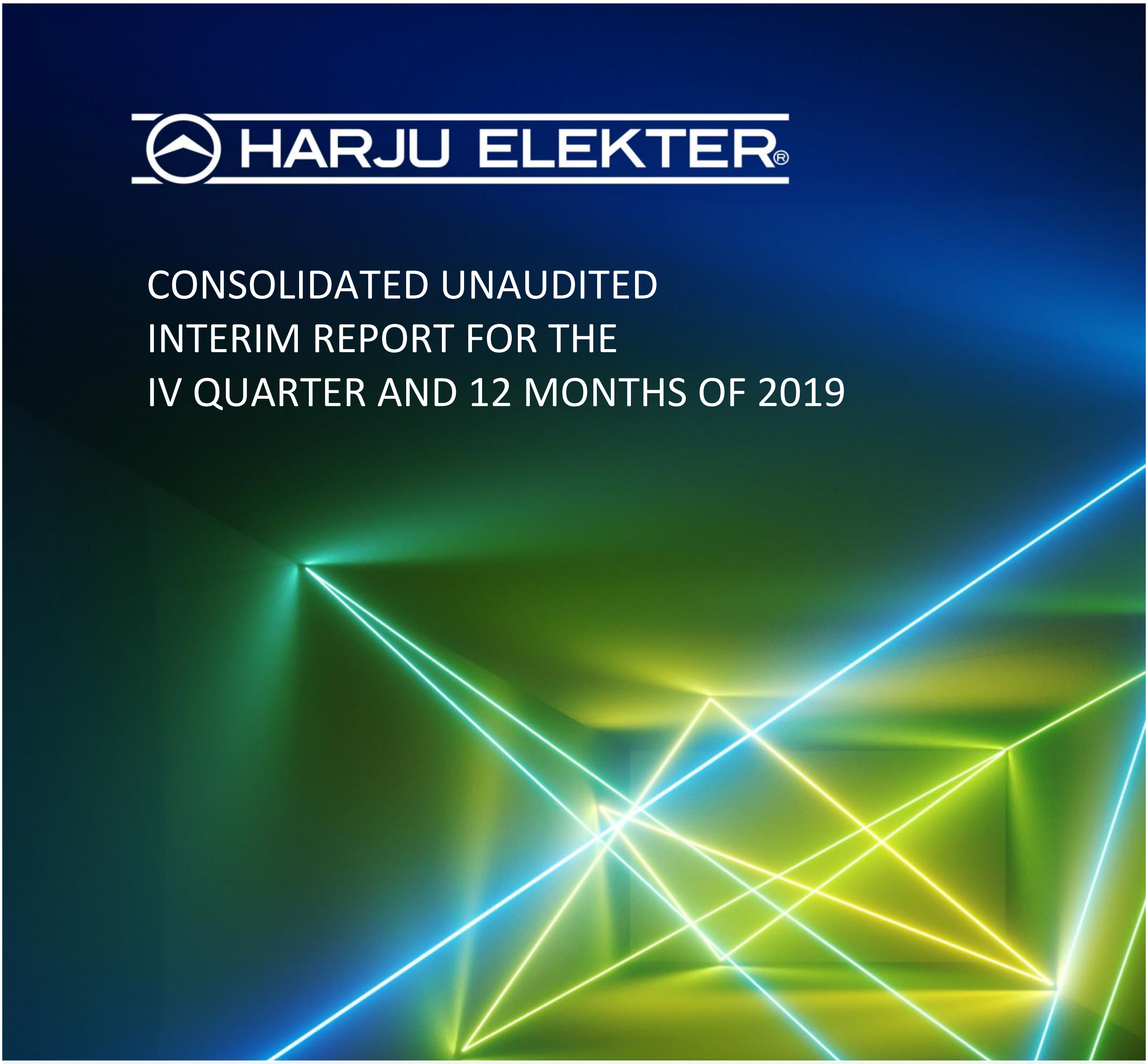
CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE IV QUARTER AND 12 MONTHS OF 2019



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Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2019
Reporting period:	1 January – 31 December 2019

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ORGANISATION

Harju Elekter Group as at 31 December 2019

Main activities

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

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

Mission

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

Goal

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

Vision

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

Values

Development - We are keen to learn and innovative.

Cooperation - We operate as a team

Reliability - No bargaining in quality.

Risks

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

MANAGEMENT REPORT

FINANCIAL SUMMARY OF FOURTH QUARTER AND 12 MONTHS RESULTS

Revenue

The consolidated unaudited revenue for the fourth quarter of 2019 was 31.2 (Q4 2018: 31.7) million euros. Consolidated revenue for the 12 months increased by 18.7%, reaching 143.4 (2018: 120.8) million euros.

Financial result

The consolidated gross profit for the reporting quarter was 3,995 (Q4 2018: 4,867) thousand euros, the gross margin was 12.8% (Q4 2018: 15.4%). Consolidated operating profit (EBIT) for the fourth quarter was 210 (Q4 2018: 1,007) thousand euros and the consolidated net profit was 55 (Q4 2018: 736) thousand euros. Low profitability was mostly influenced by an increase in sales of lower margin products on the Swedish market, postponement of deadlines of several large projects by clients, changes in the Swedish krona exchange rate, underutilization of the production capacity of Estonian companies in relation to a decreasing volume of orders from the Finnish power grid networks, and allowances for several receivables and inventories.

The consolidated gross profit for the reporting year was 18,244 (2018: 15,976) thousand euros and the gross margin was 12.7% (2018: 13.2%). Consolidated operating profit (EBIT) was earned in the reporting year 3,273 (2018: 2,413) thousand euros. Overall, the consolidated net profit of the reporting year was 2,367 (2018: 1,514) thousand euros and earnings per share (EPS) was 0.14 (2018: 0.09) euros.

Investments

In the reporting period, the Group invested a total of 5.5 million euros in non-current assets, incl. 0.9 million euros in investment properties, 4.2 million euros in property, plant and equipment and 0.4 million euros in intangible assets. Most of the investment, 3.2 million euros, was directed to the extension of the Lithuanian subsidiary's production facility, construction of the infrastructure needed to service it, and purchasing new production equipment. The rest of the investments were placed into integration of the new sale office and the central warehouse of the Estonian subsidiary, and into the development projects of the Group’s companies and industrial parks. In the comparable period, a total of 10.6 million euros were invested into non-current assets, of which 1.0 million euros was through business combinations. The remaining amount was used for the subsidiary’s Prima Power production line, construction of the Allika industrial park and Haapsalu solar power plant.

Current assets

With sales orders and production volumes growth, the Group's current assets increased by 9.1% to 48.0 million euros, increases include inventories of 1.5 million euros, cash and cash equivalents of 1.7 million euros and receivables of 0.7 million euros.

