period/average equity)	3.0	1.2	1.8	3.0	1.5	1.5

	30 June 2020	30 June 2019	+/-
Equity ratio (equity/total assets) (%)	59.2	56.9	2.3
Current ratio (current assets/ short-term liabilities)	1.5	1.4	0.1
Quick ratio ((current assets - inventories)/ current liabilities)	0.9	0.8	0.1

COMMENTARY FROM THE MANAGEMENT

Dear investor,

We have a reason to be grateful to and proud of every of our Estonian, Lithuanian, Finnish and Swedish employee, who, given the constraints of the emergency situation, have worked hard to keep the supply chain and production running so that customers' orders can be fulfilled on time. There were no major obstacles in the second quarter that would have caused us issues with fulfill our obligations - we were able to supply ourselves with all the necessary materials and components, and the trade connections to our destination countries were secured and operational. Considering the fact that the orders of Harju Elekter's customers are mostly of a long-term nature, the work started will be completed and the work for framework agreements will continue as agreed with the customers.

Emergency measures varied from country to country based on the outbreaks of the disease and the established national regulations and requirements. In all our locations, administrative staff were sent to work from the home offices, the distance between people in production was increased and the number of shifts raised. Workplaces were disinfected more often and cleaning was more frequent than usual. The aim was to keep production running for as long as possible.

The doubled operating profit for the reporting quarter is undoubtedly a historically record achievement for Harju Elekter, and taking into account the current situation, the operating profit margin of 4.3% in the first half of the year is a significant improvement.

There are also many positives to highlight. The steps taken last year to compensate for the reduced investment in distribution networks in the Nordic countries have started to show results. We have reviewed some production activities, found ways to save costs, expanded the product portfolio and made production more efficient. Several unprofitable large-scale projects in Sweden, which caused setbacks last year and in the first quarter of this year, are coming to an end. During the next six months, organisational restructuring in the Finnish and Swedish companies will also be completed.

Despite the good results, we are cautious about the future. To reduce the effects of the crisis, we are currently focusing on forward-looking sales and development work. Procurements of substations in Finland and Sweden will be settled soon, and several infrastructure investments in Sweden are planned. In the maritime sector, the introduction of more environmentally friendly technologies continues. The Group's goal is to emerge stronger from the crisis than when it entered there, which is why we will continue to invest in industrial real estate, automation and robotics of machinery and equipment, as well as modern software solutions.

The industrial real estate sector supporting Harju Elekter's production activities has performed well during the emergency situation. This is mainly because we have maintained a calm approach in the development of industrial real estate as well as in renting and have chosen our customers carefully. The tenants of Laohotell II, which is currently under construction, also want to move in on time.

During its long history, Harju Elekter has gone through several economic crises and is much stronger than during the previous one - the Group's production units are located in several countries, the product portfolio is wider and the export markets are divided between several destinations. Our business is long term and we understand that when the crisis fully hits us, no one will come to the aid of the industry. Harju Elekter is heavily capitalised and the growing economic crisis will only affect us if we decide to cancel the future sales. We feel confident about the orders for 2020 and strive towards long-term growth and continuation.

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 former Chairman of the Management Board Andres Allikmäe took the position of Head of Business Development at AS Harju Elekter, following the expiration of his Management Board member contract on 3 May 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).

As of 1 January 2020, a new CEO has been appointed for Swedish subsidiaries SEBAB AB and Grytek AB. Mikael Schwartz Jonsson started working with the Harju Elekter Group on 1 October 2019. The long-term CEO of SEBAB AB and Grytek AB, Thomas Andersson, took the position of Sales and Marketing Director in Sweden from 1 January 2020.

MAIN EVENTS

Q2

In order to simplify the coordination of sales and marketing work and the management of Swedish subsidiaries, Harju Elekter decided to merge its Swedish subsidiaries SEBAB AB and Grytek AB during 2020 into one company of Harju Elekter Group.

The Finnish business newspaper Kauppalehti awarded Finnkumu Oy with the "Achievers 2020" title. 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.

On 22 May 2020, the cornerstone was laid for AS Harju Elekter's Laohotell II in Saue Parish, Allika Industrial Park. The total area of the building, which will be completed this autumn, is 3,877 square metres. Laohotell II is the fifth real estate of AS Harju Elekter to be taken into use in the 30 ha with 18 land plots Allika Industrial Park in Harku near Paldiski Road.



Energo Veritas OÜ closed its unprofitable Keila store as of 31 May 2020, and customer service throughout North Estonia was transferred to the company's new sales office in Tallinn, Tuisu 19.

On 30 June 2020, the AGM of shareholders of AS Harju Elekter was held; it approved the 2019 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.14 euro per share for 2019, totalling 2.5 million euros. Dividends were transferred to shareholders' bank accounts on July 21, 2020.

Q1

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.

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 land 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.



