

CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE IV QUARTER AND 12 MONTHS OF 2020

Business name:	AS Harju Elekter
Business 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 – 31 December 2020

TABLE OF CONTENTS

ORGANISATION	3
MANAGEMENT REPORT	5
SUMMARY OF THE FOURTH QUARTER AND 12 MONTHS RESULTS	5
COMMENTARY FROM THE MANAGEMENT	7
CHANGES IN THE STRUCTURE OF THE GROUP	7
CHANGES IN THE MANAGEMENT OF GROUP COMPANIES.....	8
MAIN EVENTS.....	8
EVENTS AFTER THE REPORTING DATE	9
EFFECT OF THE CORONAVIRUS (COVID-19)	10
OPERATING RESULTS.....	11
<i>Revenue</i>	11
<i>Business segments</i>	11
<i>Markets</i>	12
<i>Operating expenses</i>	13
PERSONNEL	13
ANNUAL GENERAL MEETING OF SHAREHOLDERS.....	14
SHARES OF AS HARJU ELEKTER AND SHAREHOLDERS.....	14
CONFIRMATIONS TO THE MANAGEMENT REPORT	16
INTERIM FINANCIAL STATEMENT	17
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONSOLIDATED STATEMENT OF PROFIT AND LOSS.....	18
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED STATEMENT OF CASH FLOWS	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	20
NOTES TO INTERIM FINANCIAL STATEMENT.....	21
<i>Note 1 Accounting methods and valuation principles used in the consolidated interim report</i>	21
<i>Note 2 Financial investments</i>	22
<i>Note 3 Investment properties</i>	22
<i>Note 4 Property, plant and equipment; intangible assets</i>	23
<i>Note 5 Borrowings</i>	23
<i>Note 6 Segment reporting</i>	24
<i>Note 7 Basic and diluted earnings per share</i>	25
<i>Note 8 Information on the statement of cash flows line items</i>	26
<i>Note 9 Transactions with related parties</i>	26
THE MANAGEMENT BOARD DECLARATION FOR THE UNAUDITED FINANCIAL STATEMENTS.....	28

ORGANISATION



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

ESTONIA

AS HARJU ELEKTER

The Parent company of the Group, focused on coordination of co-operation within the Group's companies and managing industrial real estate holdings. 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, Kerava and 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.

LITHUANIA

HARJU ELEKTER UAB

Engineering and contract manufacturing of multidrive, MCC's and distribution systems, located in Panevėžys

SWEDEN

HARJU ELEKTER AB*

Engineering company for MV/LV power and distribution solutions for the construction, infrastructure, and renewable energy sector; manufacturer of prefabricated technical houses located in Malmö, Borlänge, Stockholm, Grytgöl, Borås, Luleå and Västerås

HARJU ELEKTER SERVICES AB*

Sales office in Stockholm.

* A more detailed overview of the changes in the Group structure can be found on page 7

STRATEGICAL INVESTMENTS (31 December 2020)

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (7.64%)

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 equipment and automation solutions. The customers of Harju Elekter are predominantly large distribution network-, industrial and maritime companies in the Nordic Countries. An increasing portion of Harju Elekter's technical solutions are aimed at the renewable energy sector, with offering complete solutions for solar power plants, electric vehicle charging stations and other related solutions. The main activities are supported by a modern company producing sheet metal details and products.

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
- Information systems unplanned downtime and loss of data

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).

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 FOURTH QUARTER AND 12 MONTHS RESULTS

Despite the challenges provided over the past year, Q4 and the year 2020 both were full of changes and successful for Harju Elekter. The Group's large-scale investments in recent years and active sales work to increase its market share in the Scandinavian and in native market have come to lead to success. Sales orders carried over from previous periods and additional orders in the reporting year resulted in record revenue and profit in the reporting quarter and in the reporting year.

Revenue

The consolidated unaudited revenue of the Group was 35.2 (Q4 2019: 31.2) million euros in the reporting quarter and a total of 146.6 (2019: 143.4) million euros in the reporting year.

Financial result

The consolidated gross profit for the reporting quarter was 5,585 (Q4 2019: 3,995) thousand euros and the gross profit margin was 15.8% (Q4 2019: 12.8%). The consolidated gross profit for the reporting year was 21,209 (2019: 18,244) thousand euros and the gross profit margin was 14.5% (2019: 12.7%). Quarterly consolidated operating profit (EBIT) was six times higher than in the same period of last year and doubled on a yearly basis, amounting to 1,335 (Q4 2019: 210) and 6,546 (2019: 3,273) thousand euros, respectively. The operating margin increased by 3.1 percentage points to 3.8% in the reporting quarter and by 2.2 percentage points to 4.5% in twelve months.

The consolidated net profit for the reporting quarter was 1,159 (Q4 2019: 55) thousand euros, and earnings per share were 0.07 (Q4 2019: 0.00) euros. Net profit for the year 2020 increased by 133.5% compared to the comparable period, reaching 5,528 (2019: 2,367) thousand euros. Earnings per share for the reporting year were 0.31 (2019: 0.14) euros.

Investments

The cost of non-current assets in the statement of financial position comprised 56.9% of total assets, i.e. 65.7 (31.12.2019: 59.9) million euros. During the year, the Group invested a total of 8.1 (2019: 5.5) million euros in non-current assets, incl. 3.1 (2019: 0.9) million euros in investment properties, 4.6 (2019: 4.2) million euros in property, plant, and equipment and 0.3 (2019: 0.4) 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 production technology, information technology developments, construction of the production building in Allika Industrial Park and plots of land were purchased.