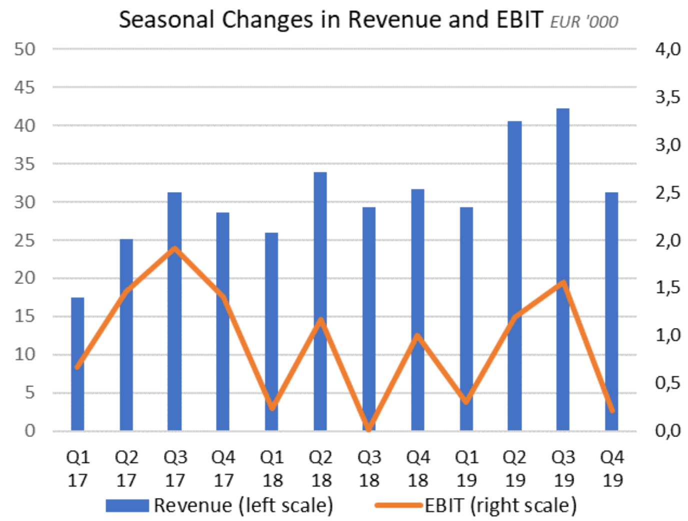
Liabilities

As at the reporting date, the Group had total liabilities of 40.9 million euros, of which short-term liabilities accounted for 80.5% (31 December 2018: 82.4%). Short-term liabilities increased by 7.2 million euros year-on-year, to 33.0 million euros, incl. an increase in trade and other payables by 1.5 million euros in total, to 16.4 million euros and increase in short-term borrowings by 4.6 million euros, to 11.3 million euros. Long-term borrowings increased by 2.5 million euros to 8.0 million euros. Long-term loans and leases have been used in connection with real estate developments in Estonia and Lithuania and investment in an automatic sheet metal punching-bending line. Due to the implementation of the new accounting policies of IFRS 16 Leases, the amount of current and non-current borrowings has increased by 1.9 million euros.

Consolidated 12 months
REVENUE
143.4 million euros (2018: 120.8)

Consolidated 12 months
EBIT
3.3 million euros (2018: 2.4)

Consolidated 12 months
NET PROFIT
2.4 million euros (2018: 1.5)



Consolidated 12 months
REVENUE GROWTH
19%

Consolidated 12 months
EBIT CHANGE
36%

Key indicators (EUR´000)	Q4 2019	Q4 2018	+/- Q/Q	12 months 2019	12 months 2018	+/- Y/Y
Revenue	31,246	31,669	*-1.3%*	143,397	120,804	*18.7%*
Gross profit	3,995	4,867	*-17.9%*	18,244	15,976	*14.2%*
EBITDA	1,112	1,701	*-34.6%*	6,791	5,001	*35.8%*
Operating profit (EBIT)	210	1,007	*-79.1%*	3,273	2,413	*35.6%*
Profit for the period	55	736	*-92.5%*	2,367	1,514	*56.3%*
Incl. attributed to Owners of the Company	77	735	*-89.5%*	2,460	1,546	*59.1%*
Earnings per share (EPS)	0.00	0.04	*-89.5%*	0.14	0.09	*59.1%*

Ratios (%)	Q4 2019	Q4 2018	+/- Q/Q	12 months 2019	12 months 2018	+/- Y/Y
Distribution cost to revenue	4.8	5.1	*-0.3*	4.0	4.4	*-0.4*
Administrative expenses to revenue	7.4	7.0	*0.4*	6.4	6.8	*-0.4*
Labour cost to revenue	23.0	21.2	*1.8*	18.6	20.5	*-1.9*
Gross margin (gross profit/revenue)	12.8	15.4	*-2.6*	12.7	13.2	*-0.5*
EBITDA marginal (EBITDA/revenue)	3.6	5.4	*-1.8*	4.7	4.1	*0.6*
Operating margin (EBIT/revenue)	0.7	3.2	*-2.5*	2.3	2.0	*0.3*
Net margin (profit for the period /revenue)	0.2	2.3	*-2.1*	1.7	1.3	*0.4*
Return of equity ROE (profit for the period/average equity)	0.1	1.1	*-1.0*	3.5	2.2	*1.3*

	31 Dec 2019	31 Dec 2018	+/-
Equity ratio *(equity/total assets) (%)*	62.1	68.2	*-6.1*
Current ratio *(current assets/ short-term liabilities)*	1.5	1.7	*-0.2*
Quick ratio *((current assets - inventories)/ current liabilities)*	0.9	1.0	*-0.1*

COMMENTARY FROM THE MANAGEMENT

The activities of Harju Elekter Group in 2019 could be aptly described using the keywords “changes” and “reorganisation”. Changing environment and future-orientated challenges in incorporating and reorganising the business structure of the Group did not make achievement of the results easy. Nevertheless, we successfully managed to increase our revenue to 143.4 (+18.7%) million euros and our operating profit (EBIT) to 3.3 (+35.6%) million euros. Expectations for higher profitability were not met due to delays in complex major projects and higher-than-expected costs in Sweden, but also due to the underutilization of Estonian companies as a result of significant changes in the Finnish substation market. At the same time, we are proud of the group's Lithuanian and Finnish production companies for achieving their best results ever.

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.18 euros per share, totalling 3.2 million euros.

CHANGES IN THE BOARDS OF GROUP COMPANIES

The former head of the sales department Indrek Ulmas was appointed as the managing director of AS Harju Elekter Elektrotehnika starting from 1 April 2019.

In connection with the restructuring of the activities of Harju Elekter Group in Finland and consolidation of Satmatic Oy and Finnkumu Oy under one common management, the Group appointed Jan Osa, the former manager of AS Harju Elekter Elektrotehnika, as the new CEO of Satmatic Oy and Finnkumu Oy, who started in this position at Satmatic Oy from 1 April 2019 and at Finnkumu Oy from 1 July 2019.

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

As of 1 January 2020, a new CEO has also 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.

At its meeting on 29 October 2019, the Supervisory Board of AS Harju Elekter decided to extend the powers of Members of the Management Board of the Group, Mr. Tiit Atso (CFO) and Mr. Aron Kuhi-Thalfeldt (Real-Estate and Energetics Department Manager), starting from 1 November 2019 for the next three years.

The Chairman of the Management Board Andres Allikmäe will be taking on the position of Head of Business Development at AS Harju Elekter, following the expiration of his Management Board Member Contract on 3 May 2020.

MAIN EVENTS

- The subsidiary AS Harju Elekter Elektrotehnika received an order for 54 special-purpose prefabricated substations to be supplied to Konecranes during a period of one year. Supplies are sent to the United Arab Emirates.

- On 1 April, the subsidiary Energo Veritas OÜ opened a new sales office and central warehouse at 19 Tuisu Street, Tallinn. The good location and larger premises create better possibilities for customer service and quicker issuing of products. Also, the assortment of products in the area of electricity and weak current materials, construction of telecom and power grid will expand notably, and the sales capability of products in Estonia will increase.