EVENTS AFTER THE REPORTING PERIOD

In July 2020, it was decided that in September, the Lithuanian subsidiary of AS Harju Elekter, Harju Elekter UAB, will commence Step 4 of expanding its factory in Panevėžys. The construction works will be performed by Kaminta UAB and the works are scheduled to be finished in March 2021. After the construction works have been completed, the office and manufacturing area of the Lithuanian subsidiary will increase from the current 8,765 m² to 16,761 m². The total cost of the investment is up to 6 million euros, of which 70% will be financed by bank loan and 30% from own resources.

Investments directed at expanding the factory enable Harju Elekter UAB to double the factory revenues. Following enlargement, the number of employees will increase from the current 241 to 350.

Harju Elekter UAB focuses on providing detailed engineering of products, services and solutions and production for export for the marine and industrial sector system integrators, with delivering client-specific solutions of frequency inverters and power distribution systems. Harju Elekter UAB has DNV GL and RINA certificates.

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 was from spring 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 declared a state of emergency. Crossing internal and external Schengen borders was temporarily restricted and border controls were restored in Europe to prevent the spread of the coronavirus. At the same time, trade and transport continued unrestricted.

Harju Elekter's production and business operations continued smoothly in all locations. We regularly assess probable risk scenarios that could affect our production and supply chain. Risk assessments are reviewed regularly on the following:

- Health of the production staff and prevention of possible illness
- Availability of materials and components
- Operation of freight transport
- Monitoring customer demand
- Changing of credit ratings and limits
- Sufficiency of the working capital
- Monitoring and analysis of financial investments

In the second quarter, there were no major obstacles to fulfilling our commitments, we were able to provide ourselves almost with everything we needed, and trade connections to our destination countries were also secured and functioning. The main impact on the Group was the decrease in the value of the remaining securities in the portfolio by 15% in six months and temporary rental price reduction agreements to ensure that our tenants can handle this difficult emergency situation.

In conclusion, we estimate that the emergency situation caused by the coronavirus (Covid-19) did not have a significant impact on the Group's business operations and sustainability.

OPERATING RESULTS

Revenue

The Group's consolidated revenue for the second quarter of 2020 was slightly lower than in the previous year, amounting to 39.0 million euros. Some decline in revenue was due to delays in the delivery of some materials and components, which delayed the completion of some orders to the next quarter. Sales of electrical equipment decreased the most compared to quarters: 2.7 million euros. At the same time, sales of retail and project-based sale of electrical products increased by 0.9 million euros year-on-year and 1.3 million euros for six-month period comparison. All in all, the consolidated revenue of the Group in the first half of the year increased by a total of 4.1 million euros to 74.0 million euros in all business activities. Despite the uncertainty in the economic environment, the volume of new orders and cooperation with important customers with framework agreements have persisted. Many of the clients' new potential projects are in the decision-making stage.

Revenue by business activities (EUR'000)	Q2 2020	Q2 2019	+/- Q/Q	6M 2020	6M 2019	+/-	% 6M 2020	% 6M 2019
Manufacturing and sale of electrical equipment	33,062	35,743	-7.5%	63,309	61,293	3.3%	85.5%	87.7%
Retail and project-based sale of electrical products	3,306	2,406	37.4%	5,274	3,949	33.6%	7.1%	5.7%
Other products	845	589	43.5%	1,378	963	43.1%	1.9%	1.4%
Lease income	689	659	4.6%	1,409	1,328	6.1%	1.9%	1.9%
Electrical works	625	818	-23.6%	1,714	1,568	9.3%	2.3%	2.2%
Other services	487	391	24.6%	928	788	17.7%	1.3%	1.1%
Total	39,014	40,606	-3.9%	74,012	69,889	5.9%	100.0%	100.0%

Business segments

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

Revenue by segment (EUR'000)	Q2 2020	Q2 2019	+/- Q/Q	6M 2020	6M 2019	+/-	% 6M 2020	% 6M 2019
Production	33,144	35,938	-7.8%	63,216	61,514	2.8%	85.4%	88.0%
Real Estate	774	828	-6.5%	1,607	1,701	-5.5%	2.2%	2.4%
Other activities	5,096	3,840	32.7%	9,189	6,674	37.7%	12.4%	9.5%
Total	39,014	40,606	-3.9%	74,012	69,889	5.9%	100.0%	100.0%

Production

As is tradition, the largest part of the revenue, 85.0% in the reporting quarter and 85.4% in the first half of the year, was generated by Production, which is the main business activity of the Group. Some supply difficulties due to the special situation reduced the revenue of the Production segment by 2.8 million euros on a quarterly basis. 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 1.7 million euros to 63.2 million euros in six months.

Real estate

The revenue of the Real estate segment has decreased compared to previous periods. This is due to the temporary rent reduction agreements to ensure the tenants' coping with the difficult situation. In Q2, lease income from the rental premises of Keila, Allika and Haapsalu Industrial Parks was earned in the amount of 0.8 million euros and 1.6 million euros in six months.

