

**CONSOLIDATED UNAUDITED  
INTERIM REPORT FOR THE  
III QUARTER AND 9 MONTHS OF 2020**

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Financial year:	1 January – 31 December 2020
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## ORGANISATION



### 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.

### 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.

### STRATEGICAL INVESTMENTS (30 September 2020)

#### ESTONIA

#### SKELETON TECHNOLOGIES GROUP OÜ (9%)

Developer and manufacturer of ultra-capacitors.

#### LATVIA

#### SIA ENERGOKOMPLEKSS (14%)

MV/LV equipment sales organisation in Riga

## Main activities

Harju Elekter is an international industrial group with more than 50 years of experience, being engaged in the development and production of electricity and automation solutions. The customers of Harju Elekter are predominantly large distribution network-, industrial and maritime companies in the Nordic Countries.

The business activities of the Group are divided into three main areas:

- **Production** – designing, selling, manufacturing and after-sales servicing of power distribution, switching and converting devices and automation, process control and industrial control equipment.
- **Industrial real estate** – developing of industrial real estate, project management, renting and the accompanying services to rental partners and to the Harju Elekter Group companies.
- **Other operations** – financial investment management, retail and project-based sale of electrical 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 Kuhi-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 competence and authority of the Management Board are listed in the Articles of Association and there are no specialties 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 THIRD QUARTER AND 9 MONTHS RESULTS

#### Revenue

The consolidated revenue of the Group in Q3 of 2020 remained somewhat lower compared to the revenue of the Q3 of 2019, while still being a good result over the years. The consolidated unaudited revenue for the reporting quarter was 37.4 (Q3 2019: 42.3) million euros and the consolidated revenue for the nine months was 111.4 (9m 2019: 112.2) million euros.

#### Financial result

The consolidated gross profit for the reporting quarter and for the nine months was 5,234 (Q3 2019: 5,375) and 15,625 (9m 2019: 14,249) thousand euros, respectively, and the gross margin for both periods was 14.0% (Q3 and 9m 2019: 12.7%). The Consolidated operating profit (EBIT) in the amount of 2,002 (Q3 2019: 1,561) thousand euros was earned in the third quarter and in the nine months 5,211 (Q3 2019: 3,064) thousand euros. The operating margin increased by 1.7 percentage points to 5.4% in the reporting quarter and by 2.0 percentage points to 4.7% in nine months.

All in all, Q3 and the nine-month period were still successful for Harju Elekter Group despite the prevailing global recession – the Group continued with the targeted improvement of its profitability. The consolidated net profit for the reporting quarter was 1,694 (Q3 2019: 1,319) thousand euros, and earnings per share were 0.10 (Q3 2019: 0.08) euros. Net profit for the nine months increased by 88.9% compared to the comparable period, reaching 4,369 (9m 2019: 2,313) thousand euros. Earnings per share for the nine months were 0.25 (9m 2019: 0.13) euros.

#### Investments

The cost of non-current assets in the statement of financial position comprised 53.1% of total assets, i.e. 58.9 million euros, having changed minimally compared to the nine months as well as year-on-year. The biggest change in the non-current assets over the period of nine months was a shift in long-term financial investments that declined by 2.3 million euros. The main reason was the partial profitable sale of listed securities and an impairment of the rest by 0.7 million euros. The value of the remaining securities in the portfolio has dropped by 13.3% in nine months due to the impact of the global coronavirus pandemic (COVID-19) on the stock markets, however the market value of securities has increased 0.1 million euros in the reporting quarter.

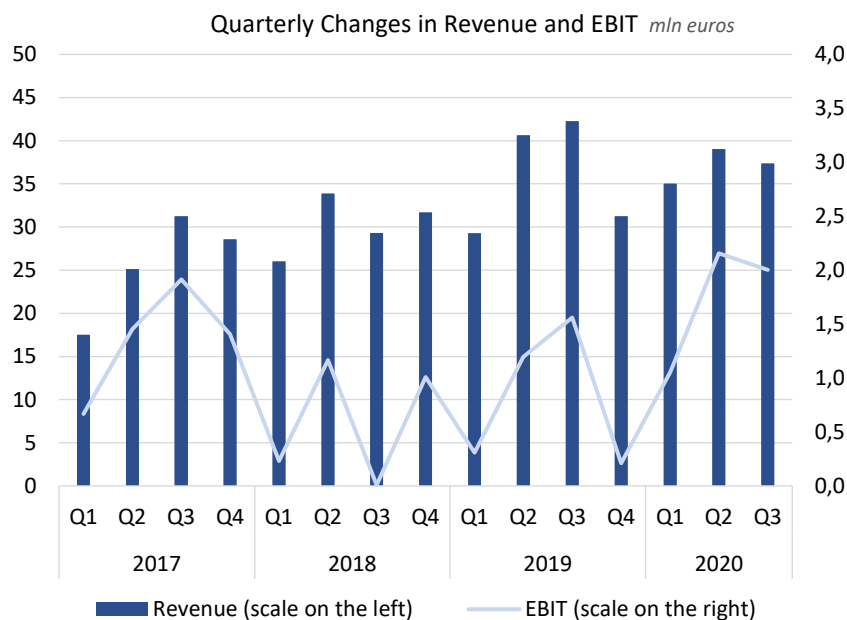
In the reporting period, the Group invested a total of 4.1 (9m 2019: 4.4) million euros in non-current assets, incl. 2.1 (9m 2019: 0.7) million euros in investment properties, 1.8 (9m 2019: 3.4) million euros in property, plant and equipment and 0.2 (9m 2019: 0.3) million euros in intangible assets. This year, the construction of the fourth stage of the expansion of the production and office building in Lithuania began. In addition, investments were made in the construction of the production building in Allika Industrial Park and plots of land were purchased.

#### Current assets

The Group's current assets increased by 4.1 million euros to 52.1 million euros during the nine months, including a decrease in cash by 1.5 million to 3.4 million, trade and other receivables increased by 3.5 million to 26.5 million euros and inventories increased by 2.2 million to 21.2 million euros. The decrease in cash is mainly due to the dividends paid out on July 21 totalling 2.5 million euros. The level of inventory increased due to the volumes of materials stockpiled to prevent the risk from the crisis.