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

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

- The Supervisory Board and Management Board of AS Harju Elekter have decided to bring all companies of the Group under the single Harju Elekter trademark. Using a common logo helps to strengthen the Group's competitiveness and creates additional benefits and opportunities for marketing, providing a clear image of the capabilities of Harju Elekter Group. Based on the above, the Lithuanian subsidiary RIFAS UAB was renamed Harju Elekter UAB. The entry was made into the Lithuanian Register of Legal Entities on 2 July 2019.
- On 30.08.2019, a purchase and sale agreement were signed in which Satmatic Oy, a subsidiary of Harju Elekter AS, bought the real estate company Kiinteistö Oy Ulvila Sammontie 9, owned by the Municipality of Ulvila. Transaction price was 2.0 million euros. In the course of the transaction, Satmatic Oy acquired an immovable of 0.86 ha with production surfaces on the property of 4,330 sq.m. The transaction was the conclusion of the contract signed on 17.11.2008 by Satmatic Oy, a subsidiary of Harju Elekter AS, and the Municipality of Ulvila, according to which Satmatic Oy was entitled to acquire Sammontie 9, Ulvila's property with a production building built there after a 10-year lease. The activity follows the principle according to which the production areas used by the Group companies belong to the Group's ownership.

- In Q3, Telesilta Oy completed several big projects. In August, the working vessel Hydrograf-17 was completed, built for the Poland Gdynia Maritime Administration at the UTV Uusikaupunki shipyard, where Telesilta Oy was the main contractor for the electric works. In September, the UTV shipyard delivered to their client the first hybrid ferry Elvy, manufactured in Finland, the electrical and navigation system turnkey solution of which was completed at Telesilta Oy. The ferry will start operating on the River Göta in Sweden.
- Through co-operation of the group's subsidiaries – electrical goods project and retail seller Energo Veritas OÜ and metal factory AS Harju Elekter Teletehnika – four external fibre optic cabinet models were developed for Elektrilevi's fast internet network project (Last Mile). Cabinet deliveries started in September. In the next 5 years, Elektrilevi plans to invest about EUR 100 million into the project, of which the materials form about a fifth.
- In September, Lithuanian subsidiary festively opened a new production hall in Panevežys. During nearly a year of expansion works, the subsidiary's office and production spaces increased from 2,500 sq.m. to 9,000 sq.m. In addition, 1.9 hectares of land adjacent to the already existing properties were purchased this year to ensure the possibility of future expansion. The total volume of investments was 3.5 million euros. Investments in the expansion of the production facility and upgrade of technology add notable production capacity to secure supplies for the customers in the segments of shipbuilding and industry.
- The daily business activities and production organisation of the group's company are based on an international standard of the relevant quality and environment policy. The valid ISO 9001 quality standard has been implemented in most of the group's production companies. Telesilta Oy started the preparation for the implementation of ISO 9001 in 2018. In September this year, Bureau Veritas acknowledged the company's business and production management compliant with the international quality standard ISO 9001 and issued a relevant certificate. AS Harju Elekter Teletehnika passed the ISO 9001:2015 and 14001:2015 recertification audit and received new quality and environmental management system certificates on 16 December 2019. AS Harju Elekter Elektrotehnika underwent the auditing process and in addition to the already effective ISO 9001 and ISO 14001 quality certificates; it also received ISO 45001 certification.
- Telesilta Oy, a subsidiary of AS Harju Elekter, and Uudenkaupungin Työvene Oy have signed a contract for electrical turnkey delivery for workboat series to Finnish Coast Guard. The contract price is around 4 million euros and work will be carried out on years 2020 to 2023.
- AS Harju Elekter Elektrotehnika, a subsidiary of AS Harju Elekter, won a tender from Elektrilevi OÜ for the supply of 630 kVa and 1000 kVa prefabricated substations and these components. Totally 27.8 million euros amounted in the 62-months contract period.
- Subsidiaries of the Group participated actively in professional fairs in Estonia, Finland and Sweden: Elfack 2019, the largest Nordic electricity fair in Gothenburg, showcased the HECON line system of the Universal Mechanical Engine Control Centres (MCC), developed for 2500A-4000A solutions, and the HEKA 1VM SS2 prefabricated substation dedicated to the needs of the local market; the trade fair for electricity and information net-

works, the Verkosto in Tampere, introduced products directed to the energy distribution sector; and in September, at the Alihankinta fair, the cost-efficient contractual production model Satmatic Oy, vehicle charging solutions, and the sales of strongly growing components as well as the high-quality data network products of AS Harju Elekter were introduced. At the construction fairs in Estonia, the Group's trade group product range was mainly presented.

EVENTS AFTER THE REPORTING PERIOD

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

OPERATING RESULTS

Revenue

Revenue in the reporting quarter was as expected, considering the seasonality, and remained at the similar level, 31.2 (Q4 2018: 31.7) million euros, as in the comparison period. During the reporting year the Group's revenue continued the increase being 18.7% higher than in the comparable period, reaching 143.4 (2018: 120.8) million euros. The major part of the increase in the Group's revenue came from sales of electrical equipment: 0.8 million euros for the quarterly comparison and 28.0 million euros for the 12 months comparison. Primarily, the volumes of electrical equipment, produced in Lithuania and sold to the shipping and industrial sectors, have increased.

The biggest change in the Group’s shares of revenues by business activities was the volume of electrical works dropping to 2.1% of the Group’s total revenue quarterly and annually. The reason is large-volume electrical works projects that were ongoing in the shipbuilding sector in the first quarter of 2018, while the reporting period includes smaller-scale contracts.

The Group develops and manufactures electrical equipment, control and power automation devices and various metal products, totaling approximately 95% of the Group's revenue. In addition, revenue is also earnt from the rental of industrial real estate and electricity works in the shipbuilding sector.

Revenue by business activities *(EUR´000)*	**Q4 2019**	**Q4 2018**	*+/- Q/Q*	**12 months 2019**	**12 months 2018**	*+/- Y/Y*
Manufacturing and sale of electrical equipment	26,814	26,028	*3.0%*	124,806	96,786	*29.0%*
Retail and project-based sale of electrical products	2,181	2,859	*-23.7%*	8,986	10,106	*-11.1%*
Other products	398	343	*16.0%*	1,889	1,463	*29.1%*
Lease income	691	593	*16.5%*	2,684	2,168	*23.8%*
Electrical works	654	1,364	*-52.1%*	2,999	8,933	*-66.4%*
Other services	508	482	*5.4%*	2,033	1,348	*50.8%*
Total	**31,246**	**31,669**	***-1.3%***	**143,397**	**120,804**	***18.7%***

Business segments

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

Production

In the reporting quarter, revenue of the Production segment was 26.7 million euros, accounting for 85.4% of the Group's revenue. Revenue for the 12 months has increased compared to the previous year by 25.0 euros, to 124.8 million euros accounting for 87.1% of the Group's revenue. The Lithuanian company, whose production capacity has increased significantly thanks to the opening of a new production building, has contributed the most to the increase in the revenue of the Production segment, which revenues have tripled.

Real estate

Revenue in the Real Estate segment remained at 0.8 million euros in the quarterly comparison, since new production and warehousing premises at Allika Industrial Park were already leased out during the last quarter of 2018. The revenue has increased by 24.8% to 3.3 (2018: 2.6) million euros for the 12 months, accounting for 2.3% (2018: 2.2%) of the Group's reporting year revenue. Rental income is earnt from rental premises in the Allika, Keila and Haapsalu industrial parks.