Other activities

The revenue of Other activities was 5.1 million euros in the Q2, which is 1.3 million more than in the second quarter of 2019. The six-month revenue has also increased significantly: 2.5 million euros. 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 to 5.7 (Q2 2019: 5.0) million euros in year-on-year comparison, accounting for 14.7% (Q2 2019: 12.4%) of consolidated revenue for the reporting quarter. The servicing of the framework procurement for Elektrilevi OÜ's new substations has started, but some supply difficulties of materials and components caused by the crisis situation have slowed down the growth of the expected revenue on the Estonian market. In total, sales to the Estonian market have increased by 0.8 million euros to 9.4 million euros in six months, accounting for 12.6% of the 6-month consolidated revenue.

Finland

Sales in the Group's largest market, Finland, have been declining year-on-year. The revenue of the reporting quarter decreased by 3.2 million euros to 19.0 million euros and was mostly affected by the delay in the supply of equipment. There was no major change in the revenue compared to the first half of the previous year, the six-month revenue to the Finnish market was 38.5 million euros, accounting for 52.0% of the consolidated revenue. Production of the Finnish power grid companies comprised the greater part of the sales volume. The Group has reached the delivery of the first projects in Finland with the solutions of the HECON row cabinet system product line, that was developed within the Group, and where customers have provided positive feedback.

Sweden

The revenue earned from the Swedish market in the reporting quarter was 5.9 million euros, which was 0.3 million euros more than in the second quarter of 2019. The share of the Swedish market in consolidated sales increased by 1.3 percentage points to 15.2% in the reporting quarter. In the first half of the year, revenue in Sweden increased by 1.5 million euros to 10.9 million euros, remaining as the third market by revenue. The growth was primarily ensured by the increase in sale of substations in Sweden. As at the end of the quarter, 86.2% 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 during the reporting period.

Norway

Norway ranks fourth of the Group's markets, accounting for 11.2% of the Group's revenue in the second quarter. The revenue earned in the reporting quarter was 4.4 million euros, decreasing by 1.1 million euros compared to the second quarter of 2019. In contrast, the Norwegian market earned 9.8 million euros in the first half of the year, an increase of 0.3 million euros. The majority of the sales volume on the Norwegian market originated from the sale of products directed at the shipbuilding sector. In addition to the Lithuanian subsidiary, the Estonian manufacturing company also contributed to the growth of the Norwegian market, sending three HEKA1SB substations to Norway in the reporting quarter.

Netherlands

In a quarterly comparison, sales to the Netherlands market remained at the same level, amounting to 1.8 million euros. In a six-month comparison, sales to the Netherlands market have fallen by 0.4 million euros to 3.1 million euros.

Others

Sales to other markets increased the most, by 1.7 million euros year-on-year and in six-month. The largest of the Group's other markets were Denmark, Germany and Poland, which generated revenue of 1.3 million, 0.3 million and 0.6 million euros, respectively, in six months.

Markets (EUR '000)	Q2 2020	Q2 2019	+/- Q/Q	6M 2020	6M 2019	+/-	% 6M 2020	% 6M 2019
Estonia	5,748	5,028	14.3%	9,350	8,550	9.4%	12.6%	12.2%
Finland	18,990	22,194	-14.4%	38,457	38,331	0.3%	52.0%	54.8%
Sweden	5,919	5,631	5.1%	10,907	9,364	16.5%	14.7%	13.4%
Norway	4,359	5,477	-20.4%	9,789	9,480	3.3%	13.2%	13.6%
Netherlands	1,845	1,872	-1.5%	3,089	3,458	-10.7%	4.2%	4.9%
Other	2,153	404	432.9%	2,420	706	242.8%	3.3%	1.0%
Total	39,014	40,606	-3.9%	74,012	69,889	5.9%	100.0%	100.0%

Operating expenses

(EUR '000)	Q2 2020	Q2 2019	+/- Q/Q	6M 2020	6M 2019	+/-	% 6M 2020	% 6M 2019
Cost of sales	33,546	35,519	-5.6%	63,621	61,014	4.3%	89.6%	89.3%
Distribution costs	1,180	1,474	-19.9%	2,488	2,682	-7.2%	3.5%	3.9%
Administrative expenses	2,333	2,450	-4.8%	4,895	4,634	5.6%	6.9%	6.8%
Total operating expenses	37,059	39,443	-6.0%	71,004	68,330	3.9%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	<i>928</i>	<i>870</i>	<i>6.7%</i>	<i>1,818</i>	<i>1,730</i>	<i>5.1%</i>	<i>2.6%</i>	<i>2.5%</i>
<i>incl. total labour cost</i>	<i>6,738</i>	<i>6,869</i>	<i>-1.9%</i>	<i>13,378</i>	<i>13,244</i>	<i>1.0%</i>	<i>18.8%</i>	<i>19.4%</i>
<i>incl. inclusive salary cost</i>	<i>5,344</i>	<i>5,528</i>	<i>-3.3%</i>	<i>10,302</i>	<i>10,595</i>	<i>-2.8%</i>	<i>14.5%</i>	<i>15.5%</i>