#### Liabilities

As at the reporting date, the Group had liabilities in total of 42.7 million euros, of which short-term part accounted for 81.3%. During the nine months current liabilities increased by 1.7 million euros to 34.7 million euros, incl. an increase in trade and other payables by 2.7 million euros in total, to 19.3 million euros and prepayments from customers by 1.7 million euros to 3.9 million euros. Borrowings decreased by a total of 2.4 million euros during nine months, with current borrowings and non-current borrowing being at the end of the period 8.9 and 8.0 million euros respectively. 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 9 months  
REVENUE111.4 million euros  
(9m 2019:112.2)Consolidated 9 months  
EBIT5.2 million euros  
(9m 2019: 3.1)Consolidated 9 months  
NET PROFIT4.4 million euros  
(9m 2019: 2.3)Consolidated 9 months  
REVENUE GROWTH

-0.7%

Consolidated 9 months  
EBIT GROWTH

70.1%

Key indicators  
(EUR '000)

	Q3 2020	Q3 2019	+/-	9 months 2020	9 months 2019	+/-
Revenue	37,360	42,262	-11.6%	111,372	112,150	-0.7%
Gross profit	5,234	5,375	-2.6%	15,625	14,249	9.7%
EBITDA	2,913	2,446	19.1%	7,939	5,679	39.8%
Operating profit (EBIT)	2,002	1,561	28.3%	5,211	3,064	70.1%
Profit for the period	1,694	1,319	28.4%	4,369	2,313	88.9%
Incl. attributable to owners of the parent company	1,691	1,359	24.4%	4,398	2,384	84.5%
Earnings per share (EPS) (euros)	0.10	0.08	24.4%	0.25	0.13	84.5%

Ratios  
(%)

	Q3 2020	Q3 2019	+/-	9 months 2020	9 months 2019	+/-
Distribution cost to revenue	3.1	3.6	-0.5	3.3	3.7	-0.4
Administrative expenses to revenue	6.0	5.4	0.6	6.4	6.2	0.2
Labour cost to revenue	17.8	15.7	2.1	18.0	17.7	0.3
Gross margin (gross profit / revenue)	14.0	12.7	1.3	14.0	12.7	1.3
EBITDA marginal (EBITDA / revenue)	7.7	5.8	1.9	7.0	5.1	1.9
Operating margin (EBIT / revenue)	5.4	3.7	1.7	4.7	2.7	2.0
Net margin (profit for the period / revenue)	4.5	3.1	1.4	3.9	2.1	1.8
Return of equity ROE (profit for the period/average equity)	2.5	2.0	0.5	2.5	3.5	-1.0

	30.09.2020	30.09.2019	+/-
Equity ratio (equity / total assets) (%)	61.6	59.1	2.5
Current ratio (current assets / short-term liabilities)	1.5	1.5	0.0
Quick ratio ((current assets - inventories) / current liabilities)	0.9	1.0	-0.1

## COMMENTARY FROM THE MANAGEMENT

Given the health crisis, Q3 was successful for Harju Elekter. Although we gave away 12% in quarterly revenue, we have continued to grow our profit as planned and have notably improved our profitability. When analysing the revenue, one should also look at the longer-term growth-trend of several previous years and bear in mind that Q3 of 2019, serving as the reference base, was a record quarter for the Group.

In Q3 of this year we continued our strong sales work and, with the framework agreements entered into with the Finnish grid operators, have ensured a considerable work volume for the next 5 to 8 years. We try to be a preferred partner for our clients even in difficult times. We have continued with our investments to maintain the capability of the Group for long-term profitable growth. The construction of Laohotell 2, to be built in the Allika Industrial Park, is in its final stage and the first robot-bending machine will be launched in Q4 in the Estonian plant manufacturing sheet metal details. Also, the expansion of the Lithuanian plant is proceeding according to plans.

When starting to plan for 2021, today it is impossible to predict how the second wave of COVID-19 will influence the economy and the behaviour of clients and how far the restrictions imposed by countries will evolve. We can hope that the global economy will begin to recover next year. Therefore, we should engage only in activities that are under our control, be more prepared for the unforeseen and take advantage of the opportunities offered by the decisions taken so far in connection with the green transition and by the change in the economy to industries operating in the field of electricity.

## 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

### Q3

On 6 August, a cornerstone was laid in Panevėžys to the stage 4 expansion of the Harju Elekter UAB plant, a Lithuanian subsidiary of Harju Elekter Group. The construction works will be performed by Kaminta UAB and are scheduled to be finished in March 2021. After the construction has been completed, the office and manufacturing area of the Lithuanian subsidiary will increase from the current 8,765 m<sup>2</sup> to 16,761 m<sup>2</sup>. The total cost of the investment is up to 6 million euros. Investments directed at expanding the factory enable Harju Elekter UAB to double the factory revenues.



On 1 September Finnkumu Oy, the Finnish manufacturing company of Harju Elekter Group, was awarded the joint procurement of Järvi-Suomen Energia Oy and Savon Voima Verkko Oy for the supply of prefabricated substations. The estimated volume of the contract is 18 million euros. Deliveries will take place from 2021 to 2023 with an extension option of four years.

On 21 September a subsidiary of Harju Elekter Group, SEBAB AB, signed an electrical project contract with administrative body Region Stockholm, which is responsible for public transport; the contract will be the basis for the major refurbishment of the Slussen metro station's substation. The year-long project commenced this September, and the approximate volume of the contract is 3.5 million euros. Reconstruction of the metro station is part of the

extensive reconstruction of the Slussen area of Stockholm, which includes the construction of new facilities and the transformation of transport by 2025.

Harju Elekter Group concluded an eight-year framework agreement with Elenia OY, Finland's second largest electricity distribution system operator. The first supply contract was signed by Harju Elekter and Elenia for the period 2021-2023. Based on the supply contract concluded on 22 September, Harju Elekter's subsidiaries AS Harju Elekter Elektrotehnika and Satmatic OY will manufacture nearly 2000 transformer substations for Elenia over a period of three years. The volume of the contract is approximately 20 million euros.