Other activities

The revenue of Other activities in the quarter has decreased by 0.5 million euros, to 3.8 million euros year-on-year and for the 12 months comparison decreased by 3.1 million euros to 15.3 million euros. Compared with the comparable period, the reduction is caused by large-volume electrical works projects in the shipbuilding sector in the first half of 2018.

Revenue by segment *(EUR´000)*	**Q4 2019**	**Q4 2018**	*+/- Q/Q*	**12 months 2019**	**12 months 2018**	*+/- Y/Y*
Production	26,679	26,661	*0.1%*	124,842	99,795	*25.1%*
Real Estate	795	786	*1.1%*	3,250	2,605	*24.8%*
Other activities	3,772	4,222	*-10.7%*	15,305	18,404	*-16.8%*
Total	**31,246**	**31,669**	***-1.3%***	**143,397**	**120,804**	***18.7%***

Markets

Estonia

Sales to the Estonian market decreased 1.2 million euros to 3.5 (Q4 2018: 4.7) million euros in the quarterly comparison. In 12 months, sales to Estonia increased by 1.3 million euros compared to 2018, reaching 16.7 (2018: 15.4) million euros. Nevertheless, the share of the Estonian market in consolidated revenue is declining due to the growth of the foreign market, making up 11.3% and 11.7% respectively (Q4 2018: 15.1% and 2018: 12.8%). The Group's Estonian companies continue to contribute to the home market activities by participating in procurements, selling electrical products for retail and project sales, and offering different industrial rental premises for corporate customers.

Finland

The quarterly and 12 months revenue for the Finnish market has decreased to 14.8 and 71.8 (Q4 2018: 16.2 and 12 months: 75.5) million euros respectively. The decrease in revenue was most affected by the adjustment of the renovation plan of Finnish power grid construction projects to a smaller volume than originally planned. However, the sales in the other electrical equipment increased. In the reporting quarter, Finland market accounted for 47.4% (Q4 2018: 51.2%) and in the 12 months, 50.1% (2018: 62.5%) of the Group's consolidated revenue. Although its share is 12.4 percentage points less than in the previous period, it continues to be the largest market in the Group. The decrease in the Finnish market share of the Group's revenue was affected by the growth of revenue in Sweden, Norway and Netherland.

Sweden

In the reporting quarter, revenue from the Swedish market was 4.8 million euros, which is 0.3 million euros less than in the comparable period. At the same time, revenue for the reporting year increased by 44.5% or 6.0 million euros to 19.5 million euros. The growth was ensured by an increase in the sales of substations in Sweden and adding bigger projects to the Swedish subsidiary. The share of the Swedish market in the consolidated revenue rose, reaching 13.6% (2018: 11.2%) in the reporting quarter year.

Contribution to the consolidated 12 months revenue

FINNISH companies
44%
(2018: 56%)

LITHUANIAN companies
24%
(2018: 12%)

ESTONIAN companies
19%
(2018: 21%)

SWEDISH companies
13%
(2018: 11%)

Norway

As a result of the Group's Lithuanian subsidiary's successful sales, sales to the Norwegian market have increased the most. Revenue for the quarter was 3.8 million euros and for the twelve months totalled 21.6 million euros, increasing by 0.7 and 12.9 million euros, respectively. Multiplied sales to the Norwegian market have increased their market share to 15.0% (2018:7.2%) of the Group's sales in 12 months and raised the Norwegian market to second position in the Group's markets.

Netherlands

From the second half of 2018, the Group started deliveries and supplies to the Netherlands, where we have managed to achieve a stable revenue growth. In quarterly comparison, sales to the Netherland market increased by 1.5 million euros and in the 12 months by 7.3 million euros. The Netherlands made up 8.6% (Q4 2018: 3.9%) of the consolidated revenue in the reporting quarter and 7.2% (2018: 2.4%) in the reporting year.

Markets *(EUR´000)*	**Q4 2019**	**Q4 2018**	***+/- Q/Q***	**12 months 2019**	**12 months 2018**	***+/- Y/Y***
Estonia	3,540	4,770	*-25.8%*	16,741	15,444	*8.4%*
Finland	14,811	16,222	*-8.7%*	71,783	75,458	*-4.9%*
Sweden	4,800	5,131	*-6.5%*	19,544	13,522	*44.5%*
Norway	3,758	3,042	*23.5%*	21,553	8,688	*148.1%*
Netherlands	2,695	1,230	*119.1%*	10,259	2,957	*246.9%*
Other	1,642	1,274	*28.9%*	3,517	4,735	*-25.7%*
Total	**31,246**	**31,669**	***-1.3%***	**143,397**	**120,804**	***18.7%***

Operating expenses

(EUR´000)	Q4 2019	Q4 2018	+/- Q/Q	12 months 2019	12 months 2018	+/- Y/Y
Cost of sales	27,251	26,802	*1.7%*	125,153	104,828	*19.4%*
Distribution costs	1,508	1,623	*-7.1%*	5,706	5,267	*8.3%*
Administrative expenses	2,300	2,224	*3.4%*	9,229	8,223	*12.2%*
Total operating expenses	**31,059**	**30,649**	***1.3%***	**140,088**	**118,318**	***18.4%***
incl. depreciation and amortization	902	*694*	*30.0%*	3,518	*2,588*	*35.9%*
incl. total labour cost	7,173	*6,711*	*6.9%*	26,668	*24,720*	*7.9%*
incl. inclusive salary cost	5,812	*4,493*	29.4%	21,438	*18,539*	15.6%

Operating expenses in the reporting quarter were 31.1 (Q4 2018: 30.6) million euros and of the reporting year were 140.1 (2018: 118.3) million euros in total. The main reason for the reporting year expenses growth was the unexpectedly higher project implementation costs in Sweden that was partly affected by the change in the Swedish krona. The principal part of the cost increase is attributable to the higher amount of cost of sales: 0.5 million euros in the quarterly and 20.3 million euros in the yearly comparison. The increase in the cost of sales overtook sales growth by 0.7 percentage points, reducing the gross margin by 2.6 and 0.5 percentage points compared to the comparison periods.

Distribution costs have decreased by 0.1 million compared to the comparable quarter and increased by 0.4 million euros compared to the 12 months. The ratio of marketing expenses to Group revenue has decreased, quarterly and for the 12 months, accounting for 4.8% and 4.0% respectively (Q4 2018: 5.2% and 2018: 4.4%). The Group's companies have participated in several professional fairs and they actively search for possibilities to increase business volumes.

Additional costs in connection with the ongoing integration of new companies in the Group, the launch of several development projects and daily work with the automation of production to reduce the dependence on the labour force has led to a slight increase in administrative expenses compared to the reporting years, but the increase is still lower compared to annual sales growth. The share of administrative expenses in the Group revenues has increased, accounting for 7.4% (Q4 2018: 7.1%) of the reporting quarter and 6.4% (2018: 6.8%) of the 12 months revenue.

The addition of new employees to expand operations in the Lithuanian subsidiary and the wage pressure resulting from the demand for local skilled labour, have increased labour costs in the reporting period. In addition, the costs of the share option programmes were reflected as labour costs in the amount of 189 (2018: 97) thousand euros in the reporting year. Labour costs increased by 6.9%, to 7.2 million euros year-on-year and by 7.9% to 26.7 million euros in the 12 months comparison. The ration of labor costs to revenue increased to 23% (Q4 2018: 21.2%) in the quarter and decreased to 18.6% (2018:20.5%) compared to previous year.