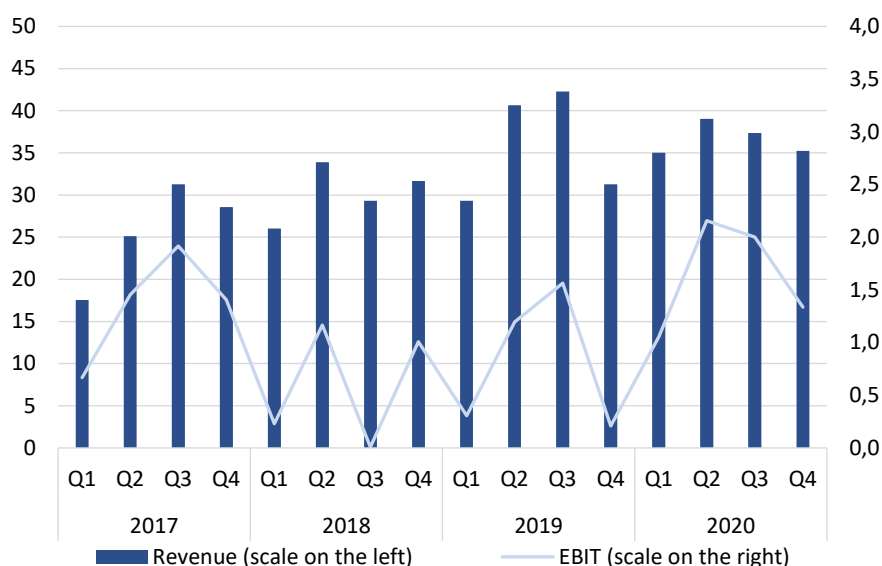
Non-current financial investments increased by 1.4 million euros during the reporting period. The largest share of the increase was due to the change in the estimated fair value of the holding of OÜ Skeleton Technologies Group to 8.8 million euros. During the year 2020, listed securities were sold in the amount of 1.7 million euros and the fair value of the securities decreased by 524 thousand euros. The changes in the fair value of securities and realized gain in the amount of 80 thousand euros were recognized through other comprehensive income.

Current assets

The Group's current assets increased by 1.7 million euros to 49.7 million euros during the reporting year, including a decrease in cash by 2.0 million to 2.8 million. Trade and other receivables increased by 4.3 million to 27.2 million euros and inventories decreased by 0.2 million to 18.9 million euros. The decrease in cash is due to dividends paid on 21 July, in the amount of 2.5 million euros, large investments in non-current assets during the reporting period and the issuance of sales invoices before the end of the reporting period which have been reported as trade receivables.

Liabilities

As at the reporting date, the Group had liabilities in total of 42.1 million euros, of which short-term part accounted for 83.1%. During the reporting year current liabilities increased by 2.1 million euros to 35.0 million euros, incl. an increase in prepayments from customers by 2.0 million euros to 4.2 million euros. Borrowings decreased by a total of 0.1 million euros during the year 2020, with current borrowings and non-current borrowing being at the end of the period 12.1 and 7.0 million euros, respectively. Non-current loans and leasing have been used in connection with real estate developments in Estonia and Lithuania and for investments in an automatic production equipment.

Consolidated 12 months
REVENUE**146.6** million euros
(2019: 143.4)Consolidated 12 months
EBIT**6.5** million euros
(2019: 3.3)Consolidated 12 months
NET PROFIT**5.5** million euros
(2019: 2.4)Quarterly Changes in Revenue and EBIT *million euros*Consolidated 12 months
REVENUE GROWTH**2.2%**Consolidated 12 months
EBIT GROWTH**100%**Key indicators
(EUR '000)

	Q4 2020	Q4 2019	+/-	12 months 2020	12 months 2019	+/-
Revenue	35,243	31,246	12.8%	146,614	143,397	2.2%
Gross profit	5,585	3,995	39.8%	21,209	18,244	16.3%
EBITDA	2,400	1,112	115.8%	10,340	6,791	52.3%
Operating profit (EBIT)	1,335	210	535.7%	6,546	3,273	100.0%
Profit for the period	1,159	55	2007.3%	5,528	2,367	133.5%
Incl. attributable to owners of the parent company	1,165	77	1413.0%	5,563	2,460	126.1%
Earnings per share (EPS) (euros)	0.07	0.00	1413.0%	0.31	0.14	126.1%

Ratios
(%)

	Q4 2020	Q4 2019	+/-	12 months 2020	12 months 2019	+/-
Distribution cost to revenue	6.3	4.8	1.5	4.0	4.0	0.0
Administrative expenses to revenue	6.1	7.4	-1.3	6.3	6.4	-0.1
Labour cost to revenue	20.8	23.0	-2.2	18.6	18.6	0.0
Gross margin (gross profit / revenue)	15.8	12.8	3.0	14.5	12.7	1.8
EBITDA marginal (EBITDA / revenue)	6.8	3.6	3.2	7.1	4.7	2.4
Operating margin (EBIT / revenue)	3.8	0.7	3.1	4.5	2.3	2.2
Net margin (profit for the period / revenue)	3.3	0.2	3.1	3.8	1.7	2.1
Return of equity ROE (profit for the period/average equity)	1.6	0.1	1.5	7.9	3.5	4.4

	31.12.2020	31.12.2019	+/-
Equity ratio (equity / total assets) (%)	63.6	62.1	1.5
Current ratio (current assets / short-term liabilities)	1.4	1.5	-0.1
Quick ratio ((current assets - inventories) / current liabilities)	0.9	0.9	0.0

COMMENTARY FROM THE MANAGEMENT

The last quarter of 2020 offered several successes for Harju Elekter after the tense challenges of the year. If a quarter earlier our revenue was still lower than the revenue of the comparable period, then in Q4 we were again able to increase our revenue. The company's revenue and profitability have never been as high as they were during Q4; in annual terms, the turnover and operating profit are the highest ever.

Despite the successes, the year has not been easy. As the second wave of the corona virus pandemic intensified, the restrictions which were familiar from the spring had to be introduced even more vigorously in order to meet customer orders; the economic results clearly indicate that we did well. Our people adapted quickly to the restrictions; the team spirit and the important personal contribution of each employee to our common objective made it possible to set new records. Thank you to all our people!

In 2019, we began preparations for the restructuring and integration of our Finnish and Swedish companies into the Group in order to strengthen the competitiveness of Harju Elekter and facilitate the coordination of sales and marketing work. At the end of the last year, we achieved the objectives we set for ourselves – in Finland, the management of industrial real estate has been separated from the production company in compliance with the structural principles of the Group, and in Sweden we will continue operating under one large and functional business unit bearing the name of Harju Elekter. The use of the common Harju Elekter brand in the Nordic countries creates opportunities for us to increase our reputation. We can be very pleased that during the restructuring we were able to serve our existing customers, while maintaining exceptional results in Finland and increasing sales volumes in Sweden. We are pleased that more than ten years of efforts in the Swedish market have begun to lead to success.

During the usual budgetary discussions held in the last quarter of the year, we took the direction of continued growth. The expectations of society and opportunities afforded due to the green transformation have intensified quarter by quarter, and our sector is in an extremely favourable position as a result. Electrification, the use of hybrid solutions and the introduction of hydrogen technologies will only accelerate due to the exceptional year of 2020. We are prepared for customers' deferred orders to soon be included in the production plans again. Certainly, 2021 will still be affected by the health and economic crisis; however, we remain hopeful and will set targets in light of what is happening on the market and in the economy.

