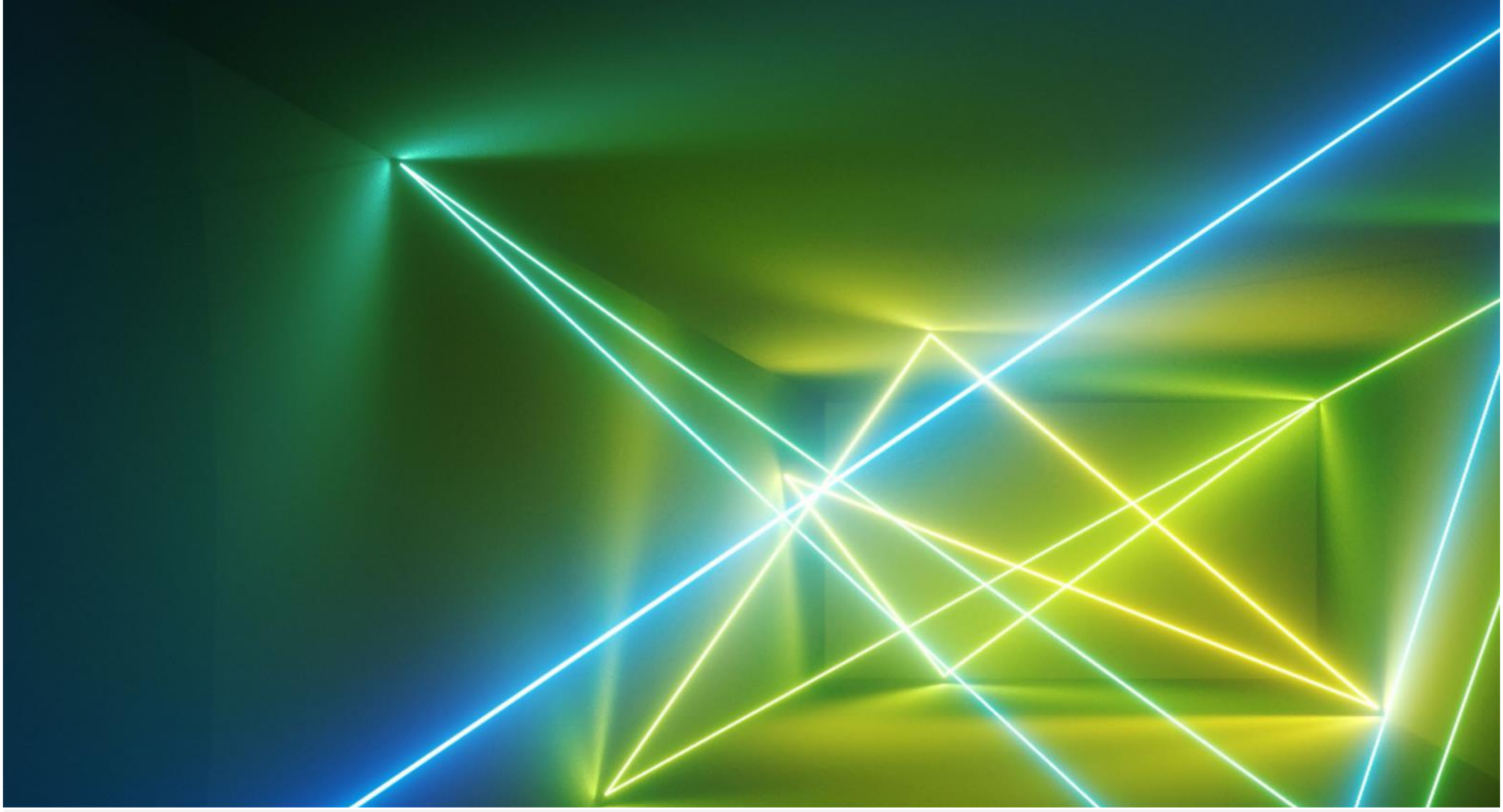
CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE FIRST QUARTER OF 2019



Business name:	AS Harju Elekter
Commercial registry code:	10029524
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Auditor:	AS PricewaterhouseCoopers
Financial year:	1 January – 31 December 2019
Reporting period:	1 January – 31 March 2019

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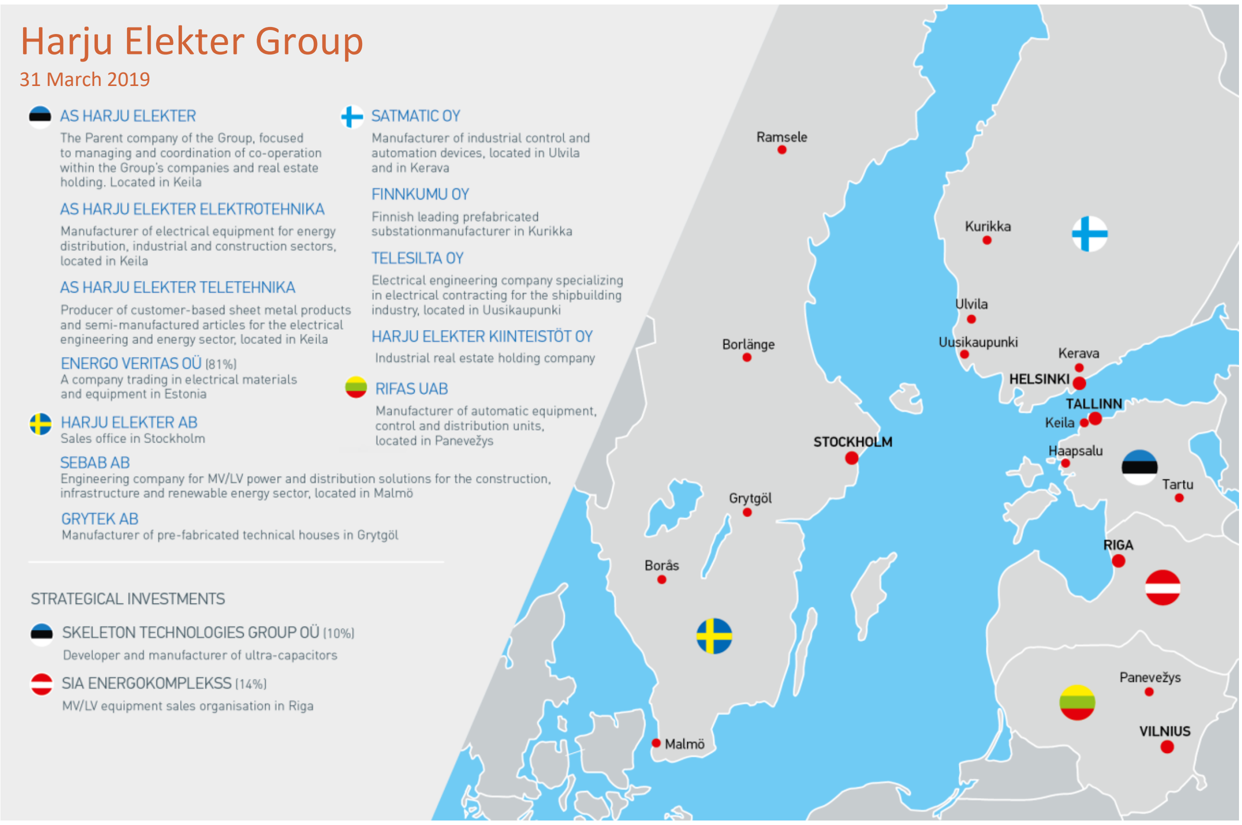
ORGANISATION