The innovative production line and buildings that were taken into use increased the depreciation of non-current assets by 0.2 million euros, to 0.9 million euros year-on-year and by 0.9 million euros to 3.5 million euros in the 12 months comparison.

PERSONNEL

At the end of the reporting period, the Group had 791 employees, being 55 employees more than a year ago. The change was caused by a significant increase in production volume in the Lithuanian subsidiary. During the reporting year, the Group employed an average of 778 people, which was an average of 65 employees more than in the comparable period.

In the reporting quarter, 5.8 (Q4 2018: 4.5) and during the 12 months 21.4 (2018: 18.5) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,296 euros, an increase of 6% to the comparable period. The decision of the Republic of Lithuania to calculate part of the social tax as the gross salary of the employee had an impact on the Group's salary costs but this did not have a significant impact on the labour costs of the Group.

	Average numbers of employees				Numbers of employees as at 31 December		
	Q4 2019	**Q4 2018**	**12 months 2019**	**12 months 2018**	**2019**	**2018**	**+/-**
Estonia	336	397	376	394	346	399	*-53*
Finland	128	134	132	133	134	138	*-4*
Lithuania	248	137	207	135	251	138	*113*
Sweden	66	59	63	51	60	61	*-1*
Total	**778**	**727**	**778**	**713**	**791**	**736**	**55**

SUPERVISORY AND MANAGEMENT BOARDS

The Supervisory Board of AS Harju Elekter has 5 members with the fallowing membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (TALTECH, Member of Board of Governors and Visiting Professor), Mr. Aare Kirsme (Member of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ) and Mr. Andres Toome (consultant, Managing Director of OÜ Tradematic).

Management Board of AS Harju Elekter has three members: Mr. Andres Allikmäe (Chairman and CEO of the Group), Mr. Tiit Atso (CFO of the Group) and Mr. Aron Kuhi-Thalfeldt (Head of real estate and energy division). At its meeting on 29 October 2019, the Supervisory Board of AS Harju Elekter decided to extend the powers of Members of the Management Board of the Group, Mr. Tiit Atso (CFO) and Mr. Aron Kuhi-Thalfeldt (Real-Estate and Energetics Department Manager), starting from 1 November 2019 for the next three years. The Chairman of the Management Board Andres Allikmäe will be taking on the position of Head of Business Development at AS Harju Elekter, following the expiration of his Management Board Member Contract on 3 May 2020. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise.

Information about the education and career of the members of the management and Supervisory Boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.com.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

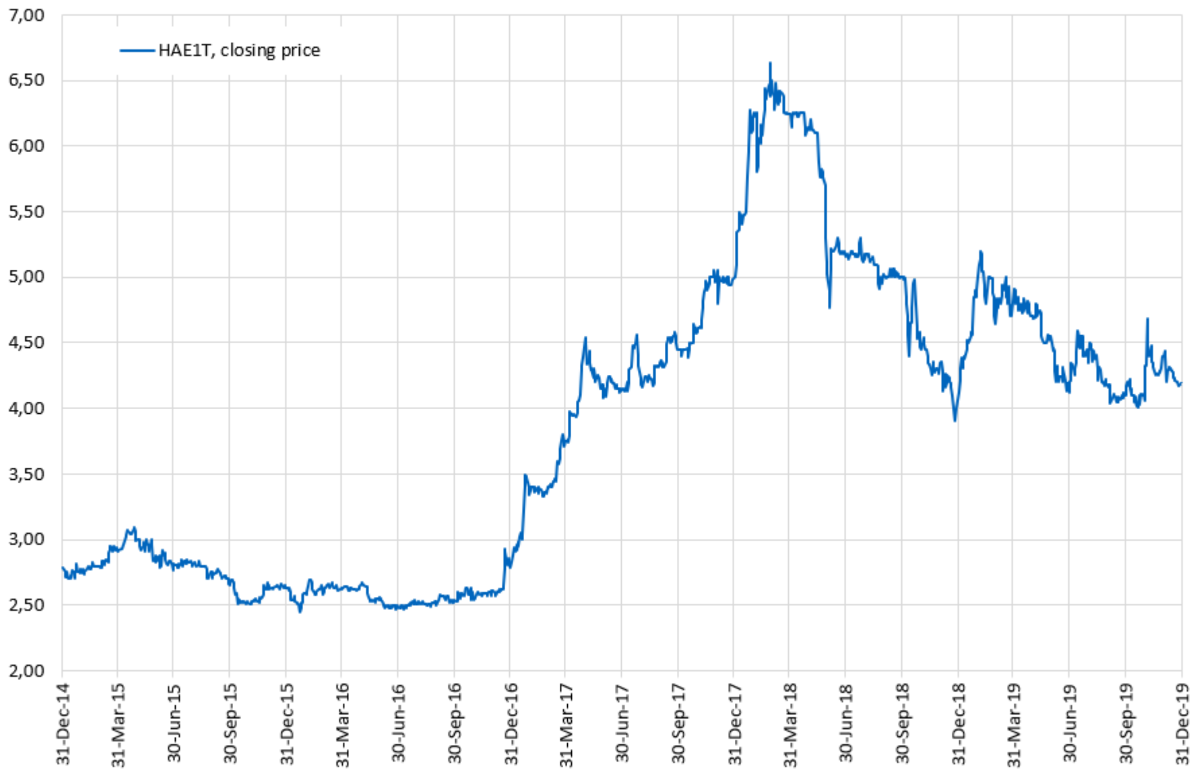
On May 2, 2019, the Annual General Meeting of Shareholders of AS Harju Elekter (AGM) was held, in which 83 shareholders and their authorized representatives participated, representing a total of 12 173 587 votes, being 68.62% of the total votes.

The AGM approved the 2018 annual report and profit distribution and decided to pay dividends amounting to 0.18 euros per share, totally 3.2 million euros. The shareholders registered in the shareholders' registry on 16 May 2019 as of the end of the business day. The dividends were transferred to the shareholders' bank accounts on May 24, 2019.