The Group's dividend policy mandates that at least one third of the net profit from ordinary economic activities is paid out as dividends. Proposing the payment of dividends, the Management Board has considered the significantly improved financial results, as well as the making of increased investments and the betterment of the financial position. In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.16 euros per share, totalling 2.8 million euros and representing 51% of the consolidated net profit in 2020.

CHANGES IN THE STRUCTURE OF THE GROUP

On 29 October 2020, the merger of SEBAB AB and Grytek AB, Swedish subsidiaries both wholly owned by Harju Elekter Group, was completed. As a result of the merger of companies, SEBAB AB became the successor of Grytek AB.

The Swedish subsidiary, which until 14 December 2020 operated under the name of SEBAB AB, was renamed Harju Elekter AB. The Swedish subsidiary, which previously operated under the name Harju Elekter AB, was renamed Harju Elekter Services AB. The name changes of the Swedish subsidiaries were carried out with the purpose of combining the business names with the brand used on a daily basis. Using a common logo of Harju Elekter contributes to strengthening the Group's competitiveness and creates additional benefits and opportunities in marketing activities.



The merger and division of the Finnish subsidiaries of AS Harju Elekter was entered into the Finnish Commercial Register on 31 December 2020. Satmatic Oy merged with itself its wholly owned subsidiaries Finnkumu Oy and Kiinteistö Oy Ulvila Sammontie 9. After the merger, a partial division of Satmatic Oy was carried out, whereby Satmatic Oy transferred the real estate holdings in Ulvila and Kerava to Harju Elekter Kiinteistöt Oy. The main activity of Harju Elekter Kiinteistöt Oy is the management of industrial real estate belonging to the Group.

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 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 (later merged and renamed Harju Elekter 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

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. The total volume of the projects is 5.7 million euros.

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.

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. This is Harju Elekter's fifth real estate property in Harku, part of the 30-hectare, 18-plot estate of Allika Industrial Park, 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.

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 m² to 16,761 m². 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 2,000 transformer substations for Elenia Oy 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.

Q4

In the month of November, AS Harju Elekter was mentioned among the TOP 101 most valuable companies in Estonia. The ranking was compiled by Prudentia and Nasdaq Tallinn. AS Harju Elekter ranked third in terms of corporate governance.

As one of the most important activities in Q4, the active construction of the 4th phase extension of the plant of the Lithuanian subsidiary Harju Elekter UAB continued. Construction will continue as planned with the completion and commissioning of the extension being planned for Q2 of 2021.



In Q4, the construction of Laohotell 2 was completed in the Allika Industrial Park. The building with a total area of almost 4,000 m² was wholly filled with tenants.

EVENTS AFTER THE REPORTING DATE

The new business name of Satmatic Oy, a 100% Finnish subsidiary of AS Harju Elekter, is Harju Elekter Oy as of 14 January 2021. The name change of the Finnish subsidiary was carried out with the purpose of combining the business names with the brand used daily. Harju Elekter Oy will continue with all existing business lines and offering solutions for the energy, industry, and construction sectors.

On 19 January 2021 Harju Elekter Group concluded an agreement with Caruna Oy, Finland's largest distribution network company. The contract is for the period 2021-2023 and its estimated total volume for next three years is 14 million euros. According to the terms of the frame agreement Harju Elekter's subsidiaries AS Harju Elekter Elektrotehnika and Harju Elekter Oy will manufacture and deliver for Caruna about 1,000 prefabricated substations over a period of three years. For the contract there is an extension option of two years, which will be done after 2023 for each year separately

On 10 February 2021, Harju Elekter Group's Swedish subsidiary Harju Elekter AB signed a framework agreement with E.ON Energidistribution AB, the largest distribution network company in Sweden. According to the agreement, approximately 1,500 substations will be supplied over the period of three years, and the total volume of the agreement is nearly 15 million euros. The substations will be manufactured in the factory of AS Harju Elekter Elektrotehnika in Estonia.

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 253 thousand euros. These include costs for purchasing new tools and equipment, implementing measures to prevent the coronavirus from spreading, and extraordinary costs for organizing 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 amounts received from the support measures of the Scandinavian countries totalled to 230 thousand euros. Orders were changed and delayed by customers in a significant extent, which slowed the growth initially planned for 2020. 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.

As of 31 December 2020, the value of securities included in the Group's portfolio has decreased by 7.4%. 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 0.2 million in the second half year.

OPERATING RESULTS

Revenue

The revenue of Harju Elekter group increased by 12.8% to 35.2 (Q4 2019: 31.2) million euros compared to the comparable quarter, which is a good result considering both seasonality and the uncertainty in the economic environment. The main part of the increase in the Group's revenue, 3.4 million, came from the sale of electrical equipment on the quarterly basis.

Consolidated revenue for the financial year increased by 3.2 million euros to 146.6 million euros compared to the comparable period. The majority of the growth in the revenue of the Group's activities was generated by the sale of sheet metal products and electrical work, the comparison base of which was very low in 2019 due to the completion of large-scale works in the shipbuilding sector. Despite some decline on a quarterly basis, retail, and project-based sale of electrical products in 2020 in total increased by 0.6 million euros to 9.6 million euros.

Revenue by business activities (EUR'000)	Q4 2020	Q4 2019	+/- Q/Q	12m 2020	12m 2019	+/- Y/Y	% 12m 2020	% 12m 2019
Manufacturing and sale of electrical equipment	30,209	26,814	12.7%	125,184	124,806	0.3%	85.4%	87.0%
Retail and project-based sale of electrical products	1,768	2,181	-18.9%	9,624	8,986	7.1%	6.5%	6.3%
Other products	856	398	115.1%	2,899	1,889	53.5%	2.0%	1.3%
Lease income	746	691	8.0%	2,866	2,684	6.8%	1.9%	1.9%
Electrical works	1,316	654	101.2%	4,186	2,999	39.6%	2.9%	2.1%
Other services	348	508	-31.5%	1,855	2,033	-8.8%	1.3%	1.4%
Total	35,243	31,246	12.8%	146,614	143,397	2.2%	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)	Q4 2020	Q4 2019	+/- Q/Q	12m 2020	12m 2019	+/- Y/Y
Production	30,248	26,679	13.4%	125,557	124,842	0.6%
Real Estate	882	795	10.9%	3,292	3,250	1.3%
Other activities	4,113	3,772	9.0%	17,765	15,305	16.1%
Total	35,243	31,246	12.8%	146,614	143,397	2.2%

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. The postponement of orders to the last quarter increased the revenue of the Production segment by 3.6 million euros in a quarterly comparison. For the whole year, the growth of the Production segment remained marginal due to the decrease in orders in the third quarter. During the year 2020 the Group earned 126 million euros of revenue from the Production segment.