Main activities

AS Harju Elekter has been manufacturing electrical equipment since 1968. The Group's core operations include the design, manufacturing and marketing of power distribution equipment, including substations, power distribution cabinets, metering cabinets, automation centres and control centres for the energy and industrial sectors and for infrastructure. The Group's core operations are supported by industrial real estate and development.

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, delivering added value and being the first choice for our customers and partners and to provide to our international team with 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 - Together we achieve more.

Reliability - No bargaining in quality.

Risks

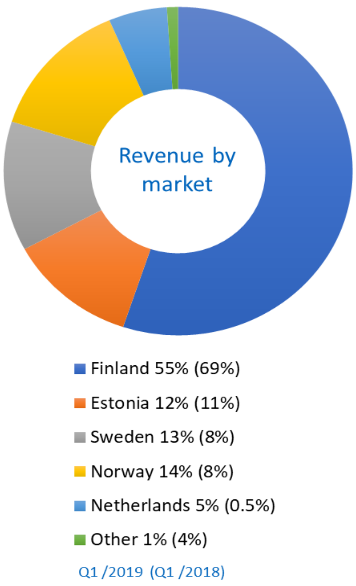
- Increase in competition
- Market risk
- Lack of highly skilled specialists
- Rapid growth of wages
- Occupancy rate of rental premises
- Future of financial investments

MANAGEMENT REPORT

FINANCIAL SUMMARY OF QUARTER I RESULTS

Revenue

The consolidated unaudited revenue for the first quarter of 2019 was 29.3 (Q1 2018: 26.0) million euros, an increase of 12.7% over the comparable period.



Financial result

The consolidated gross profit for the reporting quarter was 3,788 (Q1 2018: 3,344) thousand euros, the gross profit margin remained at the same level as in the comparable period, i.e. 12.9%. Consolidated operating profit (EBIT) for the first quarter was 307 (Q1 2018: 231) thousand euros. The consolidated net profit for the reporting quarter was 165 (Q1 2018: 102) thousand euros, of which the share of the owners of the Company was 182 (2018 Q1: 133) thousand euros. Earnings per share (EPS) was 0.01 (2018 Q1: 0.01) in the first quarter.

Investments

In the reporting quarter, the Group invested a total of 1.9 million euros in non-current assets, incl. 0.1 million euros in investment properties, 1.7 million euros in property, plant and equipment and 0.1 million euros in intangible assets. The vast majority of the investments, i.e. 1.4 million euros, was aimed at the expansion of the production facilities of the Lithuanian subsidiary. In the comparable period, a total of 2.3 million euros were invested in non-current assets, of which 1.0 million was acquired through business combinations.

Current assets

The volume of Group's current assets increased by 7.9 million euros in three months, to 51.9 million euros, having decreased by 1.0 million in a year. The change in current assets in relation to the comparable period resulted from different circumstances, with the biggest impact arising from the decision made in the fourth quarter of 2018 to record short-term financial investments as non-current financial assets, which decreased the volume of current assets by 4.8 million euros in comparison to the comparable period. In addition, the inventory and trade receivable increased due to the growth of business volumes, altogether 6.4 million euros.

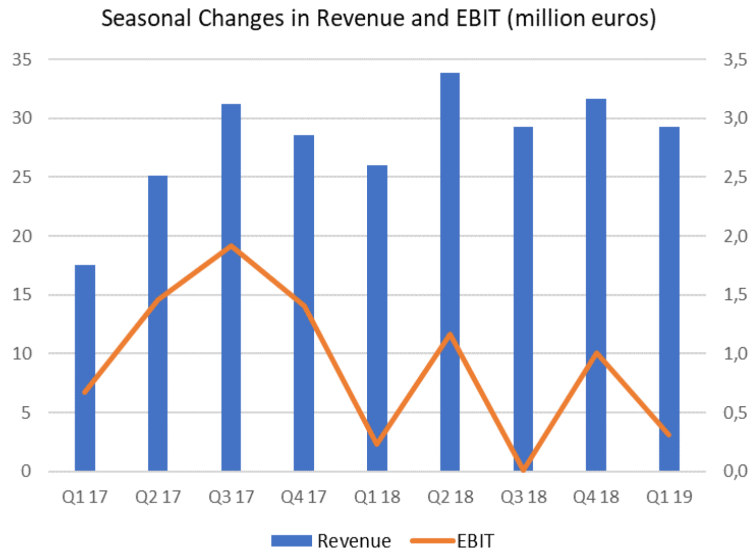
Liabilities

As at the reporting date, the Group had total liabilities of 42.1 million euros, of which short-term liabilities accounted for 81.5% (31 March 2018: 89.5%). Short-term liabilities increased by 11.1 million euros year-on-year, to 34.3 million euros, incl. trade and other payables by 5.0 million euros in total, to 21.4 million euros and borrowings by 6.5 million euros, to 9.0 million euros. Long-term loans and financial leasing have been used in connection with real estate developments in Estonia and Lithuania and investment in an automatic sheet metal punching-bending line.