SHARES OF HARJU ELEKTER AND SHAREHOLDERS

Security trading history:	**2015**	**2016**	**2017**	**2018**	**2019**
Opening price	2.79	2.62	2.85	5.00	4.12
Highest price	3.14	2.94	5.08	6.68	5.20
Lowest price	2.49	2.43	2.80	3.89	4.01
Closing price	2.63	2.83	5.00	4.12	4.21
Traded shares (pc)	1,086,451	947,294	1,349,617	1,100,773	531,415
Turnover (in million euros)	2.96	2.45	5.46	5.98	2.35
Capitalisation (in million euros)	46.7	50.2	88.7	73.1	74.68
Overage number of the shares	17,550,851	17,739,880	17,739,880	17,739,880	17,739,880
EPS	0.18	0.18	1.64	0.09	0.14

Price of AS Harju Elekter share (in EUR) on Nasdaq Tallinn Stock Exchange between 31 December 2014 - 31 December 2019 (Nasdaq Tallinn, www.nasdaqbaltic.com)



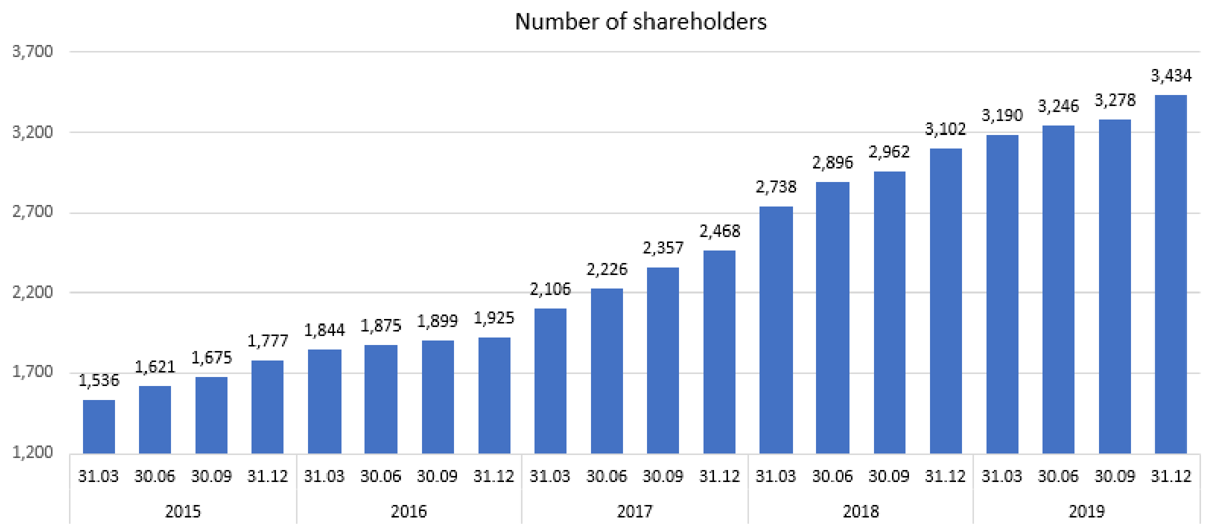
As at 31 December 2019, AS Harju Elekter had 3,434 shareholders. The number of shareholders increased during the accounting quarter by 156 persons and by 12 months 332 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 31 December 2019, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.8% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Nasdaq Tallinn (www.nasdaqbaltic.com).

Division of shareholders by size of holding as at 31 December 2019:

Holding	No of share-holders	% of all share-holders	% of votes held
> 10%	2	0.1	42.1
1,0 - 10,0%	8	0.2	21.6
0,1 - 1,0 %	57	1.7	16.6
< 0,1%	3,367	98.0	19.7
Total	**3,434**	**100.0**	**100.0**

Shareholders (over 5%) as at 31 December 2019:

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



CONFIRMATIONS TO THE MANAGEMENT REPORT

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

Andres Allikmäe	Chairman of the Management Board	21 February 2020
Tiit Atso	Member of the Management Board	21 February 2020
Aron Kuhi-Thalfeldt	Member of the Management Board	21 February 2020

INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2019	31 December 2018
Currents assets			
Cash and cash equivalents		4,878	3,142
Trade and other receivables		22,958	22,218
Prepayments		1,166	1,173
Inventories		19,010	17,468
Total current assets		**48,012**	**44,001**
Non-current assets			
Deferred income tax assets		472	98
Non-current financial investments	2	10,494	9,587
Investment properties	3	21,259	19,804
Property, plant and equipment	4	20,402	17,403
Intangible assets	4	7,260	7,260
Total non-current assets		**59,887**	**54,152**
TOTAL ASSETS	6	**107,899**	**98,153**
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	5	11,305	6,656
Prepayments from customers		2,212	1,740
Trade and other payables		16,448	14,911
Tax liabilities		2,959	2,409
Current provisions		34	14
Total current liabilities		**32,958**	**25,730**
Borrowings	5	7,901	5,449
Other non-current liabilities		64	35
Non-current liabilities		**7,965**	**5,484**
Total liabilities		**40,923**	**31,214**
Equity			
Share capital		11,176	11,176
Share premium		804	804
Reserves		3,412	2,665
Retained earnings		51,699	52,316
Total equity attributable to the owners of the company		**67,091**	**66,961**
Non-controlling interests		-115	-22
Total equity		**66,976**	**66,939**
TOTAL LIABILITIES AND EQUITY		**107,899**	**98,153**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		1 October – 31 December		1 January – 31 December	
	Note	**2019**	**2018**	**2019**	**2018**
Revenue	6	31,246	31,669	143,397	120,804
Cost of sales		-27,251	-26,802	-125,153	-104,828
Gross profit		**3,995**	**4,867**	**18,244**	**15,976**
Distribution costs		-1,508	-1,623	-5,706	-5,267
Administrative expenses		-2,300	-2,224	-9,229	-8,223
Other income		85	64	255	124
Other expenses		-62	-77	-291	-197
Operating profit	6	**210**	**1,007**	**3,273**	**2,413**
Finance income		4	16	139	157
Finance costs		-58	-27	-225	-63
Profit before tax		**156**	**996**	**3,187**	**2,507**
Income tax	8	-101	-260	-820	-993
Profit for the period		**55**	**736**	**2,367**	**1,514**
Profit attributable to:					
Owners of the Company		77	735	2,460	1,546
Non-controlling interests		-22	1	-93	-32
Earnings per share					
Basic earnings per share (EUR)	7	0.00	0.04	0.14	0.09
Diluted earnings per share (EUR)	7	0.00	0.04	0.14	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 October – 31 December		1 January – 31 December	
	2019	**2018**	**2019**	**2018**
Profit for the period	**55**	**736**	**2,367**	**1,514**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Net gain on revaluation of financial assets	-36	-295	642	-295
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	0	0	116	0
Impact of exchange rate changes	14	-6	-84	-134
Total comprehensive income for the period	**-22**	**-301**	**674**	**-429**
Other comprehensive income	**33**	**435**	**3,041**	**1,085**
Total comprehensive income attributable to:				
Owners of the Company	55	434	3,134	1,117
Non-controlling interests	-22	1	-93	-32