Real estate

Despite the temporary reductions in rental prices to ensure that tenants would be able to cope with the difficult emergency situation, the revenue of the Real estate segment has increased both in Q4 and in yearly comparisons due to the completion of the rental space development in the Allika Industrial Park during Q4 and the new tenants added in Keila. 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 3.3 million euros in twelve months.

Other activities

The revenue of Other activities decreased in a quarterly and year comparison, amounting to 4.1 and 17.8 million euros respectively. 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.

Revenue by markets (EUR '000)	Q4 2020	Q4 2019	+/- Q/Q	12m 2020	12m 2019	+/- Y/Y	% 12m 2020	% 12m 2019
Estonia	6,484	3,540	83.2%	23,490	16,741	40.4%	16.0%	11.7%
Finland	13,832	14,811	-6.6%	68,739	71,783	-4.2%	46.9%	50.1%
Sweden	9,061	4,800	88.8%	26,532	19,544	35.8%	18.1%	13.6%
Norway	2,762	3,758	-26.5%	16,701	21,553	-22.5%	11.4%	15.0%
Netherlands	1,068	2,695	-60.4%	5,740	10,259	-44.0%	3.9%	7.1%
Other	2,036	1,642	24.0%	5,412	3,517	53.9%	3.7%	2.5%
Total	35,243	31,246	12.8%	146,614	143,397	2.2%	100.0%	100.0%

Estonia

Quarterly sales to the Estonian market increased by 2.9 million to 6.5 million euros in a year-on-year comparison and 6.7 million to 23.5 million euros within twelve-month comparison. Most of the deliveries of the prefabricated substations for Elektrilevi OÜ, whose tender was won in 2019, were postponed to the second half of the reporting year due to difficulties in the availability of individual materials and components. The Estonian market accounted for 18.4% of the consolidated revenue for the reporting quarter, being 7.1 percentage points more than in the last quarter of 2019.

Finland

Sales to the Finnish market decreased by 1.0 million euros to 13.8 million euros in a quarterly comparison, from Q2 onwards, mostly being affected by a decrease in orders in the industrial automation sector. The decrease in orders in the three quarters also affected the result of the financial year with the revenue from the Finnish market decreasing by 3.0 million euros to 68.7 million in a yearly comparison. The majority of the sales volume was generated by sales to Finnish electricity network companies, whose orders were declining due to the renewal of procurement contracts. Harju Elekter proved to be successful in most of the new procurements.

Sweden

Sales to the Swedish market increased the most. While Q4 is generally a low season for the Group, then this time around, the execution of orders continued in the last quarter as well. The revenue earned on the Swedish market almost doubled in the comparison of the reporting quarters, totalling 9.1 million euros – this increased the share of the market in the consolidated revenue by 12.1 percentage points to 25.7% in the reporting quarter. In a year comparison, Sweden's revenue increased by 7.0 million euros to 26.5 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 overall growth in orders in Sweden.

Norway

Norway ranks fourth in the Group's markets, accounting for 7.8% of the Group's fourth quarter revenue. The revenue earned in the reporting quarter was 2.8 million euros, decreasing by 1.0 million euros compared to the last quarter of 2019. During the reporting year, the Norwegian market earned 16.7 million euros, which is 4.9 million euros less than in the previous year. The decrease in the revenue in Norway was caused by record-high orders in Q3 and Q4 of the previous year.

Netherlands

Revenue from the Netherlands was 1.1 million euros in the reporting quarter and 5.7 million euros in the reporting year. Similarly, to Norway, the decline in revenue from the Netherlands was also related to the completion of several large projects and the postponement of customer orders on a yearly comparison.

Others

When comparing the quarters, revenue to Other markets decreased by 0.4 million euros, which was mostly affected by the change in sales to the German market. In a yearly comparison, the Group's revenue from other markets increased by 1.9 million euros to 5.4 million euros, accounting for 3.7% of consolidated revenue. The largest of the

Group's Other markets were Germany, Denmark, and Austria, which generated revenue of 1.7 million, 1.3 million and 1.3 million euros, respectively, in 2020.

Operating expenses

(EUR '000)	Q4 2020	Q4 2019	+/- Q/Q	12m 2020	12m 2019	+/- Y/Y	% 12m 2020	% 12m 2019
Cost of sales	29,658	27,251	8.8%	125,405	125,153	0.2%	89.2%	89.3%
Distribution costs	2,208	1,508	46.4%	5,847	5,706	2.5%	4.2%	4.1%
Administrative expenses	2,140	2,300	-7.0%	9,259	9,229	0.3%	6.6%	6.6%
Total operating expenses	34,006	31,059	9.5%	140,511	140,088	0.3%	100.0%	100.0%
<i>incl. depreciation and amortization</i>	<i>1,065</i>	<i>902</i>	<i>18.1%</i>	<i>3,794</i>	<i>3,518</i>	<i>7.8%</i>	<i>2.7%</i>	<i>2.5%</i>
<i>incl. total labour cost</i>	<i>7,319</i>	<i>7,173</i>	<i>2.0%</i>	<i>27,340</i>	<i>26,668</i>	<i>2.5%</i>	<i>19.5%</i>	<i>19.0%</i>
<i>incl. inclusive salary cost</i>	<i>5,692</i>	<i>5,812</i>	<i>-2.1%</i>	<i>21,327</i>	<i>21,438</i>	<i>-0.5%</i>	<i>15.2%</i>	<i>15.3%</i>

The total operating expenses for the reporting quarter were 34.0 (Q4 2019: 31.1) million euros. The majority of the increase in expenses was due to an increase in the cost of sales: 2.4 million euros year-on-year. The increase in the cost of sales was surpassed by revenue growth of 4.0 percentage points, increasing the gross profit margin by 3.0 percentage points, compared to the Q4 2019 figures. The Group's companies were actively seeking opportunities to increase business volumes for upcoming periods by participating in several procurements, as a result of which distribution costs have increased to 2.2 million euros, this being an 0.7 million increase from the comparable quarter. The increase in distribution costs is also related to the structural changes of the companies.