Consolidated 3-month
REVENUE
29.3 million euros (2018: 26.0)

Consolidated 3-month
EBIT
0.3 million euros (2018: 0.2)

Consolidated 3-month
NET PROFIT
0.2 million euros (2018: 0.1)



Consolidated 3-month
REVENUE CHANGE
12.7%

Consolidated 3-month
EBIT CHANGE
33.0%

Key indicators

(EUR´000)	**3 months 2019**	**3 months 2018**	*+/-*
Revenue	29,283	25,986	*12.7%*
Gross profit	3,788	3,344	*13.3%*
EBITDA	1,167	849	*37.5%*
Operating profit (EBIT)	307	231	*33.0%*
Profit for the period	165	102	*61.7%*
incl attributed to Owners of the Company	182	133	*37.2%*

Ratios

(%)	**3 months 2019**	**3 months 2018**	*+/-*
Distribution cost to revenue	4.1	4.5	*-0.4*
Administrative expenses to revenue	7.5	7.4	*0.1*
Labour cost to revenue	21.8	21.7	*0.1*
Gross margin (gross profit/revenue)	12.9	12.9	*0.0*
EBITDA marginal (EBITDA/revenue)	4.0	3.3	*0.7*
Operating margin (EBIT/revenue)	1.0	0.9	*0.1*
Net margin (profit for the period /revenue)	0.6	0.4	*0.2*
Equity ratio (equity/total assets)	61.6	72.9	*-11.3*
Return of equity ROE (profit for the period/average equity)	0.2	0.1	*0.1*
Current ratio (average current assets/average short-term liabilities)	1.6	2.5	*-0.9*
Quick ratio ((current assets - inventories)/ average current liabilities)	0.9	1.7	*-0.8*

COMMENTARY FROM MANAGEMENT

Harju Elekter finished the first quarter with 29.3 million euros of sales revenue and 0.3 million euros of operating profit. The low profitability was influenced by an increase in production input prices and wages and a lower than expected order volume of Finnish electricity networks. Usually, seasonality has a certain effect in the first quarter.

In the first quarter, several important developments of the Group were completed. Above all, we should highlight the completion of the expansion of the production facility of the Lithuanian subsidiary RIFAS UAB and start of production in new premises, and the opening of a new sales office and the central warehouse of the Estonian subsidiary Energo Veritas OÜ at 19 Tuisu Street, Tallinn.

The main challenge that the Group is facing is consolidation under a common trademark. The first one to completely take over the Harju Elekter's trademark is the Lithuanian subsidiary, whose legal name will be Harju Elekter UAB starting from the third quarter.

During the largest electricity fair in the Nordic countries in early May, Elfack in Gothenburg, the Group's products will be presented on a common stand of subsidiaries under the trademark of Harju Elekter. The trade fair will present the HECON line system of the Universal Mechanical Engines Control Centres (MCC), developed for solutions of 2500A-4000A, which provides a secure, intelligent and flexible low-voltage energy distribution solution and a wide range of IoT and energy control ready applications.

MAIN EVENTS

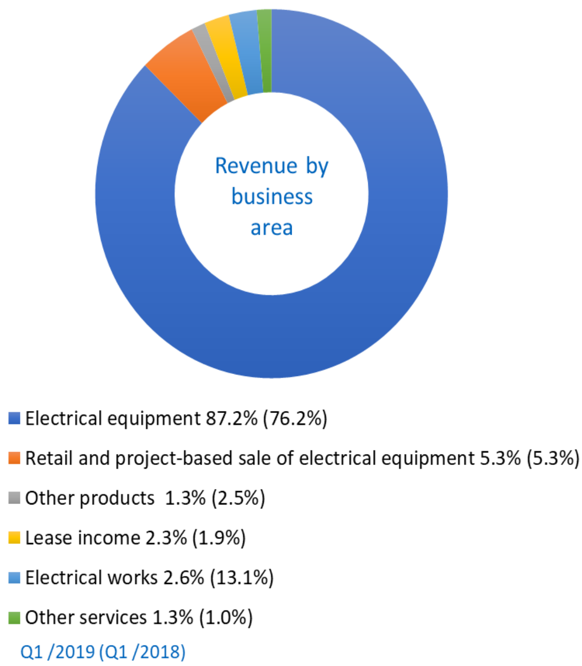
- The expansion works of the production facility of the Lithuanian subsidiary, RIFAS UAB, in Panevežys are nearing the end and new production premises are being taken into use phase by phase. The expansion works will end in the second quarter, whereupon the subsidiary will have 9,000 sq.m of office and production space, instead of the former 3,500 sq.m. Investments in the expansion of the production facility and upgrade of technology enable on to add notable production capacity to secure supplies for the customers of the subsidiary in the segments of ship-building and industry. The total volume of investments is 3.5 million euros. In addition, 1.9 ha of land adjacent to existing properties was acquired in the first quarter to ensure the possibility of new extensions in the future.
- 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 goods. 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.
- 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. 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.