The Group's Lithuanian subsidiary, Harju Elekter UAB, was awarded the title of Exporter of the Year 2019 by the Lithuanian Chamber of Commerce. One of the most important conditions for participating in the competition is that the company's share of export must exceed 50% of revenue and increase by over 10% compared to the previous period. In 2019, Harju Elekter UAB exported 2.3 times more than it did in 2018.



## 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 2 in Saue Parish, Allika Industrial Park. The total area of the building, which will be completed this autumn, is 3,877 square metres. Laohotell 2 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 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 by spring, the virus had spread 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

The Group has analysed that the one-off direct costs resulting from the coronavirus (COVID-19) total approximately 180 thousand euros. These include costs for purchasing new tools and equipment, implementing measures to prevent the coronavirus from spreading, and extraordinary costs for organising work. Additionally, agreements on the temporary reduction of rent in the amount of 40 thousand euros were made, to ensure that tenants were able to cope with the complicated emergency situation. The limited possibilities for sending people on business trips, organising events and meetings and participating in trade fairs have enabled the Group to save on marketing costs, the value of which is nearly the same as the incurred direct costs. In conclusion, we consider that the emergency situation caused by the coronavirus did not have a significant impact on the Group's business operations and sustainability, however it has slowed down our planned growth for 2020.

In addition to the above, the value of the remaining securities in the Group's portfolio has dropped by 13.3% in nine months. The Group believes in the recovery of the value of its investments in the future, which is assured by the increased value of investments by 0.1 million in the last quarter.

## OPERATING RESULTS

### Revenue

The revenue of Harju Elekter for the reporting quarter was by 4.9 million lower compared to year-on-year, however, when looking at a longer period, the revenue of Q3 of 2020 of 37.4 million euros ranked in second place historically. The Group's nine-month consolidated revenue remained at the same level compared to the previous year, amounting to 111.4 million euros. Sales of electrical equipment decreased the most: 5.0 million euros in comparison with the reporting quarters and 3.0 million euros in comparison with 9 months. The slight decline in revenue was influenced by the postponement of some orders to subsequent quarters. At the same time, the revenue of other major business activities demonstrated an increasing growth trend in a nine-month comparison. Despite the uncertainty in the economic environment regarding the second wave of COVID-19, the volume of new orders and cooperation with important customers with framework agreements have persisted.

Revenue by business activities (EUR '000)	Q3 2020	Q3 2019	+/- Q/Q	9m 2020	9m 2019	+/- 9m/9m	% 9m 2020	% 9m 2019
Manufacturing and sale of electrical equipment	31,666	36,698	-13.7%	94,975	97,992	-3.1%	85.3%	87.4%
Retail and project-based sale of electrical products	2,581	2,856	-9.6%	7,855	6,805	15.4%	7.1%	6.1%
Other products	665	528	26.0%	2,044	1,491	37.1%	1.8%	1.3%
Lease income	711	665	6.9%	2,120	1,993	6.4%	1.9%	1.8%
Electrical works	1,156	777	48.8%	2,870	2,344	22.4%	2.6%	2.1%
Other services	581	738	-21.4%	1,508	1,525	-1.1%	1.3%	1.3%
<b>Total</b>	<b>37,360</b>	<b>42,262</b>	<b>-11.6%</b>	<b>111,372</b>	<b>112,150</b>	<b>-0.7%</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)	Q3 2020	Q3 2019	+/- Q/Q	9m 2020	9m 2019	+/- 9m/9m
Production	32,093	36,649	-12.4%	95,309	98,163	-2.9%
Real Estate	803	754	6.5%	2,411	2,455	-1.8%
Other activities	4,464	4,859	-8.1%	13,652	11,532	18.4%
<b>Total</b>	<b>37,360</b>	<b>42,262</b>	<b>-11.6%</b>	<b>111,372</b>	<b>112,150</b>	<b>-0.7%</b>

#### Production

The Group's core business, Production, accounted for 86% of the Group's consolidated revenue both in the reporting quarter and in nine months. A decline in orders and postponement to the next periods due to the emergency situation has reduced the revenue of the Production segment by 4.6 million euros in a quarterly comparison and by 2.9 million euros in a nine-month comparison.

#### Real estate

The revenue of the real estate segment has increased in a quarterly comparison and decreased compared to the nine months of the previous year. This is due to the temporary rent reduction agreements to ensure the tenants' coping with the difficult situation. In reporting quarter, lease income from the rental premises of Keila, Allika and Haapsalu Industrial Parks was earned in the amount of 0.8 million euros and 2.4 million euros in nine months.

#### Other activities

The revenue of Other activities decreased in a quarterly comparison, amounting to 4.5 million euros. The nine-month revenue increased by 2.0 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

The largest target markets of the Group are Estonia, Finland, Sweden, and Norway, which is why the sales volumes of the Group are strongly affected by the events happening on these markets. After the devastating second quarter the global economy is showing some signs of improvement, however this will not bring along any major recovery this year as the risk of virus is still there.

Revenue by markets (EUR '000)	Q3 2020	Q3 2019	+/- Q/Q	9m 2020	9m 2019	+/- 9m/9m	% 9m 2020	% 9m 2019
Estonia	7,656	4,651	64.6%	17,006	13,200	28.8%	15.3%	11.8%
Finland	16,450	18,640	-11.7%	54,907	56,972	-3.6%	49.3%	50.8%
Sweden	6,564	5,381	22.0%	17,471	14,745	18.5%	15.7%	13.1%
Norway	4,150	8,314	-50.1%	13,939	17,794	-21.7%	12.5%	15.9%
Netherlands	1,583	4,106	-61.5%	4,672	7,564	-38.2%	4.2%	6.7%
Other	957	1,170	-18.2%	3,377	1,875	80.1%	3.0%	1.7%
<b>Total</b>	<b>37,360</b>	<b>42,262</b>	<b>-11.6%</b>	<b>111,372</b>	<b>112,150</b>	<b>-0.7%</b>	<b>100.0%</b>	<b>100.0%</b>

### Estonia

Quarterly sales to the Estonian market increased by 3.0 million to 7.7 million euros in a year-on-year comparison and 3.8 million to 17.0 million euros within nine-month comparison. The Estonian market accounted for 20.5% of the consolidated revenue for the reporting quarter and 15.3% of the 9-month consolidated revenue. In Q2 of the reporting year, the Group's Estonian subsidiary started the sale of prefabricated substations under the procurement contract awarded in 2019, but most of the substation supplies were postponed to Q3 due to supply difficulties involving certain materials and components due to the crisis situation.