Overall, in the reporting year, operating expenses increased by 0.3% compared to the previous year, amounting to 140.5 (2019: 140.1) million euros. The increase in revenue exceeded the growth rate of the cost of sales by 2.0 percentage points, increasing the gross margin to 14.5%, this being an increase of 1.8 percentage points compared to the comparison periods. The ratio of distribution costs to the Group's revenue remained at the same level as in the comparable period, being 4.0% in the reporting year, but the ratio of administrative expenses to the Group's revenue decreased by 0.1 percentage points to 6.3%.

Compared to the comparable quarter and year, labor costs increased, amounting to 7.3 (Q4 2019: 7.2) and 27.3 (2019: 26.7) million euros, respectively. The reason for the increase in labour costs primarily lies in the good financial results of the Group's companies. In 2020 while extraordinary production shifts have also been made during this difficult year, being accompanied by an increase in working hours and higher bonuses. The ratio of labour costs to the Group's revenue decreased to 20.8% (Q4 2019: 23.0%) for the reporting quarter but remained at the same level of 18.6%, in yearly comparison.

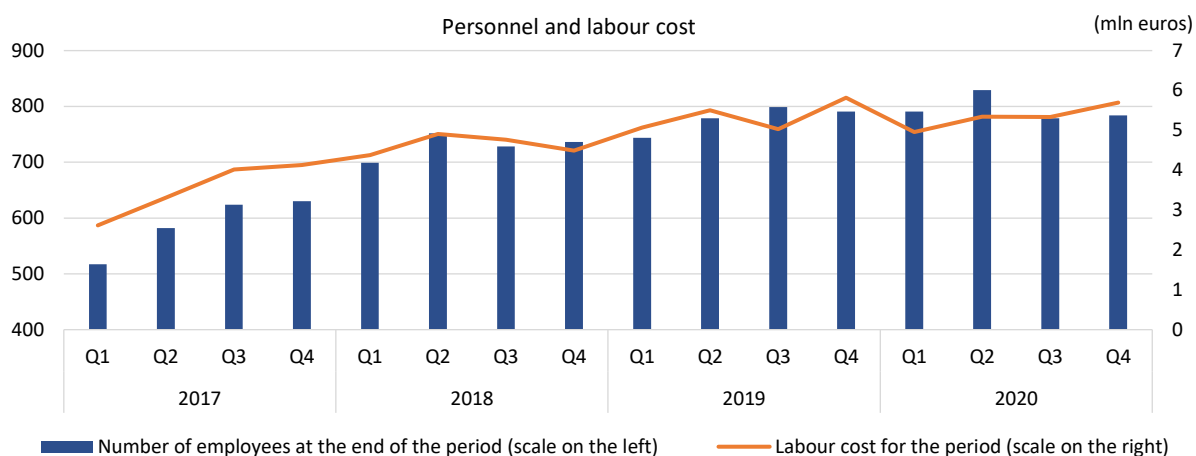
Depreciation of non-current assets totalled 1.1 million euros in the fourth quarter and 3.8 million euros in the twelve months, increasing by 163 and 276 thousand euros, respectively, compared to the comparable period. The increase in depreciation is due to the addition of several investments.

PERSONNEL

At the end of the reporting period, the Group had 784 people, which is 7 employees less than a year ago. During the fourth quarter, the Group employed an average of 770 people, which was an average of 8 employees less than in the comparable period.

	Average number of employees				Number of employees				
	Q4 2020	Q4 2019	12m 2020	12m 2019	31.12.2020	31.12.2019	+/- Y/Y	% 31.12.2020	% 31.12.2019
Estonia	340	336	344	376	356	346	10	45.4%	43.8%
Finland	141	128	139	132	136	134	2	17.4%	16.9%
Lithuania	221	248	235	207	223	251	-28	28.4%	31.7%
Sweden	68	66	62	63	69	60	9	8.8%	7.6%
Total	770	778	780	778	784	791	-7	100.0%	100.0%

In the reporting quarter, 5.7 (Q4 2019: 5.8) million euros were paid to the employees in salaries and remuneration, a total of 21.3 (12m 2019: 21.4) million euros in nine months. Average wages per Group employee was 2,286 (2019: 2,296) euros. In terms of labour costs and personnel in total, stability has been achieved in recent quarters due to investment and structural changes in previous years. During peak periods, temporary staff has been used, this includes providing opportunities for local youth and students to improve their knowledge and for them to gain practical experience in the manufacturing sector.



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	2020	2019	2018	2017	2016
Opening price (euros)	4.26	4.12	5.00	2.85	2.62
Highest price (euros)	5.26	5.20	6.68	5.08	2.94
Lowest price (euros)	3.20	4.01	3.89	2.80	2.43
Closing price (euros)	5.18	4.21	4.12	5.00	2.83
Traded shares (pcs)	1,160,598	531,415	1,100,773	1,349,617	947,294
Turnover (in million euros)	4.99	2.35	5.98	5.46	2.45
Capitalisation (in million euros)	91.89	74.68	73.09	88.70	50.20
Average number of the shares (pcs)	17,739,880	17,739,880	17,739,880	17,739,880	17,739,880
EPS (euros)	0.31	0.14	0.09	1.64	0.18