OPERATING RESULTS

Revenue

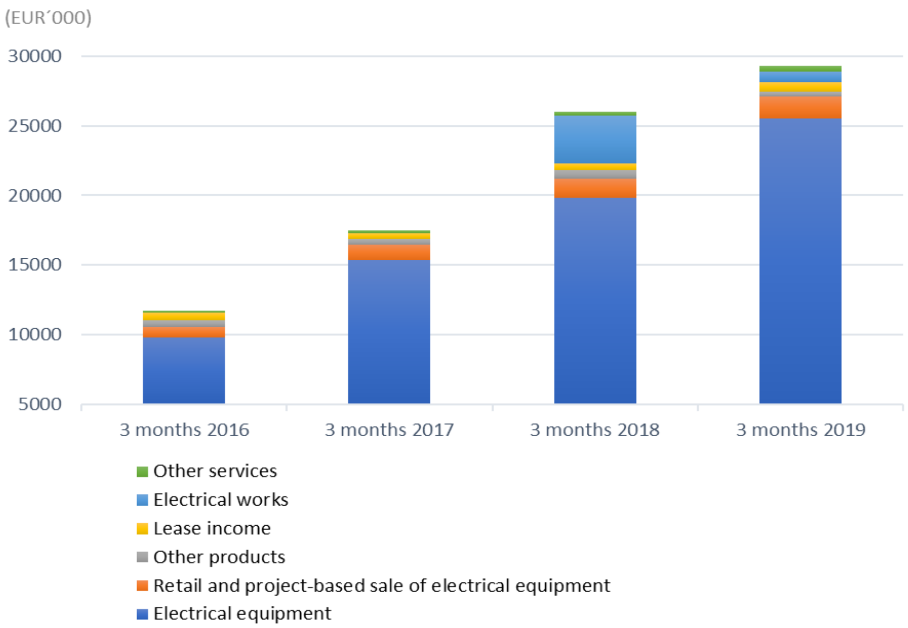
The Group manufactures and sells electrical, control and power automation devices and various metal products. In addition, sales revenue is also earnt on the rental of investment property and electricity works in the ship-building sector. In the reporting quarter, the Group`s revenue was 29.3 (2018 Q1: 26.0) million euros, having increased by 12.7% in relation to the comparable period.



The sale of electrical equipment grew by 5.7 million euros, to 25.6 million euros in the first quarter, which was also the main reason for the increased sales revenue of the reporting quarter. The increase in the proportion of electrical equipment in the Group's sales revenue to 87.2% was due to the increase in the sales volume as well as decrease in the share of electrical works.

There were several large-scale unfinished works in the shipping industry in the first quarter of 2018, which were completed at the end of the last year. The works in the reporting quarter have rather included small contracts and bigger works will commence in the second quarter.

Revenue by business activities *(EUR´000)*	**3 months 2019**	**3 months 2018**	***+/- Q/Q***	**3 months 2017**	**3 months 2016**
Electrical equipment	25,551	19,802	*29.0%*	15,345	9,829
Retail and project-based sale of electrical equipment	1,543	1,380	*11.8%*	1,100	757
Other products	375	652	*-42.5%*	423	463
Lease income	669	495	*35.1%*	444	551
Electrical works	750	3,402	*-77.9%*	-	-
Other services	395	255	*54.9%*	207	157
Total	**29,283**	**25,986**	***12.7%***	**17,519**	**11,757**



Markets

Estonia

Sales to the Estonian market grew by 24.7%, to 3.5 million euros and made up 12.0% (Q1 2018: 10.9%) of the consolidated sales revenue of the reporting quarter. Competition on the home market is tight and winning a procurement is difficult. The Group's Estonian companies make a significant contribution increasing our market share in the Estonian market, both in potential procurements and in offering rental premises to corporate customers.

Finland

The share of the Group's products and services sold to the Group's largest market, Finland, comprised 55.1% in the reporting quarter (Q1 2018: 69.1%). The year-on-year decrease to the Finnish market was by 1.8 million euros, to 16.1 million euros. The decrease in sales revenue was influenced most by the postponed electricity and grid objects in Finland to the second half of the year, shifting the works planned for the beginning of the year to the second and third quarter.

Sweden

Sales to the Swedish market increased the most, growing by 1.7 million euros, to 3.7 million euros in the first quarter, in relation to the comparable period. The share of the Swedish market in the consolidated sales revenue rose to 12.7% (Q1 2018: 7.7%) in the reporting quarter. The growth was due to the added sales revenue of the Swedish subsidiaries, acquired in 2018, as well as the goal-orientated work of other subsidiaries towards Sweden. We expect Swedish sales volumes to increase further in the coming quarters, as indicated by the continued growth of orders from Sweden's largest distribution network company E.ON Energidistribution AB, as well as several new major projects with orders starting from the second quarter.

Norway

Also, the sales to Norwegian market continues to grow and doubled to 4 million euros in comparison to the reporting quarters, making up 13.7% (Q1 2018: 8.0%) of the consolidated sales revenue of the reporting quarter.

Netherlands

From the second half of 2018, the Group started deliveries and supplies to the Netherlands, where we have managed to retain a stable sales revenue for the third quarter in a row. The Netherlands made up 5.4% of the consolidated sales revenue in the reporting quarter.

Contribution to the consolidated revenue

ESTONIAN companies

18.7%

(Q1 2018: 18.4%)

FINNISH companies

47.7%

(Q1 2018: 60.7%)

LITHUANIAN companies

20.9%

(Q1 2018: 13.4%)

SWEDISH companies

12.7%

(Q1 2018: 7.5%)

Markets *(EUR'000)*	**3 months 2019**	**3 months 2018**	*+/- Q/Q*	**3 months 2017**	**3 months 2016**
Estonia	3,522	2,825	*24.7%*	3,966	3,083
Finland	16,137	17,959	*-10.1%*	11,657	7,410
Sweden	3,733	2,001	*86.6%*	954	792
Norway	4,003	2,082	*92.2%*	703	332
Netherlands	1,586	127	*1148.6%*	0	0
Other	302	992	*-69.6%*	239	140
Total	**29,283**	**25,986**	*12.7%*	**17,519**	**11,757**

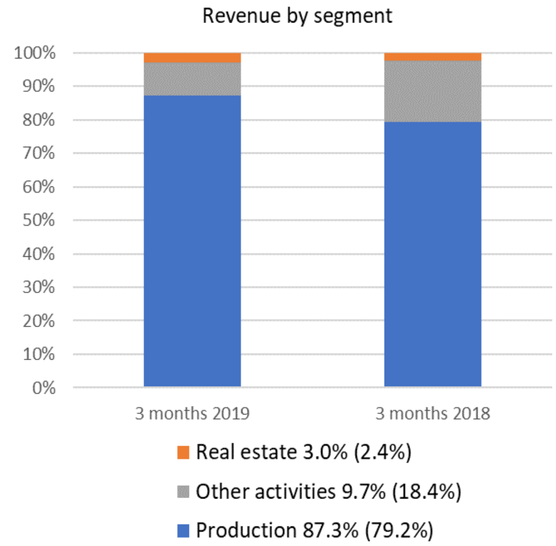
Business segments

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

Revenue by segment *(EUR´000)*	**3 months 2019**	**3 months 2018**	***+/- Q/Q***	**3 months 2017**	**3 months 2016**
Production	25,575	20,592	*24.2%*	16,107	10,461
Real Estate	872	623	*39.9%*	524	642
Unallocated activities	2,836	4,771	*-40.6%*	888	654
Total	**29,283**	**25,986**	***12.7%***	**17,519**	**11,757**

Production

The sales revenue in the Production segment increased by 5.0 million euros, to 25.6 million euros, comprising 87.3% (Q1 2018: 79.2%) of the consolidated sales revenue in the reporting quarter. Main share of the sales revenue (99%) in the manufacturing segment comes from the sale of electrical equipment.