Operating expenses for the reporting quarter have decreased in all expense groups - a total of 2.4 million euros. The decrease in the cost of sales outpaced the decrease in revenue by 1.7 percentage points, increasing the gross profit margin by 1.5 percentage points compared to the second quarter of 2019. Distribution expenses have decreased the most compared to the comparable quarter, by 0.3 million to 1.2 million euros, accounting for 3.2% of the Group's operating expenses in the second quarter. The share of distribution expenses in the Group's revenue has decreased by 0.6 percentage points year-on-year to 3.0%. While the increase in distribution costs in the comparable period was caused by the focus on export growth, then due to the global coronavirus (Covid-19), most sales work has been done virtually in the period under review. To prevent the loss-making consequences, special attention is given to the availability of materials in production units and security of supply regarding purchase and procurement activities.

Overall, the increase in operating expenses compared to the first half of the year was 2.0 percentage points lower than the increase in revenue. Operating expenses for the first half of the year totalled 71.0 (6m 2019: 68.3) million euros, of which the largest increase - 2.6 million euros was the cost of sales. The gross profit margin increased by 1.3 percentage points to 14.0 compared to the comparable period. The share of administrative expenses in the Group's revenue was 6.0% of the revenue of the reporting quarter and 6.6% in the first six months, remaining at the same level of the Group's operating expenses compared to both periods of the previous year.

Compared to the second quarter of 2019, labour costs for the last quarter decreased by 0.1 million euros to 6.7 million euros and increased by 0.1 million euros compared to 6 months. The ratio of labour costs to the Group's revenue decreased to 18.1% (6m 2019: 19.0%) in the first half of the year. In the first six months, the cost of share option programs in the amount of 120 (6m 2019: 89) thousand euros has been recognized as labour costs.

Depreciation of non-current assets totalled 0.9 million euros in the second quarter and 1.8 million euros in the first half of the year, increasing by 58 and 88 thousand euros, respectively, compared to the comparable period.

PERSONNEL

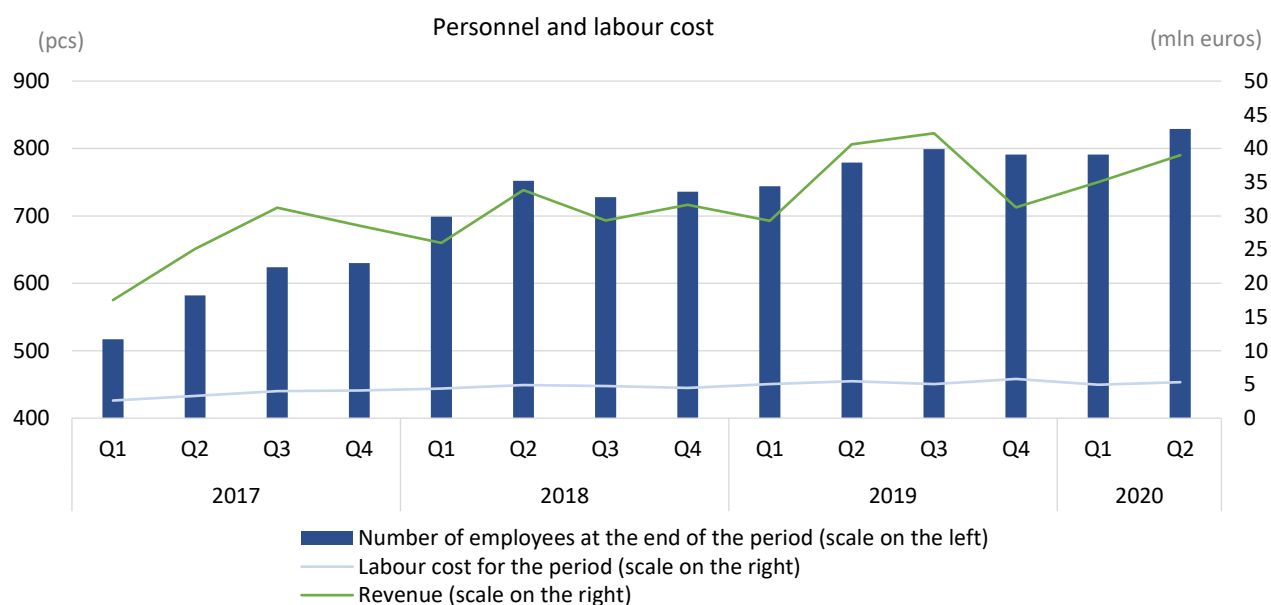
In order to service the increased production volumes in the new production building, the number of employees of the Lithuanian subsidiary has increased by 18 people during the year. At the same time, Estonian companies have hired less seasonal labour in the reporting quarter than in the comparable period, partly due to the restructuring and postponement of holidays. At the end of the reporting period, the Group had 829 employees, which is 19 employees less than a year ago. During the reporting quarter, the Group employed an average of 789 people, which was an average of 10 employees more than in the comparable period.