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1 January – 31 December 2019	2018
Cash flows from operating activities			
Profit for the period		2,367	1,514
Adjustments			
Depreciation and amortization	3,4	3,518	2,588
Gain on sale of property, plant and equipment	8	-51	-20
Share-based payments	9	189	97
Finance income		-139	-157
Finance costs		225	63
Income tax	8	820	993
Changes			
Changes in trade and other receivables		-803	-6,293
Changes in inventories		-1,542	-2,306
Changes in trade and other payables		2,651	1,092
Corporate income tax paid	8	-890	-939
Interest paid		-180	-58
Total cash flow (-outflow) from operating activities		**6,165**	**-3,426**
Cash flows from investing activities			
Payments for investment property	8	-1,110	-2,722
Payments for property, plant and equipment		-4,144	-4,691
Payments for intangible assets	8	-350	-475
Acquisition of subsidiaries, net of cash acquired		-79	-2,906
Payments for financial investments	2	-730	-99
Proceeds from sale of property, plant and equipment	8	125	66
Proceeds from sale of other financial investments		578	5,000
Interest received		8	16
Dividends received		140	147
Total cash flow (-outflow) from investing activities		**-5,562**	**-5,664**
Cash flows from financing activities			
Change in overdraft balance	5	3,902	3,638
Proceeds from borrowings	5	2,913	3,534
Repayment of borrowings	5	-989	-677
Other non-current liabilities		29	0
Repayments of lease liabilities		-1,287	-605
Transactions with non-controlling interests		0	-39
Dividends paid		-3,193	-4,258
Income tax paid on dividends		-169	-244
Total cash flow (-outflow) from financing activities		**1,206**	**1,349**
Total net cash flow (-outflow)		**1,809**	**-7,741**
Cash and cash equivalents at the beginning of the period		**3,142**	**10,992**
Changes in cash and cash equivalents		1,809	-7,741
Effect of exchange rate fluctuations on cash and cash equivalents		-73	-109
Cash and cash equivalents at the end of the period		**4,878**	**3,142**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
1 January - 31 December	**Share capital**	**Share premium**	**Reser-ves**	**Retained earnings**	**Total**	**Non-control-ling inter-ests**	**Total equity**
Balance at 1 January 2018	**11,176**	**804**	**2,844**	**55,048**	**69,872**	**59**	**69,931**
Change in accounting policy	-	-	153	-27	126	-	126
Restated balance at 1 January 2018	**11,176**	**80**	**2,997**	**55,021**	**69,998**	**59**	**70,057**
Comprehensive income							
Profit for the period	0	0	0	1,546	1,546	-32	1,514
Other comprehensive income	0	0	-429	0	-429	0	-129
Total comprehensive income	**0**	**0**	**-429**	**1,546**	**1,117**	**-32**	**1,085**
Transaction with owners recognized directly in equity							
Share-based payments (Note 9)	0	0	97	0	97	0	97
Dividends paid	0	0	0	-4,258	-4,258	0	-4,258
Transactions with non-controlling interests	0	0	0	7	7	-49	-42
Total transactions with owners	**0**	**0**	**97**	**-4,251**	**-4,154**	**-49**	**-4,203**
Balance at 31 December 2018	**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 9)	0	0	189	0	189	0	189
Dividends paid	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**

NOTES TO INTERIM FINANCIAL STATEMENT

Note 1 Accounting methods and valuation principles

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31 December 2019 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy and its subsidiaries Finnkumu Oy and Kiinteistö Oy Ulvila Sammontie 9, Telesilta Oy, Harju Elekter AB, SEBAB AB, Grytek AB, Harju Elekter UAB. AS Harju Elekter has been listed at Tallinn Stock Exchange since 31 December 1997; 31.39% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 "Interim Financial Reporting" on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31 December 2018. The interim report should be read in conjunction with the Group's annual report of 2018, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for the 2019 fourth quarter of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor reviewed by auditors and only includes the consolidated reports of the Group.

The presentation currency is euro. The consolidated interim financial statement has been drawn up in thousands of euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Changes in significant accounting policies

AS Harju Elekter has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 Leases

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces standard IAS 17 and associated interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminated the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Lessees will be required to recognize:

- Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- Depreciation of lease assets separately from interest on lease liabilities in the statement of profit and loss.

Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16 and intends to apply the simplified transition approach from the beginning of 2019 and will not restate comparative amounts for the year prior to first adoption. As the result of application, the Group's total assets in the balance sheet as at 1 January 2019 increased 2,118 thousand euros and liabilities increased 2,118 thousand euros.

The lease commitments recognized as operating leases at the reporting date recognized at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 1.6%. Incremental borrowing rate is the interest rate the Group would have to pay if, instead of leasing, it finances the purchase of the same asset with a loan. At transition the right-of-use assets are measured at the amount of the initial measurement of lease liability. During the reporting period there have not been any significant changes in the principles described above.

The depreciation of the right-of-use asset is not longer than the lease term. The Group has decided to recognize as a periodical cost in the statement of profit and loss all lease costs from lease contracts where a remaining lease term is less than 12 months and the costs for leases of low value assets.

Note 2 Financial investments

	31 December 2019	31 December 2018
Listed securities (fair value through other comprehensive income)	5,017	4,712
Other equity investments (fair value through other comprehensive income)	5,469	4,864
Other financial assets through profit or loss	8	11
Total	**10,494**	**9,587**

Changes	**12M 2019**	**12M 2018**
1. Financial assets at fair value through other comprehensive income		
Carrying amount at the beginning of the period	9,576	9,772
Acquisitions	730	99
Sale of financial investment	-462	0
Change in fair value through other comprehensive income	642	-295
Carrying amount at the end of the period	**10,486**	**9,576**
2. Financial assets at fair value through profit and loss		
Carrying amount at the beginning of the period	11	0
Acquisitions	0	12
Change in fair value through profit and loss	-3	-1
Carrying amount at the end of the period	**8**	**11**
Total carrying amount at the end of the period	**10,494**	**9,587**

Realized gain on sale of financial assets in the amount of 116 thousand euros was recognized through other comprehensive income.

Note 3 Investment properties

	Note	**12M 2019**	**12M 2018**
Balance at the beginning of the year		19,804	17,881
Additions		913	2,637
Depreciation		-821	-714
Reclassification to investment property	4	1,363	0
At the end of the period		**21,259**	**19,804**

Note 4 Property, plant and equipment; intangible assets

	Note	12M 2019	12M 2018
1. Property, plant and equipment			
Balance at the beginning of the year		17,403	11,983
Right-of-use assets (IFRS 16 initial application)	1	2,118	0
Additions to right-of-use assets		490	0
Additions		4,189	6,498
Acquisitions through business combinations		0	126
Disposals		-74	-46
Depreciation		-2,357	-1,153
Reclassification to investment property	3	-1,363	0
Impact of exchange rate changes		-4	-5
At the end of the period		**20,402**	**17,403**
2. Intangible assets			
Balance at the beginning of the year		7,260	6,660
Additions		355	475
Acquisitions through business combinations		0	864
Depreciation		-340	-721
Impact of exchange rate changes		-15	-18
At the end of the period		**7,260**	**7,260**

Note 5 Borrowings

	Note	31 December 2019	31 December 2018
Current borrowings			
Current bank loans		8,869	4,967
Current portion of long-term bank loans		1,112	989
Current portion of lease liabilities		1,125	670
Current loans from related parties	9	199	30
Total current borrowings		**11,305**	**6,656**
Non-current borrowings			
Non-current bank loans		4,582	3,429
Non-current lease liabilities		2,840	2,020
Non-current loans from related parties		479	0
Total non-current borrowings		**7,901**	**5,449**
Total borrowings		**19,206**	**12,105**

Changes	Note	12M 2019	12M 2018
Loans and borrowings at the beginning of the year		**12,105**	**3,535**
Change in overdraft balances		3,902	4,967
Received current loan from related parties	9	648	30
Received non-current bank loans		2,265	2,175
Repayments of non-current loans		-989	-677
New lease liabilities		490	2,680
Lease liabilities (IFRS 16 initial application)	1	2,118	0
Repayments of non-current lease liabilities		-1,333	-605
Loans and borrowings at the end of the period		**19,206**	**12,105**

Note 6 Segment reporting

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

Production – The manufacture and sale of power distribution and control systems as well as services related to manufacturing. This segment includes the Group's companies AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy, Kiinteistö Oy Ulvila Sammontie 9, Harju Elekter UAB, SEBAB AB and Grytek AB.