Real Estate

The sales revenue of Real Estate segment grew by 0.2 million euros, to 0.9 million euros, remaining at the same level compared to the last quarter of the previous year. Rental income is earnt on new rental premises in the Allika industrial park and from the tenants in the territory of Keila and Haapsalu industrial parks.

Unallocated activities

The sales revenue of unallocated activities has declined by 1.9 million euros, to 2.8 million year-on year and is mainly related to decreased volumes of electrical works in the ship-building sector.

Operating expenses

(EUR´000)	**3 months 2019**	**3 months 2018**	***+/- kv/kv***	**3 months 2017**	**3 months 2016**
Cost of sales	25,495	22,642	*12.6%*	14,849	9,688
Distribution costs	1,208	1,161	*4.0%*	796	723
Administrative expenses	2,183	1,930	*13.1%*	1,182	947
Total expenses	**28,886**	**25,732**	***12.3%***	**16,827**	**11,358**
incl. depreciation of fixed assets	860	618	*39.1%*	382	390
Total labour cost	6,375	5,648	*12.9%*	3,680	2,950
inclusive salary cost	5,067	4,375	*15.8%*	2,616	2,374

Operating expenses of the reporting quarter were 28.9 (Q1 2018: 25.7) million euros in total. The operating expenses grew by 12.3%, i.e. 3.2 million euros, year-on-year, the principal part of which comprised the increase in the cost of sales in the amount of 2.9 million euros. The cost of sales increased at the same pace as sales revenue, leaving the gross margin at the same level as the comparable period (12.9%).

The Group's distribution costs comprised 1.2 million euros in the reporting quarter, increasing only marginally (4%). The distribution cost rate decreased by 0.4 percentage points, to 4.1% year-on-year.

Due to 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 caused a 0.3 million euros increase in administrative expenses, to 2.2 million euros. The share of administrative expenses in the sales revenues of the reporting quarter comprised 7.5% (Q1 2018: 7.4%).

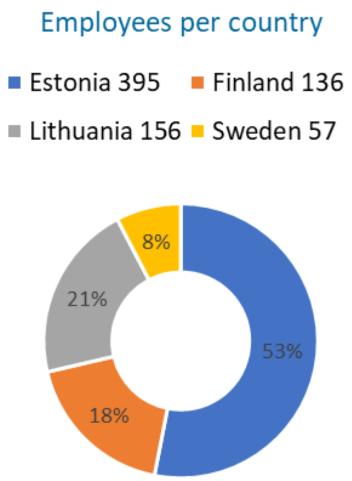
Demand for local labour and the relating salary pressure, but also the increased share of employees in Finland and Sweden where the salary level is notably higher than in other Group companies, has raised the labour costs of the reporting period. Labour costs increased by 12.9%, to 6.4 million euros year-on-year. The labour cost rate accounted for 21.8% (Q1 2018: 21.7%) of the sales revenue in the reporting quarter.

The new production and warehouse premises completed and taken into use in 2018 and the new production line increased the depreciation of non-current assets by 0.2 million euros, to 0.9 million euros year-on-year.

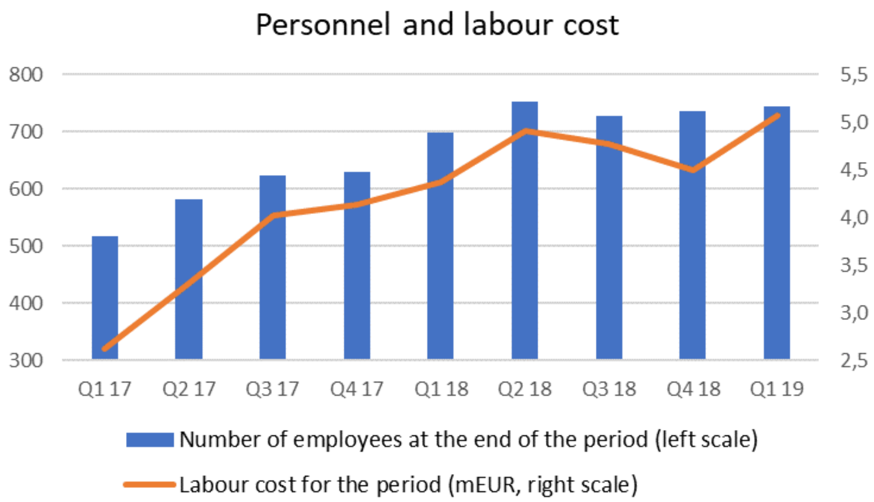
EMPLOYEES AND REMUNERATION

As at the end of the reporting period, the Group had 744 employees, being 45 employees more than a year ago. In the first quarter of 2019, the Group employed an average of 733 people, which was an average of 54 employees more than in the comparable period.

In the reporting quarter, 5.1 (Q1 2018: 4.4) million euros were paid to the employees in salaries and remuneration. Average wages per Group employee was 2,368 euros, an increase of 10.3% to the comparable period. The cost of wages was affected by the hiring of new workers in Sweden, but also by the decision of the Republic of Lithuania to calculate part of the social tax as the gross salary of the employee. The last amendment did not have a significant impact on the labour costs of the Group.