### Finland

Quarterly sales to the Finnish market decreased by 2.2 million euros to 16.5 million euros in a year-on-year comparison and it was mostly affected by the decrease in orders. According to the forecast of the Finnish Ministry of Finance, the economy will shrink by 4.5% this year due to COVID-19; however, a 2.6% growth in GDP is predicted already for 2021. The decline in orders in the last quarter also affected the 9-month result, where the revenue to the Finnish market decreased by 2.1 million euros to 54.9 million euros. The greatest part of the revenue was generated from the production to the Finnish power grid companies.

### Sweden

Sales to the Swedish market increased by 1.2 million euros to 6.6 million euros when comparing the third quarters of 2020 and 2019. The Swedish market's share of consolidated revenue increased by 4.9 percentage points to 17.6% in the reporting quarter. In a nine-month comparison, Sweden's revenue increased by 2.7 million euros to 17.5 million euros, being the second largest market overall. The growth was supported by an increase in the sale of substations, manufactured in Estonia, to the Swedish market as well as the higher workload of the Swedish companies due to increased order volumes.

### Norway

Norway ranks fourth in the Group's markets, accounting for 11.1% of the Group's third quarter revenue. The revenue earned in the reporting quarter was 4.2 million euros, decreasing by 4.2 million euros compared to the third quarter of 2019. In the nine months, the Norwegian market earned 13.9 million euros, which is 3.9 million euros less than in the previous year. The decrease in the revenue in Norway was caused by record-high orders in Q3 of the previous year and the postponement of orders from customers to subsequent periods in the reporting quarter.

### Netherlands

Revenue from the Netherlands was 1.6 million euros in the reporting quarter and 4.7 million euros in nine months. Similar to Norway, revenue from the Netherlands is also related to the completion of several large projects and the postponement of customer orders on a yearly comparison.

### Others

Compared to the last year, revenue to other markets decreased by 0.2 million euros, which was mostly affected by the change in sales to the Danish market. In a nine-month comparison, the Group's revenue increased by 1.5 million

euros to 3.4 million euros, accounting for 3.0% of consolidated revenue. The largest of the Group's other markets were Denmark, Germany, and Poland, which generated revenue of 1.3 million, 1.1 million and 0.6 million euros, respectively, in nine months.

### Operating expenses

(EUR '000)	Q3 2020	Q3 2019	+/- Q/Q	9m 2020	9m 2019	+/- 9m/9m	% 9m 2020	% 9m 2019
Cost of sales	32,126	36,887	-12.9%	95,747	97,901	-2.2%	89.9%	89.8%
Distribution costs	1,150	1,516	-24.1%	3,639	4,198	-13.3%	3.4%	3.9%
Administrative expenses	2,225	2,296	-3.1%	7,119	6,929	2.7%	6.7%	6.3%
<b>Total operating expenses</b>	<b>35,501</b>	<b>40,699</b>	<b>-12.8%</b>	<b>106,505</b>	<b>109,028</b>	<b>-2.3%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>incl. depreciation and amortization</i>	<i>911</i>	<i>885</i>	<i>2.9%</i>	<i>2,728</i>	<i>2,615</i>	<i>4.3%</i>	<i>2.6%</i>	<i>2.4%</i>
<i>incl. total labour cost</i>	<i>6,643</i>	<i>6,651</i>	<i>-0.1%</i>	<i>20,021</i>	<i>19,895</i>	<i>0.6%</i>	<i>18.8%</i>	<i>18.2%</i>
<i>incl. inclusive salary cost</i>	<i>5,333</i>	<i>5,458</i>	<i>-2.3%</i>	<i>15,635</i>	<i>16,053</i>	<i>-2.6%</i>	<i>14.7%</i>	<i>14.7%</i>

Operating expenses for the reporting quarter have decreased in all expense groups - a total of 5.2 million euros. The decrease in the cost of sales outpaced the decrease in revenue by 1.3 percentage points, increasing the gross profit margin by 1.3 percentage points compared to the third quarter of year 2019. Distribution costs have significantly decreased compared to the comparable quarter, by 0.4 million to 1.2 million euros, accounting for 3.2% of the Group's operating expenses in the third quarter. The share of distribution costs in the Group's revenue has decreased by 0.5 percentage points to 3.1% year-on-year. While the increase in distribution costs in the comparable period was caused by the focus on export growth, then due to the coronavirus, most sales work was done virtually during the reporting quarter. 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 decrease in operating expenses was 1.6 percentage points higher than the decrease in revenue compared to the nine months. Nine-month operating expenses totalled 106.5 (9m 2019: 109.0) million euros. The largest change compared to last year was in cost of sales – a decrease of 2.2 million euros. The gross profit margin increased to 14.0%, an increase by 1.3 percentage points compared to the comparable period. The ratio of administrative expenses to the Group's revenue was 6.3% in the reporting quarter and 5.6% in the nine months.

Compared to the comparable quarter, labor costs remained at the same level, amounting to 6.6 million euros. In a nine-month comparison, labor costs increased by 0.1 million to 20.0 million euros. The ratio of labor costs to the Group's revenue increased, being 17.8% (Q3 2019: 15.7%) in the reporting quarter and 18.0% (9m 2019: 17.7%) in nine months. In nine months, the cost of share option programs in the amount of 193 (9m 2019: 150) thousand euros was recognized as labour costs.

Depreciation of non-current assets totalled 0.9 million euros in the third quarter and 2.7 million euros in the nine months, increasing by 26 and 113 thousand euros, respectively, compared to the comparable period.