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

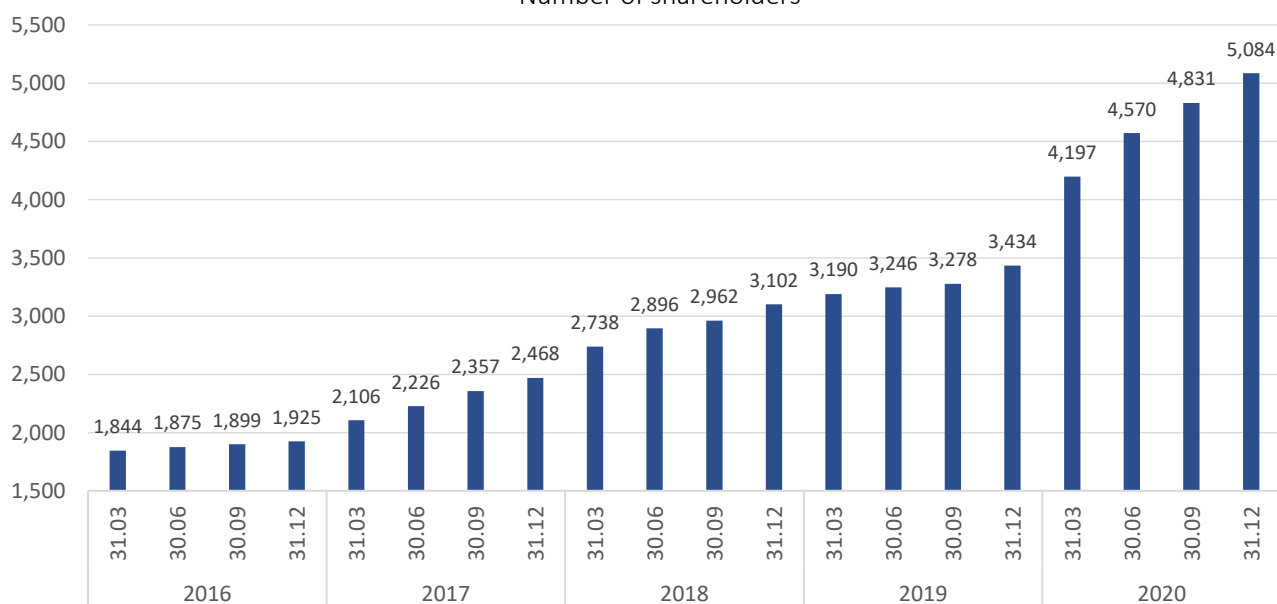


As at 31 December 2020, AS Harju Elekter had 5,084 shareholders. The number of shareholders increased during the reporting quarter by 253 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 31 December 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 31 December 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 %	58	1.1	16.2	Endel Palla	7.04
< 0.1%	5,016	98.7	20.1	Shareholders holding under 5%	50.86
Total	5,084	100.0	100.0	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

22 February 2021



Aron Kuhi-Thalfeldt

Member of the Management Board

22 February 2021



INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2020	31 December 2019
Currents assets			
Cash and cash equivalents		2,843	4,878
Trade and other receivables		27,226	22,958
Prepayments		820	1,166
Inventories		18,856	19,010
Total current assets		49,745	48,012
Non-current assets			
Deferred income tax assets		514	472
Non-current financial investments	2	11,918	10,494
Investment properties	3	23,605	21,259
Property, plant and equipment	4	22,494	20,402
Intangible assets	4	7,199	7,260
Total non-current assets		65,730	59,887
TOTAL ASSETS	6	115,475	107,899
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	5	12,056	11,305
Prepayments from customers		4,182	2,212
Trade and other payables		15,837	16,448
Tax liabilities		2,871	2,959
Current provisions		34	34
Total current liabilities		34,980	32,958
Borrowings	5	7,032	7,901
Other non-current liabilities		66	64
Total non-current liabilities		7,098	7,965
Total liabilities		42,078	40,923
Equity			
Share capital		11,176	11,176
Share premium		804	804
Reserves		6,709	3,412
Retained earnings		54,858	51,699
Total equity attributable to the owners of the parent company		73,547	67,091
Non-controlling interests		-150	-115
Total equity		73,397	66,976
TOTAL LIABILITIES AND EQUITY		115,475	107,899

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 October – 31 December		1 January – 31 December	
	Note	2020	2019	2020	2019
Revenue	6	35,243	31,246	146,614	143,397
Cost of sales		-29,658	-27,251	-125,405	-125,153
Gross profit		5,585	3,995	21,209	18,244
Distribution costs		-2,208	-1,508	-5,847	-5,706
Administrative expenses		-2,140	-2,300	-9,259	-9,229
Other income		213	85	707	255
Other expenses		-115	-62	-264	-291
Operating profit	6	1,335	210	6,546	3,273
Finance income		21	4	137	139
Finance costs		-110	-58	-379	-225
Profit before tax		1,246	156	6,304	3,187
Income tax	8	-87	-101	-776	-820
Profit for the period		1,159	55	5,528	2,367
Profit attributable to:					
Owners of the parent company		1,165	77	5,563	2,460
Non-controlling interests		-6	-22	-35	-93
Earnings per share					
Basic earnings per share (EUR)	7	0.07	0.00	0.31	0.14
Diluted earnings per share (EUR)	7	0.07	0.00	0.31	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 October – 31 December		1 January – 31 December	
	Note	2020	2019	2020	2019
Profit for the period		1,159	55	5,528	2,367
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Net gain on revaluation of financial assets		128	14	112	-84
<i>Items that will not be reclassified to profit or loss</i>					
Gain on sales of financial assets	2	0	0	80	116
Impact of exchange rate changes	2	3,669	-36	2,922	642
Total comprehensive income for the period		3,797	-22	3,114	674
Other comprehensive income		4,956	33	8,642	3,041
Total comprehensive income attributable to:					
Owners of the Company		4,962	55	8,677	3,134
Non-controlling interests		-6	-22	-35	-93

CONSOLIDATED STATEMENT OF CASH FLOWS

		1 January – 31 December	
	Note	2020	2019
Cash flows from operating activities			
Profit for the period		5,528	2,367
<u>Adjustments</u>			
Depreciation and amortization	3,4	3,794	3,518
Gain on sale of property, plant and equipment		-21	-51
Share-based payments	7	263	189
Finance income		-137	-139
Finance costs		379	225
Income tax	8	776	820
<u>Changes</u>			
Changes in trade and other receivables		-4,110	-803
Changes in inventories		509	-1,543
Changes in trade and other payables		1,083	2,637
Corporate income tax paid	8	-916	-890
Interest paid		-299	-180
Total cash flow (-outflow) from operating activities		6,849	6,150
Cash flows from investing activities			
Payments for investment properties	8	-3,096	-1,110
Payments for property, plant and equipment		-4,566	-4,191
Payments for intangible assets		-300	-350
Acquisition of financial investments		-104	-730
Proceeds from sale of investment property		5	0
Proceeds from sale of property, plant and equipment		33	125
Dividends received		-3	8
Dividends income tax paid		91	140
Proceeds from sale of other financial investments		1,681	578
Total cash flow (-outflow) from investing activities		-6,259	-5,530
Cash flows from financing activities			
Change in overdraft balance	5	-1,131	3,902
Proceeds from borrowings	5	2,635	2,913
Repayment of borrowings	5	-596	-989
Repayments of lease liabilities		-1,026	-1,275
Dividends paid		-2,484	-3,193
Dividends income tax paid	8	-14	-169
Total cash flow (-outflow) from financing activities		-2,616	1,189
Total net cash flow (-outflow)		-2,026	1,809
Cash and cash equivalents at the beginning of the period		4,878	3,142
Changes in cash and cash equivalents		-2,026	1,809
Effect of exchange rate fluctuations on cash and cash equivalents		-9	-73
Cash and cash equivalents at the end of the period		2,843	4,878