	Average numbers of employees			Numbers of employees 31 March			
	3 months 2019	3 months 2018	3 months 2017	2019	2018	+/-	2017
Estonia	389	372	305	395	388	*7*	334
Finland	133	129	90	136	135	*1*	90
Lithuania	151	132	95	156	131	*25*	93
Sweden	60	46	0	57	45	*12*	0
Total	**733**	**679**	**490**	**744**	**699**	**45**	**517**



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). 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.

SHARES OF HARJU ELEKTER AND SHAREHOLDERS

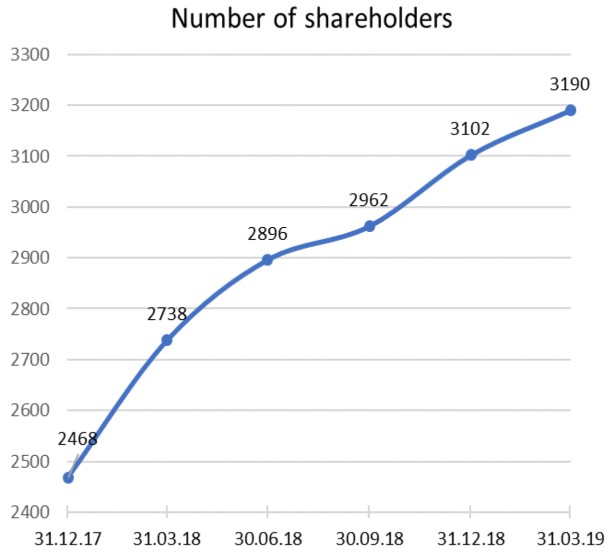
Security trading history:	2015	2016	2017	2018	Q1 2019
Opening price	2.79	2.62	2.85	5.00	4.12
Highest price	3.14	2.94	5.08	6.68	5.20
Lowest price	2.49	2.43	2.80	3.89	4.12
Closing price	2.63	2.83	5.00	4.12	4.90
Traded shares (pc)	1,086,451	947,294	1,349,617	1,100,773	130,475
Turnover (in million euros)	2.96	2.45	5.46	5.98	0.61
Capitalisation (in million euros)	46.7	50.2	88.7	73.1	86.9
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	0.01

Price of AS Harju Elekter share (in EUR) on Nasdaq Tallinn Stock Exchange between 1 January 2017 - 31 March 2019 (Nasdaq Tallinn, www.nasdaqbaltic.com)

As at 31 March 2019, AS Harju Elekter had 3,190 shareholders. The number of shareholders increased during the accounting quarter by 88 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 31 March 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 March 2019:

Holding	No of shareholders	% of all share-holders	% of votes held
> 10%	2	0.1	42.1
1,0 - 10,0%	7	0.2	20.6
0,1 - 1,0 %	63	2.0	18.6
< 0,1%	3,118	97.7	18.7
Total	**3,190**	**100.0**	**100.0**



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

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

MANAGEMENT BOARD CONFIRMATION

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 non-audited consolidated interim report during the reporting period.

Andres Allikmäe	Chairman of the Management Board	02 May 2019	
Tiit Atso	Member of the Management Board	02 May 2019	
Aron Kuhi-Thalfeldt	Member of the Management Board	02 May 2019	

INTERIM FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 March 2019	31 December 2018	31 March 2018
Currents assets				
Cash and cash equivalents		4,168	3,142	3,778
Current financial investments	2	0	0	9,845
Trade and other receivables		24,355	22,218	19,540
Prepayments		1,532	1,083	1,288
Income tax prepayments	8	122	90	236
Inventories		21,752	17,468	18,249
Total current assets		**51,929**	**44,001**	**52,936**
Non-current assets				
Deferred income tax asset		97	98	56
Non-current financial investments	2	10,026	9,587	4,696
Investment property	3	19,762	19,804	18,374
Property, plant and equipment	4	20,620	17,403	12,359
Intangible assets	4	7,245	7,260	7,477
Total non-current assets		**57,750**	**54,152**	**42,962**
TOTAL ASSETS	6	**109,679**	**98,153**	**95,898**
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	5	9,022	6,656	2,501
Prepayments from customers		1,324	1,740	1,518
Trade and other payables		21,416	14,911	16,368
Tax liabilities		2,515	2,365	2806
Income tax liabilities	8	36	44	11
Current provision		17	14	49
Total current liabilities		**34,330**	**25,730**	**23,253**
Interest-bearing loans and borrowings	5	7,762	5,449	2,719
Other non-current liabilities		34	35	0
Non-current liabilities		**7,796**	**5,484**	**2,719**
Total liabilities		**42,126**	**31,214**	**25,972**
Equity				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		3,114	2,665	2,737
Retained earnings		52,498	52,316	55,181
Total equity attributable to equity holders of the parent		**67,592**	**66,961**	**69,898**
Non-controlling interests		-39	-22	28
Total equity		**67,553**	**66,939**	**69,926**
TOTAL LIABILITIES AND EQUITY		**109,679**	**98,153**	**95,898**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