	Average numbers of employees				Numbers of employees			%	
	Q2 2020	Q2 2019	6M 2020	6M 2019	30.06.2020	30.06.2019	+/-	30.06.20	30.06.19
Estonia	353	395	343	392	397	426	-29	47.9%	50.2%
Finland	138	132	137	132	141	144	-3	17.0%	17.0%
Lithuania	239	189	244	170	232	214	18	28.0%	25.2%
Sweden	59	63	58	62	59	64	-5	7.1%	7.6%
Total	789	779	782	756	829	848	-19	100.0%	100.0%

During the difficult emergency situation, temporary labour was involved to cover illness, holidays and peak season resource needs when needed. The first priority, apart from human health, was to keep production running as efficiently as possible in the crisis situation. To prevent the potential spread of the coronavirus, all possible measures were implemented to avoid dangerous contact and the spread of the virus. Only the Group's personnel had access to the premises, protective equipment was carefully disinfected and utilised. Engineers and office workers were sent to home offices, and any events that would have required gathering in a common space were postponed or held via

video conference. The measures were effective and the virus did not reach the production units or the families of the employees.

In the reporting quarter, 5.3 (Q2 2019: 5.5) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,195 (Q2 2019: 2,335) euros.



ANNUAL GENERAL MEETING OF SHAREHOLDERS

On June 30, 2020, the Annual General Meeting (AGM) of Shareholders of AS Harju Elekter was held, in which 52 shareholders and their authorized representatives participated, representing a total of 11,478,288 votes, being 64.70% of the total votes.

The AGM approved the 2019 annual report and profit distribution and decided to pay dividends amounting to 0.14 euros per share, totalling 2.5 million euros. The list of the shareholders entitled to the dividends was fixed as at 14 July 2020 at the end of the business day of the settlement system. The dividends were transferred to the shareholders' bank accounts on July 21, 2020.

SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS

Security trading history:	6M 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	4.39	4.21	4.12	5.00	2.83
Traded shares (pc)	694,533	531,415	1,100,773	1,349,617	947,294
Turnover (in million euros)	2.81	2.35	5.98	5.46	2.45
Capitalisation (in million euros)	77.88	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	0.15	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 – 30 June 2020 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)



As at 30 June 2020, AS Harju Elekter had 4,570 shareholders. The number of shareholders increased during the accounting quarter by 373 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 30 June 2020, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 10.78% of AS Harju Elekter shares.

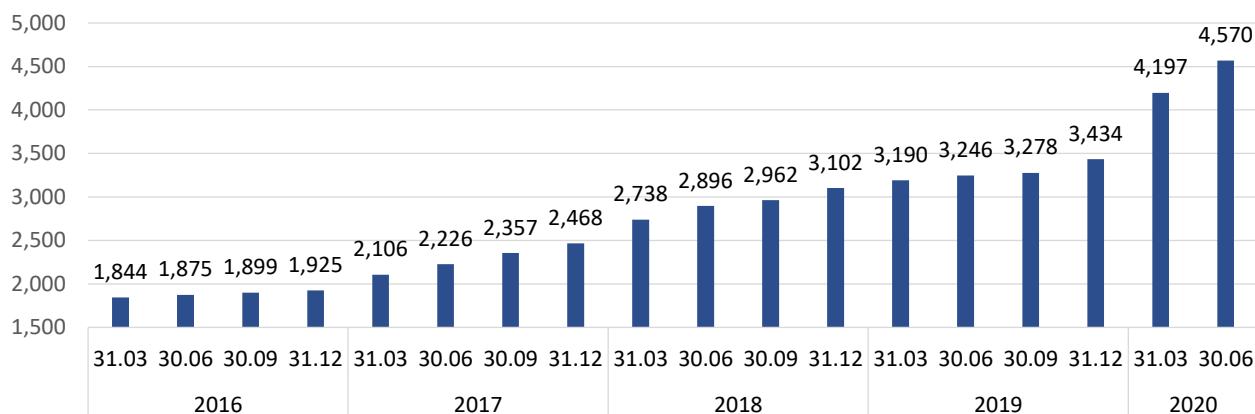
Division of shareholders by size of holding as at 30 June 2020:

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 %	56	1.2	16.0
< 0.1%	4,504	98.6	20.3
Total	4,570	100.0	100.0

Shareholders (over 5%) as at 30 June 2020:

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

Number of shareholders



CONFIRMATIONS TO THE MANAGEMENT REPORT

The Management Board confirms that the management report provides, in the best knowledge of the management board, a true and fair view of the significant events, results and their impact on the unaudited consolidated interim report during the reporting period.