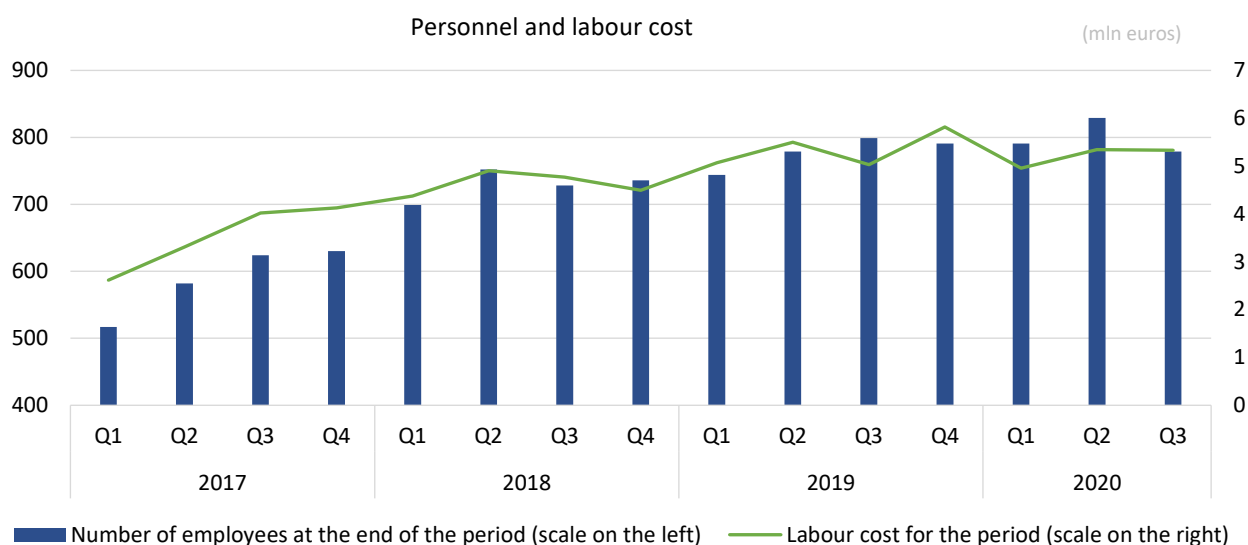
### PERSONNEL

At the end of the reporting period, the Group had 779 people, which is 20 employees less than a year ago. During the quarter, the Group employed an average of 785 people, which was an average of 39 employees less than in the comparable period.

	Average numbers of employees				Numbers of employees			%	%
	Q3 2020	Q3 2019	9m 2020	9m 2019	30.09.2020	30.09.2019	+/-		
Estonia	351	385	346	390	355	364	-9	45.6%	45.6%
Finland	140	134	138	134	141	132	9	18.1%	16.5%
Lithuania	232	243	240	193	222	242	-20	28.5%	30.3%
Sweden	62	62	60	62	61	61	0	7.8%	7.6%
<b>Total</b>	<b>785</b>	<b>824</b>	<b>784</b>	<b>779</b>	<b>779</b>	<b>799</b>	<b>-20</b>	<b>100.0%</b>	<b>100.0%</b>

To prevent the spread of coronavirus various measures have been implemented, which have proved to be efficient. As far as we know, the virus has not reached production or the families of our employees.

In the reporting quarter, 5.3 (Q3 2019: 5.5) million euros were paid to the employees in salaries and remuneration, a total of 15.6 (9m 2019: 16.1) million euros in nine months. Average wages per Group employee was 2,218 (Q3 2019: 2,230) 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	9m 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	4.44	4.21	4.12	5.00	2.83
Traded shares (pcs)	912,156	531,415	1,100,773	1,349,617	947,294
Turnover (in million euros)	3.77	2.35	5.98	5.46	2.45
Capitalisation (in million euros)	78.77	74.68	73.09	88.70	50.20
Average number of the shares	17,739,880	17,739,880	17,739,880	17,739,880	17,739,880
EPS (euros)	0.25	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 September 2020 (Nasdaq Tallinn, <http://www.nasdaqbaltic.com/>)

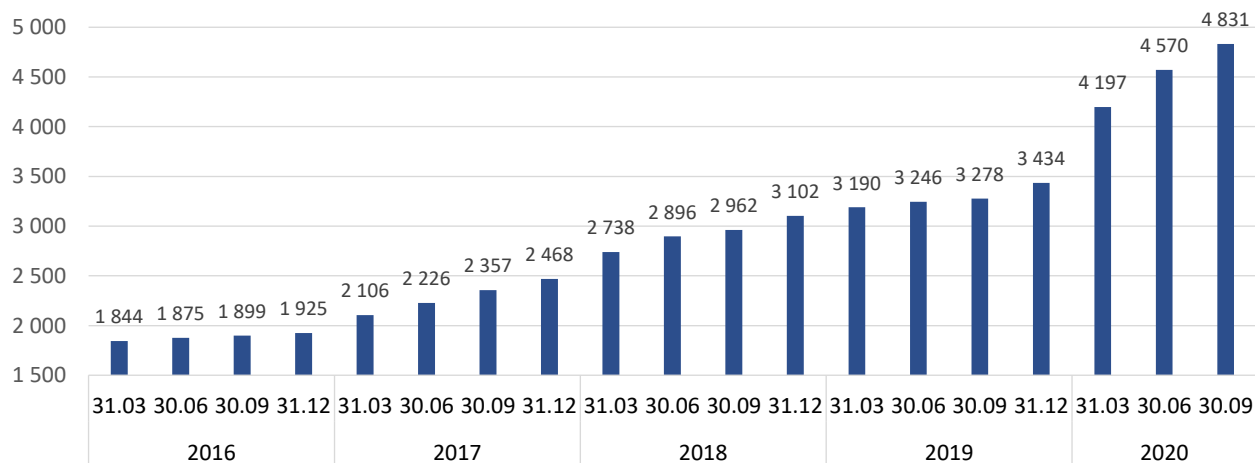


As at 30 September 2020, AS Harju Elekter had 4,831 shareholders. The number of shareholders increased during the reporting quarter by 261 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 30 September 2020, the members of the Supervisory and Management Boards owned, in accordance with their direct and indirect ownerships, in total of 9.51% of AS Harju Elekter shares. The complete list of shareholders of AS Harju Elekter is available on the website of the Nasdaq CSD <https://nasdaqcsd.com/statistics/en/shareholders>.