1 January - 31 March	Note	2019	2018
Revenue	6	29,283	25,986
Cost of sales		-25,495	-22,642
Gross profit		**3,788**	**3,344**
Distribution costs		-1,208	-1,161
Administrative expenses		-2,183	-1,930
Other income		48	14
Other expenses		-138	-36
Operating profit	6	**307**	**231**
Finance income		101	102
Finance costs		-43	-104
Profit before tax		**365**	**229**
Income tax		-200	-127
Profit for the period		**165**	**102**
Profit attributable to:			
Owners of the Company		182	133
Non-controlling interests		-17	-31
Profit for the period		**165**	**102**
Earnings per share			
Basic earnings per share (EUR)	7	0.01	0.01
Diluted earnings per share (EUR)	7	0.01	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 March	2019	2018
Profit for the period	**165**	**102**
Other comprehensive income		
Net gain on revaluation of financial assets	443	0
Impact of exchange rate changes	-38	-107
Other comprehensive income for the period	**405**	**-107**
Total comprehensive income for the period	**570**	**-5**
Total comprehensive income attributable to:		
Owners of the Company	587	26
Non-controlling interests	-17	-31
Total comprehensive income for the period	**570**	**-5**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 March	Note	2019	2018
Cash flows from operating activities			
Profit for the period		165	102
Adjustments for:			
Depreciation and amortization	3.4	860	618
Gain on sale of property, plant and equipment	8	-17	-9
Share-based payment		45	-102
Finance income		-101	104
Finance costs		43	127
Income tax expense	8	200	0
Changes in:			
Change in receivables related to operating activity		-2,498	-3,713
Change in inventories		-4,285	-3,087
Change in payables related to operating activity		6,242	933
Corporate income tax paid	8	-235	-448
Interest paid		-31	-10
Total cash flow (-outflow) from operating activities		**388**	**-5,485**
Cash flows from investing activities			
Acquisition of investment property	8	-191	-521
Acquisition of property. plant and equipment	8	-1,625	-548
Acquisition of intangible assets	8	-102	-106
Acquisition of subsidiaries, net of cash acquired		0	-2,018
Proceeds from sale of property, plant and equipment	8	30	32
Interest received		0	1
Dividends received		0	25
Total cash flow (-outflow) from investing activities		**-1,888**	**-3,135**
Cash flows from financing activities			
Change in overdraft balance	5	2,315	1,717
Proceeds from borrowings	5	728	0
Repayment of borrowings	5	-204	-128
Other non-current liabilities		-1	-76
Repayments of lease liabilities		-285	0
Total cash flow (-outflow) from financing activities		**2,553**	**1,513**
Total net cash flow (-outflow)		**1,053**	**-7,107**
Cash and cash equivalents at the beginning of the period		**3,142**	**10,992**
Changes in cash and cash equivalents		1,053	-7,107
Effect of exchange rate fluctuations on cash held		-27	-107
Cash and cash equivalents at the end of the period		**4,168**	**3,778**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January- 31 March	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reser-ves	Retained earnings	Total		
Balance at 1 January 2018	**11,176**	**804**	**2,844**	**55,048**	**69,872**	**59**	**69,931**
Comprehensive income							
Profit for the period	0	0	0	133	133	-31	102
Other comprehensive income	0	0	-107	0	-107	0	-107
Total comprehensive income	**0**	**0**	**-107**	**133**	**26**	**-31**	**-5**
Transaction with owners recognized directly in equity							
Share-based payments	0	0	0	0	0	0	0
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2018	**11,176**	**804**	**2,737**	**55,181**	**69,898**	**28**	**69,926**
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	182	182	-17	165
Other comprehensive income	0	0	405	0	405	0	405
Total comprehensive income	**0**	**0**	**405**	**182**	**587**	**-17**	**570**
Transaction with owners recognized directly in equity							
Share-based payments	0	0	44	0	44	0	44
Total transactions with owners	**0**	**0**	**44**	**0**	**44**	**0**	**44**
Balance at 31 March 2019	**11,176**	**804**	**3,114**	**52,498**	**67,592**	**-39**	**67,553**

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 March 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, Finnkumu Oy (subsidiary of Satmatic Oy), Telesilta Oy, Harju Elekter AB, SEBAB AB, Grytek AB, Rifas 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 first quarter of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way 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.

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

As at 31 March	2019	2018
Deposits (amortized cost)	0	5,000
Listed securities (available-for-sale financial assets at fair value)	0	4,845
Total current financial investments	**0**	**9,845**
Listed securities (fair value through other comprehensive income)	5,155	0
Other equity investments (fair value through other comprehensive income)	4,864	4,864
Other financial assets through profit or loss	7	12
Total non-current financial investments	**10,026**	**4,696**
Total	**10,026**	**14,541**

Changes from 1 January to 31 March	2019	2018
1. Financial assets at amortized cost		
Carrying amount at the beginning of the period	0	5,000
Carrying amount at the end of the period	**0**	**5,000**
2. Current financial assets at fair value through profit and loss		
Carrying amount at the beginning of the period	0	4,935
Change in fair value through profit and loss	0	-90
Carrying amount at the end of the period	**0**	**4,845**
3. Financial assets at fair value through other comprehensive income		
Carrying amount at the beginning of the period	9,576	4,684
Change in fair value through other comprehensive income	443	0
Carrying amount at the end of the period	**10,019**	**4,684**
4. Non-Current 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	-4	0
Carrying amount at the end of the period	**7**	**12**
Total carrying amount at the end of the period	**10,026**	**14,541**

In the third quarter of 2017, the Group placed 5.0 million euros to the securities of listed companies. In the fourth quarter of 2018, the Group decided to reclassify those as non-current financial asset.

Note 3 Investment property

1 January – 31 March	2019	2018
Balance at the beginning of the year	19,804	17,881
Additions	160	665
Depreciation charge	-202	-172
At the end of the period	**19,762**	**18,374**

Note 4 Property, plant and equipment; intangible assets

1 January – 31 March	Note	2019	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		1,656	549
Acquisitions through business combinations		0	126
Disposals		-13	-23
Depreciation charge		-540	-276
Impact of exchange rate changes		-4	0
At the end of the period		**20,620**	**12,359**
2. Intangible assets			
Balance at the beginning of the year		7,260	6,660
Additions		103	106
Acquisitions through business combinations		0	881
Depreciation charge		-118	-170
At the end of the period		**7,245**	**7,477**

Note 5 Interest-bearing loans and borrowings

As at 31 March	2019	2018
Current borrowings		
Current bank loans	7,282	1,889
Current portion of long-term bank loans	785	383
Current portion of lease liabilities	925	228
Current loans with related parties	30	0
Total current borrowings	**9,022**	**2,500**
Non-current borrowings		
Non-current bank loans	4,157	2,409
Non-current lease liabilities	3,605	311
Total non-current borrowings	**7,762**	**2,720**
Total borrowings	**16,784**	**5,220**

Changes in interest- bearing loans and borrowings

1 January – 31 March	2019	2018
Loans and borrowings at the beginning of the year	**12,105**	**3,535**
Change in overdraft balances	2,315	1,717
Received current loan from related parties	0	172
Received non-current bank loans	728	0
Repayments of non-current loans	-204	-128
New lease liabilities	1,977	0
Repayments of non-current lease liabilities	-137	-76
Loans and borrowings at the end of the current period	**16,784**	**5,220**