Tiit Atso Chairman of the Management Board 29 July 2020



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



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 June 2020	31 December 2019	30 June 2019
Currents assets				
Cash and cash equivalents		3,906	4,878	1,978
Trade and other receivables		26,788	22,958	29,894
Prepayments		1,879	1,166	1,728
Inventories		21,958	19,010	23,113
Total current assets		54,531	48,012	56,713
Non-current assets				
Deferred income tax assets		517	472	97
Non-current financial investments	2	8,047	10,494	10,245
Investment properties	3	22,173	21,259	19,610
Property, plant and equipment	4	19,918	20,402	20,916
Intangible assets	4	7,199	7,260	7,214
Total non-current assets		57,854	59,887	58,082
TOTAL ASSETS	6	112,385	107,899	114,795
LIABILITIES AND EQUITY				
Liabilities				
Borrowings	5	6,772	11,305	12,299
Prepayments from customers		2,824	2,212	2,536
Trade and other payables		24,202	16,448	22,738
Tax liabilities		3,559	2,959	3,259
Current provisions		160	34	32
Total current liabilities		37,517	32,958	40,864
Borrowings	5	8,264	7,901	8,577
Other non-current liabilities		97	64	66
Non-current liabilities		8,361	7,965	8,643
Total liabilities		45,878	40,923	49,507
Equity				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		2,673	3,412	3,213
Retained earnings		52,003	51,699	50,148
Total equity attributable to the owners of the company		66,656	67,091	65,341
Non-controlling interests		-149	-115	-53
Total equity		66,507	66,976	65,288
TOTAL LIABILITIES AND EQUITY		112,385	107,899	114,795

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 April - 30 June		1 January - 30 June	
		2020	2019	2020	2019
Revenue	6	39,014	40,606	74,012	69,889
Cost of sales		-33,546	-35,519	-63,621	-61,014
Gross profit		5,468	5,087	10,391	8,875
Distribution costs		-1,180	-1,474	-2,488	-2,682
Administrative expenses		-2,333	-2,450	-4,895	-4,634
Other income		275	83	327	131
Other expenses		-74	-51	-126	-188
Operating profit	6	2,156	1,195	3,209	1,502
Finance income		71	24	108	125
Finance costs		-46	-61	-147	-104
Profit before tax		2,181	1,158	3,170	1,523
Income tax	8	-210	-329	-496	-529
Profit for the period		1,971	829	2,674	994
Profit attributable to:					
Owners of the Company		1,979	843	2,708	1,025
Non-controlling interests		-8	-14	-34	-31
Earnings per share					
Basic earnings per share (EUR)	7	0.11	0.05	0.15	0.06
Diluted earnings per share (EUR)	7	0.11	0.05	0.15	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 April - 30 June		1 January - 30 June	
	2020	2019	2020	2019
Profit for the period	1,971	829	2,674	994
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Net gain on revaluation of financial assets	34	-39	-14	-77
<i>Items that will not be reclassified to profit or loss</i>				
Gain on sales of financial assets	46	0	80	0
Impact of exchange rate changes	490	94	-845	536
Total comprehensive income for the period	570	55	-779	459
Other comprehensive income	2,541	884	1,895	1,453
Total comprehensive income attributable to:				
Owners of the Company	2,550	898	1,929	1,484
Non-controlling interests	-9	-14	-34	-31

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 30 June	
	Note	2020	2019
Cash flows from operating activities			
Profit for the period		2,674	994
<u>Adjustments</u>			
Depreciation and amortization	3,4	1,817	1,730
Gain on sale of property, plant and equipment	8	-8	-46
Loss on liquidation of property, plant and equipment		2	0
Share-based payments	9	120	89
Finance income		-108	-125
Finance costs		147	104
Income tax	8	496	529
<u>Changes</u>			
Changes in trade and other receivables		-4,671	-8,068
Changes in inventories		-2,799	-5,646
Changes in trade and other payables		6,383	9,636
Corporate income tax paid	8	-642	-470
Interest paid		-109	-83
Total cash flow (-outflow) from operating activities		3,302	-1,356
Cash flows from investing activities			
Payments for investment properties	8	-1,066	-288
Payments for property, plant and equipment		-771	-2,563
Payments for intangible assets		-105	-175
Acquisition of financial investments		0	-125
Proceeds from sale of investment property		93	0
Proceeds from sale of property, plant and equipment		20	108
Loans granted		0	-100
Dividends received		66	121
Dividends income tax paid	8	-10	0
Proceeds from sale of other financial investments		1,681	0
Total cash flow (-outflow) from investing activities		-92	-3,022
Cash flows from financing activities			
Change in overdraft balance	5	-3,224	6,049
Proceeds from borrowings	5	0	1,532
Received loan from related parties	5	185	95
Repayment of borrowings	5	-556	-408
Repayments of lease liabilities		-590	-632
Dividends paid		0	-3,193
Dividends income tax paid	8	0	-166
Total cash flow (-outflow) from financing activities		-4,185	3,277
Total net cash flow (-outflow)		-974	-1,101
Cash and cash equivalents at the beginning of the period			
Changes in cash and cash equivalents		-974	-1,101
Effect of exchange rate fluctuations on cash and cash equivalents		2	-63
Cash and cash equivalents at the end of the period		3,906	1,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 30 June	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
Balance at 1 January 2019	11,176	804	2,665	52,316	66,961	-22	66,939
Comprehensive income							
Profit for the period	0	0	0	1,025	1,025	-31	994
Other comprehensive income	0	0	459	0	459	0	459
Total comprehensive income	0	0	459	1,025	1,484	-31	1,453
Transaction with owners recognized directly in equity							
Share-based payments (Note 9)	0	0	89	0	89	0	89
Dividends	0	0	0	-3,193	-3,193	0	-3,193
Total transactions with owners	0	0	89	-3,193	-3,104	0	-3,104
Balance at 30 June 2019	11,176	804	3,213	50,148	65,341	-53	65,288
Balance at 1 January 2020	11,176	804	3,412	51,699	67,091	-115	66,976
Comprehensive income							
Profit for the period	0	0	0	2,708	2,708	-34	2,674
Other comprehensive income	0	0	-859	80	-779	0	-779
Total comprehensive income	0	0	-859	2,788	1,929	-34	1,895
Transaction with owners recognized directly in equity							
Share-based payments (Note 9)	0	0	120	0	120	0	120
Dividends	0	0	0	-2,484	-2,484	0	-2,484
Total transactions with owners	0	0	120	-2,484	-2,364	0	-2,364
Balance at 30 June 2020	11,176	804	2,673	52,003	66,656	-149	66,507