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

Other activities - The segment is involved in selling products of the Group and companies related to the Group as well as other goods necessary for electrical installation works mainly to retail customers and small- and medium-sized electrical installation companies and in providing management services as well as electrical installation works for the shipbuilding. This segment includes the Parent Company and the Group's subsidiaries Energo Veritas OÜ, Harju Elekter AB and Telesilta Oy. Other activities are of less importance to the Group and none of them constitutes a separate segment for reporting purposes.

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

1 January – 31 December	Note	**Production**	**Real Estate**	**Other activities**	**Elimination**	**Consolidated**
2018						
Revenue from external customers		99,795	2,605	18,404	0	120,804
Inter-segment revenue		3,092	1,395	679	-5,166	
Segment revenue		**102,887**	**4,000**	**19,083**	**-5,166**	**120,804**
Operating profit		**4,553**	**1,290**	**-3,235**	**-195**	**2,413**
Segment assets		58,426	20,674	21,948	-12,905	88,143
Unallocated assets						10,010
incl. Cash and cash equivalents						*248*
incl. Financial investments						*9,576*
incl. Other receivables and prepayments						*186*
Total assets						**98,153**
Capital expenditure	3,4	5,829	2,637	2,134	0	**10,600**
Depreciation and amortization	3,4	1,136	714	758	-20	**2,588**
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
incl. Cash and cash equivalents						*1,364*
incl. Financial investments						*10,487*
incl. Other receivables and prepayments						*85*
Total assets						**107,899**
Capital expenditure	3,4	4,181	913	363	0	**5,457**
IFRS 16 Right-of-use assets	4	1,690	0	918		2,608
Depreciation and amortization	3,4	2,074	821	642	-19	**3,518**

Revenue by geographic regions (customer location)

1 January – 31 December	2019	2018
Estonia	16,741	15,444
Finland	71,783	75,458
Sweden	19,544	13,522
Norway	21,553	8,688
Netherlands	10,259	2,957
Other	3,517	4,735
Total revenue	**143,397**	**120,804**

Revenue by business activities

1 January – 31 December	2019	2018
Manufacturing and sale of electrical equipment	124,806	96,786
Retail and project-based sale of electrical products	8,986	10,106
Other products	1,889	1,463
Lease income	2,684	2,168
Electrical works	2,999	8,933
Other services	2,033	1,348
Total	**143,397**	**120,804**

Note 7 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by taking into account the shares that will be potentially issued. As at 31 December 2019, the Group had a total of 636,275 potentially issuable ordinary shares. In accordance with the resolution of the general meeting of shareholders held on 3 May 2018, the issue price of the shares acquired under share option was fixed at the average closing price of the share on the NASDAQ Tallinn Stock Exchange in the preceding three calendar years as at 31 December. The price in the first round was 3.49 euros and in the second round, 3.98 euros.

As to share-based compensation to which IFRS 2 requirements apply, the subscription price of shares will continue to include the cost of the services provided by employees for the share-based compensation. The value of the service was estimated by an independent expert at 1.55 euros per share in the first round and 0.73 euros in the second round. Thus, the share subscription prices within the meaning of IFRS 2 are 5.04 euros and 4.71 euros and the potential shares will only become dilutive after their average market price for the period exceeds these values. During the period from 1 October to 30 December 2019, the average market price of the shares was 4.25 euros. The average share price for the option round of 2018 shares was 4.41 and for the option round of 2019 shares was 4.25 euros. Therefore, the potential shares had no dilutive impact.

1 October – 31 December	Unit	2019	2018
Profit attributable to equity holders of the parent	EUR '000	77	735
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.00	0.04
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.00	0.04

1 January – 31 December	Unit	2019	2018
Profit attributable to equity holders of the parent	EUR '000	2,461	1,546
Average number of shares outstanding	Pc '000	17,740	17,740
Basic earnings per share	EUR	0.14	0.09
Adjusted number of shares during the period	Pc '000	17,740	17,740
Diluted earnings per share	EUR	0.14	0.09

Note 8 Information on the statement of cash flows line items

1 January – 31 December	Note	2019	2018
Corporate income tax			
Income tax expense in the statement of profit or loss		-820	-993
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		135	-260
Income tax prepayment/liability arising from the acquisition of a subsidiary		0	112
Income tax expense on dividends		169	244
Change in deferred tax assets recognized off balance sheet		-374	-42
Corporate income tax paid		**-890**	**-939**
Paid for investment properties			
Acquisitions of investment properties	3	-913	-2,637
Liability decrease (-)/ increase (+) incurred by purchase		-197	-85
Paid for investment properties		**-1,110**	**-2,722**
Proceeds from sale of property, plant and equipment			
Book values of disposed property, plant and equipment	4	74	46
Profit from disposal of property, plant and equipment		51	20
Proceeds from sale of property, plant and equipment		**125**	**66**
Paid for intangible assets			
Additions of intangible assets	4	-355	-475
Liability decrease (-)/ increase (+) incurred by purchase		5	0
Paid for intangible assets		**-350**	**-475**

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 December 2019	31 December 2018
Balances with related parties:		
- Loans from the members of the management boards of the subsidiaries and from companies associated with them	678	30
- Payables for goods and services	232	325

1 January – 31 December	2019	2018
Purchase of goods and services from related parties:		
- Lease of property, plant and equipment from Harju KEK	104	121
- Purchase of non-current assets from Harju KEK	139	0
- Lease payments to a company associated with a member of the Management Board of a subsidiary	347	464
Sale of goods and services to related parties:		
- Other services for Harju KEK	2	3
Remuneration of the Management and Supervisory Boards:		
- Salary, bonuses, additional remuneration	401	400
- Social security tax	132	132
Loans received:		
- Loan from a member of the Management Board of a subsidiary	648	30

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: Chairman in the amount of 10 months and other members 8 months remuneration of a monthly salary of the member of the Management Board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6-month remuneration of a development manager. Members of the Management Board have no rights related to pension. During the reporting quarter and 12-month period, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

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

As at the reporting date, the total number of potential ordinary shares to be issued was 636,275. In the reporting year, share-based payments recognized as labour costs totalled to 189 (2018: 97) thousand euros, of which the share of the members of the Management and Supervisory Boards is 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 2019 fourth quarter and 12 months as set out on pages 16 to 26 and confirms that to the best of its knowledge, information and belief that:

• the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a Group; and reflects significant transactions with related parties;

• the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;

• the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and

• AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Management Board	21 February 2020
Tiit Atso	Member of the Management Board	21 February 2020
Aron Kuhi-Thalfeldt	Member of the Management Board	21 February 2020