Note 6 Segmendiaruanne

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, Satmatic Oy, Finnkumu Oy, Harju Elekter Kiinteistöt Oy, Rifas 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 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 March	Note	**Production**	**Real Estate**	**Other activities**	**Elimi-nation**	**Consoli-dated**
2018						
Revenue from external customers		20,593	623	4,770	0	25,986
Inter-segment revenue		339	346	148	-833	
Segment revenue		**20,932**	**969**	**4,918**	**-833**	**25,986**
Operating profit		**261**	**10**	**-45**	**5**	**231**
Segment assets		60,753	18,778	11,951	-10,662	80,820
Unallocated assets						15,078
incl. Cash and cash equivalents						*297*
incl. Shares and other securities						*14,529*
incl. Other receivables and pre-payments						*252*
Total assets						**95,898**
Capital expenditure	3.4	1,632	665	30	0	2,327
Depreciation charge	3.4	264	172	188	-6	618
2019						
Revenue from external customers		25,575	872	2,836	0	29,283
Inter-segment revenue		802	363	158	-1,323	
Segment revenue		**26,377**	**1,235**	**2,994**	**-1,323**	**29,283**
Operating profit		**554**	**405**	**-636**	**-16**	**307**
Segment assets		69,447	20,841	21,654	-13,085	98,856
Unallocated assets						10,823
incl. Cash and cash equivalents						*612*
incl. Shares and other securities						*10,107*
incl. Other receivables and pre-payments						*105*
Total assets						**109,679**
Capital expenditure	3.4	1,627	160	131	0	1,918
IFRS 16 Right of use assets	4	1,629	0	489		2,118
Depreciation charge	3.4	486	202	176	-4	860

Revenue by geographic regions (customer location)

1 January – 31 March	2019	2018
Estonia	3,522	2,825
Finland	16,137	17,959
Sweden	3,733	2,001
Norway	4,003	2,082
Netherlands	1,586	127
Other	302	992
Total revenue	**29,283**	**25,986**

Revenue by business area:

1 January – 31 March	2019	2018
Electrical equipment	25,551	19,802
Retail and project-based sale of electrical equipment	1,543	1,380
Other products	375	652
Lease income	669	495
Electrical works	750	3,402
Other services	395	255
Total	**29,283**	**25,986**

Note 7 Basic and diluted earnings per share

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 31 March 2019, the Group had 348,175 dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders, the price of a share was established at the level of 3.49 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 1.55 euros. Thus, the subscription price per each share within the meaning of IFRS 2 is 5.04 (3.49+1.55) euros and the potential shares become dilutive only after their average market price of the period exceed 5.04 euros. The average market price of the share of Q1 2019 was 4.71 euros. Hence, the potential shares did not have any diluting effect.

1 January – 31 March	Unit	2019	2018
Profit attributable to equity holders of the parent	EUR ‘000	182	133
Average number of shares outstanding	Pc ’000	17,740	17,740
Basic earnings per share	EUR	0.01	0.01
Adjusted number of shares during the period	Pc ‘000	17,740	17,740
Diluted earnings per share	EUR	0.01	0.01

Note 8 Information on the statement of cash flows line items

1 January – 31 March	Note	2019	2018
Corporate income tax			
Income tax expense in the statement of profit or loss		-200	-127
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability		-40	-440
Income tax prepayment/liability arising on the acquisition of a subsidiary		0	112
Income tax expense on dividends		5	7
Corporate income tax paid		**-235**	**-448**
Paid for investment properties			
Acquisitions of investment properties	3	-160	-665
Liability decrease (-)/ increase (+) incurred by purchase		-31	144
Paid for investment properties		**-191**	**-521**
Paid for property, plant and equipment			
Additions of property, plant and equipment	4	-1,656	-549
Liability decrease (-)/ increase (+) incurred by purchase		31	1
Paid for property, plant and equipment		**-1,625**	**-548**
Proceeds from sale of property, plant and equipment			
Book values of disposed property, plant and equipment	4	13	23
Profit on disposal of property, plant and equipment		17	9
Proceeds from sale of property, plant and equipment		**30**	**32**
Paid for intangible assets			
Additions of intangible assets	4	-103	-106
Liability decrease (-)/ increase (+) incurred by purchase		1	0
Paid for intangible assets		**-102**	**-106**

Note 9 Transactions with related parties

The related party of AS Harju Elekter includes, 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 3 months, the Group has made transactions with related parties as follows:

1 January – 31 March	2019	2018
Purchase of goods and services from related parties:		
- Lease of property plant and equipment from Harju KEK	32	27
- Lease payments to a company associated with a member of the Management Board of a subsidiary	86	80
Sale of goods and services to related parties:		
- Other services for Harju KEK	1	1
Balances with related parties:		
- Loan from a member of the Management Board of a subsidiary	30	0
- Payables for goods and services	196	301
Remuneration of the Management and Supervisory Boards		
- Salary, bonuses, additional remuneration	104	139
- Social security tax	34	46
Total	**138**	**185**

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 member of the Management Board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthlies remuneration of a development manager. Members of the Management Board have no rights related to pension. During the reporting quarter and 12 months 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 contracts were concluded with the Group’s employees and the members of the directing bodies of Group-related companies. The subscription rights were registered in respect of 351,925 shares, incl. each member of the Group Management and Supervisory Board was issued an option for the subscription of up to 7.5 thousand shares, i.e. 52.5 thousand shares in aggregate.

The issue price of the shares acquired with the stock option is the average closing price as at 31 December on the NASDAQ Tallinn for the three calendar years, which was 3.49 euros. In the case of share-based payments, which are regulated by IFRS 2, the subscription price of the shares also includes the cost of services receivable from the employees for the share-based payments. An independent expert determined that the value of the services was 1.55 euros per each share to be issued (see note 7). As at the reporting date, the Group had 348,175 potential ordinary shares. In Q1 2019, the expense of share-based payments recognised as personnel expenses amounted to 44 thousand euros, incl. the share of the Management Board and Supervisory Board members was 7 thousand euros.

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 first quarter as set out on pages 14 to 24 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
02 May 2019