On June 30, 2020, the Annual General Meeting of shareholders of AS Harju Elekter was held; it approved the 2019 annual report and the proposal for distribution of the profit and decided to pay shareholders a dividend of 0.14 euro per share for 2019, totalling 2,484 thousand euros. The dividends were paid to the shareholders on 21 July 2020 by a transfer to the bank account of the shareholder.

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30 June 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 Kiinteistöt 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 second quarter and 6 months of 2020 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor reviewed by auditors and only includes the consolidated reports of the Group.

The financial statements are presented in euros, which is the Group's functional and presentation currency. The consolidated interim financial statement has been drawn up in thousands of euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Note 2 Financial investments

	30 June 2020	31 December 2019	30 June 2019
Listed securities (fair value through other comprehensive income)	2,571	5,017	5,374
Other equity investments (fair value through other comprehensive income)	5,469	5,469	4,863
Other financial assets through profit or loss	7	8	8
Total	8,047	10,494	10,245
Changes	6M 2020	2019	6M 2019
1. Financial assets at fair value through other comprehensive income			
Carrying amount at the beginning of the period	10,486	9,576	9,576
Acquisitions	0	730	125
Sale of financial investment	-1,681	-462	0
Change in fair value through other comprehensive income	-765	642	536
Carrying amount at the end of the period	8,040	10,486	10,237
2. Financial assets at fair value through profit and loss			
Carrying amount at the beginning of the period	8	11	11
Change in fair value through profit and loss	-1	-3	-3
Carrying amount at the end of the period	7	8	8
Total carrying amount at the end of the period	8,047	10,494	10,245

Realized gain on sale of financial assets in the amount of 80 thousand euros was recognized through other comprehensive income.

Note 3 Investment properties

	Note	6M 2020	12M 2019	6M 2019
Balance at the beginning of the year		21,259	19,804	19,804
Additions		1,338	913	211
Depreciation		-425	-821	-405
Reclassification to investment property	4	1	1,363	0
At the end of the period		22,173	21,259	19,610

Note 4 Property, plant and equipment; intangible assets

	Note	6M 2020	12M 2019	6M 2019
1. Property, plant and equipment				
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		772	4,189	2,562
Sales and write-off in carrying amount		-22	-74	-62
Depreciation		-1,232	-2,357	-1,099
Reclassification to investment property	3	-1	-1,363	0
Impact of exchange rate changes		-1	-4	-6
At the end of the period		19,918	20,402	20,916
2. Intangible assets				
Balance at the beginning of the year		7,260	7,260	7,260
Additions		99	355	180
Amortization		-160	-340	-226
Impact of exchange rate changes		0	-15	0
At the end of the period		7,199	7,260	7,214

Note 5 Borrowings

	Note	30 June 2020	31 December 2019	30 June 2019
Current borrowings				
Current bank loans		5,645	8,869	11,015
Current portion of long-term bank loans		557	1,112	578
Current portion of lease liabilities		550	1,125	581
Current loans from related parties	9	20	199	125
Total current borrowings		6,772	11,305	12,299
Non-current borrowings				
Non-current bank loans		4,582	4,582	4,964
Non-current lease liabilities		2,840	2,840	3,613
Non-current loans from related parties	9	842	479	0
Total non-current borrowings		8,264	7,901	8,577
Total borrowings		15,036	19,206	20,876

Changes	Note	6M 2020	12M 2019	6M 2019
Loans and borrowings at the beginning of the year		19,206	12,105	12,105
Change in overdraft balances		-3,224	3,902	6,049
Received loan from related parties	9	185	648	95
Received non-current bank loans		0	2,265	1,532
Repayments of non-current loans		-556	-989	-408
New lease liabilities		0	490	0
Lease liabilities (IFRS 16 initial application)		0	2,118	2,172
Repayments of non-current lease liabilities		-575	-1,333	-669
Loans and borrowings at the end of the period		15,036	19,206	20,876