Division of shareholders by size of holding and list of shareholders with more than 5% holding as of 30 September 2020:

Holding	No of shareholders	% of all shareholders	% of votes held	Shareholders	Holding (%)
> 10%	2	0.0	42.1	AS Harju KEK	31.39
1.0 – 10.0%	8	0.2	21.6	ING Luxembourg S.A.	10.71
0.1 – 1.0 %	57	1.2	16.0	Endel Palla	7.04
< 0.1%	4,764	98.6	20.3	Shareholders holding under 5%	50.86
<b>Total</b>	<b>4,831</b>	<b>100.0</b>	<b>100.0</b>	<b>Total</b>	<b>100.00</b>

#### Aksionäride arv



## 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

28 October 2020



Aron Kuhi-Thalfeldt

Member of the Management Board

28 October 2020



## INTERIM FINANCIAL STATEMENT

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2020	31 December 2019	30 September 2019
<b>Currents assets</b>				
Cash and cash equivalents		3,367	4,878	3,883
Trade and other receivables		26,464	22,958	29,974
Prepayments		1,048	1,166	1,942
Inventories		21,213	19,010	19,059
<b>Total current assets</b>		<b>52,092</b>	<b>48,012</b>	<b>54,858</b>
<b>Non-current assets</b>				
Deferred income tax assets		513	472	96
Non-current financial investments	2	8,146	10,494	9,828
Investment properties	3	22,758	21,259	19,912
Property, plant and equipment	4	20,330	20,402	21,148
Intangible assets	4	7,200	7,260	7,181
<b>Total non-current assets</b>		<b>58,947</b>	<b>59,887</b>	<b>58,165</b>
<b>TOTAL ASSETS</b>	6	<b>111,039</b>	<b>107,899</b>	<b>113,023</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Borrowings	5	8,871	11,305	10,824
Prepayments from customers		3,947	2,212	3,254
Trade and other payables		19,264	16,448	20,075
Tax liabilities		2,555	2,959	2,975
Current provisions		35	34	25
<b>Total current liabilities</b>		<b>34,672</b>	<b>32,958</b>	<b>37,153</b>
Borrowings	5	7,901	7,901	9,016
Other non-current liabilities		95	64	64
<b>Total non-current liabilities</b>		<b>7,996</b>	<b>7,965</b>	<b>9,080</b>
<b>Total liabilities</b>		<b>42,668</b>	<b>40,923</b>	<b>46,233</b>
<b>Equity</b>				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		2,842	3,412	3,396
Retained earnings		53,693	51,699	51,507
<b>Total equity attributable to the owners of the parent company</b>		<b>68,515</b>	<b>67,091</b>	<b>66,883</b>
Non-controlling interests		-144	-115	-93
<b>Total equity</b>		<b>68,371</b>	<b>66,976</b>	<b>66,790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>111,039</b>	<b>107,899</b>	<b>113,023</b>



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 July – 30 September		1 January – 30 September	
		2020	2019	2020	2019
Revenue	6	37,360	42,262	111,372	112,150
Cost of sales		-32,126	-36,887	-95,747	-97,901
<b>Gross profit</b>		<b>5,234</b>	<b>5,375</b>	<b>15,625</b>	<b>14,249</b>
Distribution costs		-1,150	-1,516	-3,639	-4,198
Administrative expenses		-2,225	-2,296	-7,119	-6,929
Other income		167	39	494	171
Other expenses		-24	-41	-150	-229
<b>Operating profit</b>	6	<b>2,002</b>	<b>1,561</b>	<b>5,211</b>	<b>3,064</b>
Finance income		8	25	116	147
Finance costs		-122	-77	-269	-179
<b>Profit before tax</b>		<b>1,888</b>	<b>1,509</b>	<b>5,058</b>	<b>3,032</b>
Income tax	8	-194	-190	-689	-719
<b>Profit for the period</b>		<b>1,694</b>	<b>1,319</b>	<b>4,369</b>	<b>2,313</b>
<b>Profit attributable to:</b>					
Owners of the parent company		1,691	1,359	4,398	2,384
Non-controlling interests		3	-40	-29	-71
<b>Earnings per share</b>					
Basic earnings per share (EUR)	7	0.10	0.08	0.25	0.13
Diluted earnings per share (EUR)	7	0.10	0.08	0.25	0.13

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 July – 30 September		1 January – 30 September	
	2020	2019	2020	2019
<b>Profit for the period</b>	<b>1,694</b>	<b>1,319</b>	<b>4,369</b>	<b>2,313</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit or loss</i>				
Net gain on revaluation of financial assets	-2	-20	-16	-97
<i>Items that will not be reclassified to profit or loss</i>				
Gain on sales of financial assets	0	0	80	0
Impact of exchange rate changes	98	142	-747	678
<b>Total comprehensive income for the period</b>	<b>96</b>	<b>122</b>	<b>-683</b>	<b>581</b>
<b>Other comprehensive income</b>	<b>1,790</b>	<b>1,441</b>	<b>3,686</b>	<b>2,894</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	1,787	1,481	3,715	2,965
Non-controlling interests	3	-40	-29	-71

## CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 30 September	
	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit for the period		4,369	2,313
<u>Adjustments</u>			
Depreciation and amortization	3,4	2,728	2,615
Gain on sale of property, plant and equipment		-17	-49
Share-based payments	9	193	150
Finance income		-116	-135
Finance costs		269	166
Income tax	8	689	719
<u>Changes</u>			
Changes in trade and other receivables		-3,519	-8,288
Changes in inventories		-2,029	-1,591
Changes in trade and other payables		4,171	7,507
Corporate income tax paid	8	-839	-699
Interest paid		-198	-139
<b>Total cash flow (-outflow) from operating activities</b>		<b>5,701</b>	<b>2,569</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties	8	-2,142	-920
Payments for property, plant and equipment		-1,810	-3,342
Payments for intangible assets		-168	-249
Acquisition of financial investments		0	-204
Proceeds from sale of investment property		100	0
Proceeds from sale of property, plant and equipment		28	124
Loans granted		0	-100
Dividends received		0	4
Dividends income tax paid		73	127
Proceeds from sale of other financial investments		1,681	578
<b>Total cash flow (-outflow) from investing activities</b>		<b>-2,238</b>	<b>-3,982</b>
<b>Cash flows from financing activities</b>			
Change in overdraft balance	5	-795	4,746
Proceeds from borrowings	5	0	2,409
Received loan from related parties	5	47	0
Repayment of borrowings	5	-834	-612
Repayments of lease liabilities		-874	-951
Dividends paid		-2,484	-3,193
Dividends income tax paid	8	-11	-167
<b>Total cash flow (-outflow) from financing activities</b>		<b>-4,951</b>	<b>2,232</b>
<b>Total net cash flow (-outflow)</b>		<b>-1,488</b>	<b>819</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
Changes in cash and cash equivalents		-1,488	819
Effect of exchange rate fluctuations on cash and cash equivalents		-23	-78
<b>Cash and cash equivalents at the end of the period</b>		<b>3,367</b>	<b>3,883</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 30 September	Attributable to owners of the parent 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	2,384	2,384	-71	2,313
Other comprehensive income	0	0	581	0	581	0	581
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>581</b>	<b>2,384</b>	<b>2,965</b>	<b>-71</b>	<b>2,894</b>
<b>Transaction with owners recognized directly in equity</b>							
Share-based payments (Note 9)	0	0	150	0	150	0	150
Dividends	0	0	0	-3,193	-3,193	0	-3,193
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>150</b>	<b>-3,193</b>	<b>-3,043</b>	<b>0</b>	<b>-3,043</b>
<b>Balance at 30 September 2019</b>	<b>11,176</b>	<b>804</b>	<b>3,396</b>	<b>51,507</b>	<b>66,883</b>	<b>-93</b>	<b>66,790</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	4,398	4,398	-29	4,369
Other comprehensive income	0	0	-763	80	-683	0	-683
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-763</b>	<b>4,478</b>	<b>3,715</b>	<b>-29</b>	<b>3,686</b>
<b>Transaction with owners recognized directly in equity</b>							
Share-based payments (Note 9)	0	0	193	0	193	0	193
Dividends	0	0	0	-2,484	-2,484	0	-2,484
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>193</b>	<b>-2,484</b>	<b>-2,291</b>	<b>0</b>	<b>-2,291</b>
<b>Balance at 30 September 2020</b>	<b>11,176</b>	<b>804</b>	<b>2,842</b>	<b>53,693</b>	<b>68,515</b>	<b>-144</b>	<b>68,371</b>

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 September 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 third quarter and 9 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

	30.09.2020	31.12.2019	30.09.2020
Listed securities (fair value through other comprehensive income)	2,669	5,017	4,955
Other equity investments (fair value through other comprehensive income)	5,469	5,469	4,864
Other financial assets through profit or loss	8	8	9
<b>Total</b>	<b>8,146</b>	<b>10,494</b>	<b>9,828</b>
Changes	<b>9m 2020</b>	<b>2019</b>	<b>9m 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	125
Sale of financial investment	-1,681	-462	-560
Change in fair value through other comprehensive income	-667	642	678
<b>Carrying amount at the end of the period</b>	<b>8,138</b>	<b>10,486</b>	<b>9,819</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	0	-3	-2
<b>Carrying amount at the end of the period</b>	<b>8</b>	<b>8</b>	<b>9</b>
<b>Total carrying amount at the end of the period</b>	<b>8,146</b>	<b>10,494</b>	<b>9,828</b>

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	9m 2020	12m 2019	9m 2019
Balance at the beginning of the period		21,259	19,804	19,804
Additions		2,136	913	716
Depreciation		-638	-821	-608
Reclassification to investment property	4	1	1,363	0
<b>At the end of the period</b>		<b>22,758</b>	<b>21,259</b>	<b>19,912</b>

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

	Note	9m 2020	12m 2019	9m 2019
<b>1. Property, plant and equipment</b>				
Balance at the beginning of the period		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		1,809	4,189	3,385
Sales and write-off in carrying amount		-23	-74	-74
Depreciation		-1,855	-2,357	-1,675
Reclassification to investment property	3	-1	-1,363	0
Impact of exchange rate changes		-2	-4	-9
<b>At the end of the period</b>		<b>20,330</b>	<b>20,402</b>	<b>21,148</b>
<b>2. Intangible assets</b>				
Balance at the beginning of the period		7,260	7,260	7,260
Additions		176	355	254
Amortization		-235	-340	-332
Impact of exchange rate changes		-1	-15	-1
<b>At the end of the period</b>		<b>7,200</b>	<b>7,260</b>	<b>7,181</b>

## Note 5 Borrowings

	Note	30.09.2020	31.12.2019	30.09.2020
<b>Current borrowings</b>				
Current bank loans		8,074	8,869	10,069
Current portion of long-term bank loans		278	1,112	278
Current portion of lease liabilities		273	1,125	262
Current loans from related parties	9	246	199	215
<b>Total current borrowings</b>		<b>8,871</b>	<b>11,305</b>	<b>10,824</b>
<b>Non-current borrowings</b>				
Non-current bank loans		4,582	4,582	5,395
Non-current lease liabilities		2,840	2,840	3,621
Non-current loans from related parties	9	479	479	0
<b>Total non-current borrowings</b>		<b>7,901</b>	<b>7,901</b>	<b>9,016</b>
<b>Total borrowings</b>		<b>16,772</b>	<b>19,206</b>	<b>19,840</b>