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January - 31 December	Attributable to owners of the parent 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	2,460	2,460	-93	2,367
Other comprehensive income	0	0	558	116	674	0	674
Total comprehensive income	0	0	558	2,576	3,134	-93	3,041
Transaction with owners recognized directly in equity							
Share-based payments (Note 7)	0	0	189	0	189	0	189
Dividends	0	0	0	-3,193	-3,193	0	-3,193
Total transactions with owners	0	0	189	-3,193	-3,004	0	-3,004
Balance at 31 December 2019	11,176	804	3,412	51,699	67,091	-115	66,976
Comprehensive income							
Profit for the period	0	0	0	5,563	5,563	-35	5,528
Other comprehensive income	0	0	3,034	80	3,114	0	3,114
Total comprehensive income	0	0	3,034	5,643	8,677	-35	8,642
Transaction with owners recognized directly in equity							
Share-based payments (Note 7)	0	0	263	0	263	0	263
Dividends	0	0	0	-2,484	-2,484	0	-2,484
Total transactions with owners	0	0	263	-2,484	-2,221	0	-2,221
Balance at 31 December 2020	11,176	804	6,709	54,858	73,547	-150	73,397

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 consolidated interim report

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31 December 2020 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Satmatic Oy, Harju Elekter Kiinteistöt Oy, Telesilta Oy, Harju Elekter AB, Harju Elekter Services AB, Harju Elekter UAB (the "Group"). AS Harju Elekter has been listed on 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 fourth quarter and 12 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.

Changes in significant accounting policies

IAS 12 12.52A and 12.57A – change in the interpretation of recognising deferred tax liabilities for investments

Based on the interpretative decision adopted by the International Financial Reporting Standards Interpretations Committee (IFRIC) in June 2020, the principle of income tax deferral which has been in force in Estonia for 20 years is not in accordance with the interpretation of IAS 12.52A. IAS 12.52A states that if income tax is payable on dividends rather than on profits, no income tax expense or liability is recognised until the dividends are declared. This accounting principle has been consistently applied in Estonia to the Group's retained earnings, this has been done regardless of whether the profit has been accrued by the Parent Company or by its Estonian subsidiary. Based on the new interpretative decision, the principle set out in sections 52A and 57A of IAS 12 applies only to retained earnings of the Parent Company and does not apply to the retained earnings of the company's Estonian subsidiaries.

In accordance with section 39 of IAS 12, an entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- a) the entity is able to control the timing of the reversal of the temporary difference; and
- b) it is probable that the temporary difference will not reverse in the foreseeable future.

The amendment is applied retrospectively, which means that the income tax liability must be assumed in respect to retained earnings accumulated in subsidiaries in previous periods.

The Management Board has assessed the impact of the interpretative decision regarding the IAS 12 standard, reviewed and analysed the principles of the Group's internal dividend policy and concluded that there is no retrospective effect on the Group's financial statements. The opening balances of the reference and reporting periods do not need to be adjusted. In the future, temporary differences arising from income tax due to the dividends from subsidiaries, the income tax expense and liability will be recognised in accordance with the new interpretation, the current principles of the Group's internal dividend policy and the ability of subsidiaries to pay dividends.

Note 2 Financial investments

	31.12.2020	31.12.2019
Listed securities (fair value through other comprehensive income)	2,822	5,017
Other equity investments (fair value through other comprehensive income)	9,089	5,469
Other financial assets through profit or loss	7	8
Total	11,918	10,494
Changes	2020	2019
1. Financial assets at fair value through other comprehensive income		
Carrying amount at the beginning of the period	10,486	9,576
Acquisitions	104	730
Sale of financial investment	-1,681	-462
Change in fair value through other comprehensive income	3,002	642
Carrying amount at the end of the period	11,911	10,486
2. Financial assets at fair value through profit and loss		
Carrying amount at the beginning of the period	8	11
Change in fair value through profit and loss	-1	-3
Carrying amount at the end of the period	7	8
Total carrying amount at the end of the period	11,918	10,494

A total of 1,681 thousand euros was received from the partial sale of the listed securities in the reporting year. Realized gain on sale of financial assets in the amount of 80 thousand euros was recognized through other comprehensive income. The fair value of securities decreased by 524 thousand euros in 2020, increased by 642 thousand euros in 2019.

Other equity investments include an investment in the shares of OÜ Skeleton Technologies Group in the amount of 8,834 (31.12.2019: 5,267) thousand euros and in the shares of SIA Energokomplekss in the amount of 255 (31.12.2019: 202) thousand euros as at 31 December 2020. AS Harju Elekter acquired an 10% stake in OÜ Skeleton Technologies Group on 3 June 2015; OÜ Skeleton Technologies Group is a company engaged in the development and production of supercapacitors. OÜ Skeleton Technologies Group is gradually increasing production and the assessment of future cash flows includes significant uncertainty. The measurement of fair value is a complex process in the absence of an active market and when this is the case, this kind of measurement involves making assumptions and decisions. The information available to the Management Board of AS Harju Elekter is limited regarding future scenarios. Therefore, the assessment given is based on the principle of conservatism and considers the financial indicators disclosed by OÜ Skeleton Technologies Group, the associated investment risk, and the assessment of the marketability of the instrument. During 2020, an additional investment round took place, this was also considered in determining the fair value of the financial investment. As of the reporting date, the registered holding of Harju Elekter in OÜ Skeleton Technologies Group is 7.64%.