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 – 30 June	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2019						
Revenue from external customers		61,514	1,701	6,674	0	69,889
Inter-segment revenue		1,836	710	314	-2,860	
Segment revenue		63,350	2,411	6,988	-2,860	69,889
Operating profit		1,898	798	-1,137	-57	1,502
Segment assets		74,178	21,100	22,613	-14,372	103,519
Unallocated assets						11,277
<i>incl. Cash and cash equivalents</i>						864
<i>incl. Financial investments</i>						10,238
<i>incl. Other receivables and prepayments</i>						175
Total assets						114,795
Capital expenditure	3,4	2,425	211	317	0	2,953
Addition of right-of-use assets (IFRS 16)		1,629	0	489	0	2,118
Depreciation and amortization	3,4	990	405	344	-9	1,730

1 January – 30 June	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2020						
Revenue from external customers		63,216	1,607	9,189	0	74,012
Inter-segment revenue		2,490	891	68	-3,450	,
Segment revenue		65,707	2,498	9,257	-3,450	74,012
Operating profit		3,139	795	-566	-159	3,209
Segment assets		70,561	23,716	23,457	-14,792	102,942
Unallocated assets						9,443
<i>incl. Cash and cash equivalents</i>						1,333
<i>incl. Financial investments</i>						8,040
<i>incl. Other receivables and prepayments</i>						70
Total assets						112,385
Capital expenditure	3,4	766	1338	105	0	2,209
Addition of right-of-use assets (IFRS 16)	4	0	0	0	0	0
Depreciation and amortization	3,4	943	425	460	-11	1,817

Revenue by geographic regions (customer location)

1 January – 30 June	2020	2019
Estonia	9,350	8,550
Finland	38,457	38,331
Sweden	10,907	9,364
Norway	9,789	9,480
Netherlands	3,089	3,458
Other	2,420	706
Total revenue	74,012	69,889

Revenue by business activities

1 January – 30 June	2020	2019
Manufacturing and sale of electrical equipment	63,309	61,293
Retail and project-based sale of electrical products	5,274	3,949
Other products	1,378	963
Lease income	1,409	1,328
Electrical works	1,714	1,568
Other services	928	788
Total	74,012	69,889

Note 7 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 30 June 2020, the Group had a total of 966,243 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, in the second round 3.98 euros and in the third round 4.44 euros.

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the first round, 0.73 euros in the second

round and 0,55 euros in the third round. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros, 4.71 euros and 4.99 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 June 2020, the average market price of the shares was 4.18 (30 June 2019: 4.54) euros and from 15 June to 30 June 2020, the average market price of the third-round shares was 4.31 euros. Therefore, the potential shares had no dilutive impact.

1 April – 30 June	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	1,979	843
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.11	0.05
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.11	0.05

1 January – 30 June	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	2,708	1,025
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.15	0.06
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.15	0.06

Note 8 Information on the statement of cash flows line items

1 January – 30 June	Note	2020	2019
Corporate income tax			
Income tax expense in the statement of profit or loss		-496	-529
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-156	-107
Income tax expense on dividends		10	166
Corporate income tax paid		-642	-470
Paid for investment properties			
Acquisitions of investment properties	3	-1,338	-211
Liability decrease (-)/ increase (+) incurred by the acquisitions		272	-77
Paid for investment properties		-1,066	-288

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:

	30 June 2020	31 June 2019
Balances with related parties:		
- Loans from the members of the management boards of the subsidiaries and from companies associated with them	862	125
- Payables for goods and services	113	151
	6M 2020	6M 2019
Purchase of goods and services from related parties:		
- Lease of property, plant and equipment from AS Harju KEK	52	56
- Lease payments to a company associated with a member of the Management Board of a subsidiary	174	175

	6M 2020	6M 2019
Sale of goods and services to related parties:		
- Other services for AS Harju KEK	1	1
Remuneration of the Management and Supervisory Boards:		
- Salary, bonuses, additional remuneration	316	194
- Social security tax	104	64
Loans received:		
- Loan from a member of the Management Board of a subsidiary	185	95

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: the Chairman and a Member of the Management Board for up to 8 months of the remuneration of the Member of the Management Board. Members of the Management Board have no rights related to pension. During the reporting quarter and 6-month period, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In June 2018, 124 option agreements were concluded with the Group's employees and members of the Company's management bodies on subscription rights for a total of 351,925 shares, and each of the members of the Supervisory and Management Boards of the Company were issued an option for subscribing to 7,500 shares, comprising 52,500 shares in total.

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

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

As at the reporting date, the total number of potential ordinary shares to be issued was 966,243. In the first half of 2020, share-based payments recognized as labour costs totalled to 120 (6m 2019: 89) thousand euros, of which the share of the members of the Management and Supervisory Boards is 21 (6m 2019: 14) 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 second quarter and 6 months of 2020 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.

Tiit Atso Chairman of the Management Board 29 July 2020



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