Changes	Note	9m 2020	12m 2019	9m 2019
<b>Loans and borrowings at the beginning of the period</b>		<b>19,206</b>	<b>12,105</b>	<b>12,105</b>
Change in overdraft balances		-795	3,902	5,102
Received loan from related parties	9	47	648	185
Received non-current loans		0	2,265	1,868
Repayments of non-current loans		-834	-989	-612
New lease liabilities		0	490	25
Lease liabilities (IFRS 16 initial application)		0	2,118	2,118
Repayments of non-current lease liabilities		-852	-1,333	-951
<b>Loans and borrowings at the end of the period</b>		<b>16,772</b>	<b>19,206</b>	<b>19,840</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 – 30 September	Note	Production	Real Estate	Other activities	Elimination	Consolidated
<b>2019</b>						
Revenue from external customers		98,163	2,455	11,532	0	112,150
Inter-segment revenue		3,255	1,061	462	-4,778	0
<b>Segment revenue</b>		<b>101,418</b>	<b>3,516</b>	<b>11,994</b>	<b>-4,778</b>	<b>112,150</b>
<b>Operating profit</b>		<b>3,596</b>	<b>1,198</b>	<b>-1,562</b>	<b>-168</b>	<b>3,064</b>
Segment assets		71,934	21,155	24,608	-15,197	102,500
Unallocated assets						10,523
<i>incl. Cash and cash equivalents</i>						590
<i>incl. Financial investments</i>						9,819
<i>incl. Other receivables and prepayments</i>						114
<b>Total assets</b>						<b>113,023</b>
Capital expenditure	3,4	3,292	716	347	0	4,355
IFRS 16 initial application	4	1,629	0	489	0	2,118
Depreciation and amortization	3,4	1,523	608	499	-15	2,615

1 January – 30 September	Note	Production	Real Estate	Other activities	Elimination	Consolidated
<b>2020</b>						
Revenue from external customers		95,309	2,411	13,652	0	111,372
Inter-segment revenue		3,832	1,312	98	-5,242	
<b>Segment revenue</b>		<b>99,141</b>	<b>3,723</b>	<b>13,750</b>	<b>-5,242</b>	<b>111,372</b>
<b>Operating profit</b>		<b>4,853</b>	<b>1,288</b>	<b>-740</b>	<b>-190</b>	<b>5,211</b>
Segment assets		71,457	23,801	22,370	-15,537	102,091
Unallocated assets						8,948
<i>incl. Cash and cash equivalents</i>						716
<i>incl. Financial investments</i>						8,138
<i>incl. Other receivables and prepayments</i>						94
<b>Total assets</b>						<b>111,039</b>
Capital expenditure	3,4	1,838	2,136	147	0	<b>4,121</b>
Addition of right-of-use assets (IFRS 16)	4	0	0	0	0	0
Depreciation and amortization	3,4	1,422	638	684	-16	<b>2,728</b>

### Revenue by geographic regions (customer location)

1 January – 30 September	2020	2019
Estonia	17,006	13,200
Finland	54,907	56,972
Sweden	17,471	14,745
Norway	13,939	17,794
Netherlands	4,672	7,564
Other	3,377	1,875
<b>Total revenue</b>	<b>111,372</b>	<b>112,150</b>

### Revenue by business activities

1 January – 30 September	2020	2019
Manufacturing and sale of electrical equipment	94,975	97,992
Retail and project-based sale of electrical products	7,855	6,805
Other products	2,044	1,491
Lease income	2,120	1,993
Electrical works	2,870	2,344
Other services	1,508	1,525
<b>Total</b>	<b>111,372</b>	<b>112,150</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 30 September 2020, the Group had a total of 952,393 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the NASDAQ Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the 2018 round was 3.49 euros, in the 2019 round 3.98 euros and in the 2020 round 4.44 euros.

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the 2018 round, 0.73 euros in the 2019 round and 0,55 euros in the 2020 round. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04

euros, 4.71 euros and 4.99 euros. The potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 July to 30 September 2020, the average market price of the shares was 4.43 euros. During the period from 1 January to 30 September 2020, the average market price of the 2018 and 2019 round shares was 4.14 euros, and the average market price of the third-round shares was 4.42 euros. Therefore, the potential shares had no dilutive impact.

1 July – 30 September	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	1,691	1,359
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.10	0.08
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.10	0.08

1 January – 30 September	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	4,398	1,025
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.25	0.13
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.25	0.13

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

1 January – 30 September	Note	2020	2019
<b>Corporate income tax</b>			
Income tax expense in the statement of profit or loss		-689	-719
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-120	-147
Dividend income tax expense		11	167
Income tax expense on dividends		-41	0
<b>Corporate income tax paid</b>		<b>-839</b>	<b>-699</b>
<b>Paid for investment properties</b>			
Acquisitions of investment properties	3	-2,136	-716
Liability decrease (-)/ increase (+) incurred by the acquisitions		-6	-204
<b>Paid for investment properties</b>		<b>-2,142</b>	<b>-920</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:

	30.09.2020	30.09.2019
<b>Balances with related parties:</b>		
- Loans from the members of the management boards of the subsidiaries and from companies associated with them	725	215
- Payables for goods and services	54	232



	9m 2020	9m 2019
<b>Purchase of goods and services from related parties:</b>		
- Lease of property, plant and equipment from AS Harju KEK	81	80
- Lease payments to a company associated with a member of the Management Board of a subsidiary	261	261
<b>Sale of goods and services to related parties:</b>		
- Other services for AS Harju KEK	2	2
<b>Remuneration of the Management and Supervisory Boards:</b>		
- Salary, bonuses, additional remuneration	406	296
- Social security tax	134	97
<b>Loans received:</b>		
- Loans from a members of the Management Board of a subsidiary	47	185

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 952,393. In the nine months of 2020, share-based payments recognized as labour costs totalled to 193 (9m 2019: 150) thousand euros, of which the share of the members of the Management and Supervisory Boards was 33 (9m 2019: 25) thousand euros. The pricing of the option is disclosed in Note 7.

## THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements for the third quarter and 9 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 28 October 2020



Aron Kuhi-Thalfeldt Member of the Management Board 28 October 2020