Note 3 Investment properties

	Note	2020	2019
Balance at the beginning of the period		21,259	19,804
Additions		3,103	913
Depreciation		-851	-821
Reclassification from property, plant and equipment	4	94	1,363
At the end of the period		23,605	21,259

Note 4 Property, plant and equipment; intangible assets

	Note	2020	2019
1. Property, plant and equipment			
Balance at the beginning of the period		20,402	17,403
Right-of-use assets (IFRS 16 initial application)		0	2,118
Additions to right-of-use assets		150	490
Additions		4,643	4,189
Sales and write-off in carrying amount		-31	-74
Depreciation		-2,570	-2,357
Reclassification to investment property	3	-94	-1,363
Impact of exchange rate changes		-6	-4
At the end of the period		22,494	20,402
2. Intangible assets			
Balance at the beginning of the period		7,260	7,260
Additions		313	355
Amortization		-373	-340
Impact of exchange rate changes		-1	-15
At the end of the period		7,199	7,260

Note 5 Borrowings

	Note	31.12.2020	31.12.2019
Current borrowings			
Current bank loans		7,738	8,869
Current portion of long-term bank loans		3,191	1,112
Current portion of lease liabilities		1,100	1,125
Other current loans		27	199
Total current borrowings		12,056	11,305
Non-current borrowings			
Non-current bank loans		4,461	4,582
Non-current lease liabilities		1,839	2,840
Other non-current loans		732	479
Total non-current borrowings		7,032	7,901
Total borrowings		19,088	19,206
Changes		2020	2019
Loans and borrowings at the beginning of the period		19,206	12,105
Change in overdraft balances		-1,131	3,902
Received non-current loans		2,553	2,265
Repayments of non-current loans		-595	-989
Other received loans		81	648
New lease liabilities		149	490
Lease liabilities (IFRS 16 initial application)		0	2,118
Repayments of non-current lease liabilities		-1,175	-1,333
Loans and borrowings at the end of the period		19,088	19,206

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, Harju Elekter UAB, Harju Elekter 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 Services AB and Telesilta Oy. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes.

The Group assesses the performance of its operating segments on the basis of revenue and operating profit. Based on the assessment of the Parent company's Management Board, inter-segment transactions are carried out on ordinary market terms that do not differ substantially from the terms agreed in transactions conducted with third parties. Unallocated assets comprise the Parent company's cash, other receivables, prepayments, and other financial investments. Unallocated liabilities consist of the Parent company's (in Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

1 January – 31 December	Note	Production	Real Estate	Other activities	Elimination	Consolidated
2020						
Revenue from external customers		125,557	3,292	17,765	0	146,614
Inter-segment revenue		6,122	1,743	118	-7,983	
Segment revenue		131,679	5,035	17,883	-7,983	146,614
Operating profit		5,929	1,712	-872	-222	6,546
Segment assets		70,365	24,795	22,056	-15,664	101,552
Unallocated assets						13,923
<i>incl. Cash and cash equivalents</i>						1,889
<i>incl. Financial investments</i>						11,911
<i>incl. Other receivables and prepayments</i>						123
Total assets						115,475
Capital expenditure	3,4	4,477	3,103	478	0	8,058
IFRS 16 initial application	4	150	0	0	0	150
Depreciation and amortization	3,4	2,070	851	894	-21	3,794
2019						
Revenue from external customers		124,842	3,250	15,305	0	143,397
Inter-segment revenue		4,234	1,404	605	-6,243	
Segment revenue		129,076	4,654	15,910	-6,243	143,397
Operating profit		3,806	1,609	-1,893	-249	3,273
Segment assets		65,858	22,531	19,004	-11,430	95,963
Unallocated assets						11,936
<i>incl. Cash and cash equivalents</i>						1,364
<i>incl. Financial investments</i>						10,487
<i>incl. Other receivables and prepayments</i>						85
Total assets						107,899
Capital expenditure	3,4	4,181	913	363	0	5,457
Addition of right-of-use assets (IFRS 16)	4	1,690	0	918	0	2,608
Depreciation and amortization	3,4	2,074	821	642	-19	3,518

Revenue by geographic regions (customer location)

1 January – 31 December	2020	2019
Estonia	23,490	16,741
Finland	68,739	71,783
Sweden	26,532	19,544
Norway	16,701	21,553
Netherlands	5,740	10,259
Other	5,412	3,517
Total revenue	146,614	143,397

Revenue by business activities

1 January – 31 December	2020	2019
Manufacturing and sale of electrical equipment	125,184	124,806
Retail and project-based sale of electrical products	9,624	8,986
Other products	2,899	1,889
Lease income	2,866	2,684
Electrical works	4,186	2,999
Other services	1,855	2,033
Total	146,614	143,397

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 October to 31 December 2020, the average market price of the shares was 4.88 euros. During the period from 1 January to 31 December 2020, the average market price of the 2018 and 2019 round shares was 4.30 euros. The average market price of the 2020 round shares was 4.65 euros during the period from 15 June to 31 December 2020. Therefore, the potential shares had no dilutive impact.

1 October – 31 December	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	1,165	77
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.07	0.00
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.07	0.00

1 January – 31 December	Unit	2020	2019
Profit attributable to equity holders of the parent	EUR '000	5,563	2,460
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.31	0.14
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.31	0.14

Note 8 Information on the statement of cash flows line items

1 January – 31 December	Note	2020	2019
Corporate income tax			
Income tax expense in the statement of profit or loss		-776	-820
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-112	135
Dividend income tax expense		14	169
Income tax expense on dividends		-42	-370
Impact of exchange rate changes		0	-4
Corporate income tax paid		-916	-890
Paid for investment properties			
Acquisitions of investment properties	3	-3,103	-913
Liability decrease (-)/ increase (+) incurred by the acquisitions		7	-197
Paid for investment properties		-3,096	-1,110

Note 9 Transactions with related parties

The related parties of AS Harju Elekter include members of the Management and Supervisory Boards and their close family members and AS Harju KEK which owns 31.39% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's Supervisory and Management Boards.

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

	31.12.2020	31.12.2019
Balances with related parties:		
- Payables for goods and services	47	223
	2020	2019
Purchase of goods and services from related parties:		
- Lease of property, plant and equipment from AS Harju KEK	101	104
- Purchase of property plant and equipment from Harju KEK	0	139
- Other services from AS Entek	506	592
Sale of goods and services to related parties:		
- Other services for AS Harju KEK	4	5
- Sale of goods for AS Entek	10	29
Remuneration of the Management and Supervisory Boards:		
- Salary, bonuses, additional other remuneration (incl. severance pay)	486	401
- Social security tax	160	132

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. During the year 2020, share-based payments recognized as labour costs totalled to 263 (2019: 189) thousand euros, of which the share of the members of the Management and Supervisory Boards was 45 (2019: 36) 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 fourth quarter and 12 months of 2020 as set out on pages 17 to 27 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	22 February 2021
-----------	----------------------------------	------------------



Aron Kuhi-Thalfeldt	Member of the Management Board	22 February 2021
---------------------	--------------------------------	------------------

