AS HARJU ELEKTER

Interim report 1-12/2013

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
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Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2013
End of the reporting period:	31st of December 2013

The interim report of Harju Elekter Group on 23 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-12/2013 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic OY, Harju Elekter AB and Rifas UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method. As of 31 December 2013, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.12.13	31.12.12
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	62.7%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	5.4%	6.4%

The shares of PKC Group Oyj are presented on the balance sheet at their market price. The changes in the market price of the shares can have a substantial effect on the value of the assets and the owners' equity in the Group.

Economic environment

According to the publication World Economic Survey 4/2013, economic experts from 125 countries saw a slight improvement in the world economy during the last quarter of the year, and the expectations of experts for the economic situation 6 months from now has clearly become more optimistic. The main factor driving global economic growth is the Eurozone's recovery from the long-time low it had been suffering from. The situation on the financial markets has been stable throughout the year, with interest rates and inflation at low levels. The same applies to the price of raw materials.

As expected, the economy of the Eurozone was improving at a slow and steady pace in 2013. While the current situation was regarded to be the best in Germany, developments were uncertain in 2013 for Estonia's largest trading partners, Finland and Sweden. While in Sweden economic growth was supported by the growth of internal market demand, then in Finland economic growth was linked strongly to the country's declining export sector. In the last months of the year, however, analysts saw slight signs of improvement in the Finnish economy. Russia is also currently suffering its slowest economic growth of the past decade.

At the end of the year, the Bank of Estonia lowered its forecast for economic growth in 2013 to 1%. According to the central bank, external demand had weakened in Estonia when compared to the June forecast. Estonia's export was affected most by developments in Finland, but also Latvia, Lithuania, and Russia. However, according to the central bank, this time the deceleration of growth was not a wide-scale event and it is expected that with the help of both internal and external demand, economic growth will pick up its pace in 2014. Inflation also exhibited a downward trend at the end of the year. According to the Bank of Estonia, the consumer price index did not exceed 2.9% in 2013 and will fall even further in the near future. As unemployment is decreasing, more and more companies are experiencing difficulty finding personnel, which in turn is creating pressure on wages. In this light, the need to raise productivity is gaining importance, in order to maintain the competitiveness of the company and its ability to withstand unexpected financial difficulties. The contribution of private consumption to economic growth remained high, but is bound to decrease slowly as a result of an increase in the importance of investments. A better balance between investments and private consumption would support a more sustainable economic growth.

Main events

In September, Harju Elekter celebrated its 45th anniversary. In 1968 established company Harju Elekter has become the leading manufacturer of MV/LV electrical equipment and automation solutions in the Baltics and well-known producer in Scandinavia.

Swiss CE Asset Management, along with its Baltic partners, announced the next nominees for the Corporate Excellence Award in September. AS Harju Elekter, a third year in the row was recognised as the best in Estonia and TOP5 among the Baltic States (3rd in 2013). It was recognised thanks to its market position, stable customer base, good historic economic results and promotion of the general management of the company.

AS Harju Elekter Elektrotehnika, a subsidiary of Harju Elekter, won the public procurement announced by the subsidiary of Eesti Energia, OÜ Elektrilevi, for purchasing unit substations. As a result of successful negotiations, a two 3+1+1-year delivery contracts was signed. Pursuant to the contract, in the following 3 years, Harju Elekter Elektrotehnika will deliver to OÜ Elektrilevi approximately 2000 unit substations with 1 and 2 transformers, which are manufactured in plants. A total estimated cost of agreements is 17 million euros. The supplied automated substations are, due to technological developments, becoming an integral part of the “smart grid”, allowing for the remote management of substations and the monitoring of electricity quality. The substations will be installed, and the deliveries are aimed at the Estonian market.

In third quarter, AS Harju Elekter bought 11 ha of production land on the outskirts of Tallinn, in Allika Industrial Park, with the objective being future industrial real estate development.

From 13–17 May, AS Harju Elekter Elektrotehnika attended Elfack 2013, in Gothenburg, Sweden, the biggest power engineering industry exhibition in the Nordic countries, where power industry enterprises from around the world presented new products and solutions to more than 30 000 visitors. At the exhibition, Harju Elekter showcased an internally developed substation unit conforming to Swedish market requirements, substation solutions for 1 kV transmission networks and charging equipment for electric cars. In addition, the subsidiaries attended professional fairs in Finland: in January, Satmatic Oy and AS Harju Elekter Elektrotehnika introduced their product range, designed for the energy distribution sector, at the (energy) distribution network fair Sähköverkot 2013, in Tampere; and in February, Satmatic Oy presented its renewable energy products at the biggest professional fair Sähkö, Tele, Valo and AV in Jyväskylä and AS Harju Elekter Elektrotehnika represented itself and its products also at SLO’s annual autumn fair. The commercial group of AS Harju Elekter introduced the product range for shops at the international building fair in Tallinn as well as at the Building and Interior Fair in Tartu.

AS Harju Elekter Teletehnika undertook recertification of ISO 9001 and ISO 14001 quality systems and new 3-year certificates were issued. BVC auditors’ report of recertification was unqualified.

In the subsidiaries AS Harju Elekter Teletehnika and Satmatic Oy, the process of implementing the Lean 5S/6S principle of increasing productivity was continued in order to attain maximum customer satisfaction and company profitability through the efficient use of resources and a clear understanding of the costs of the company’s activities.

Operating results

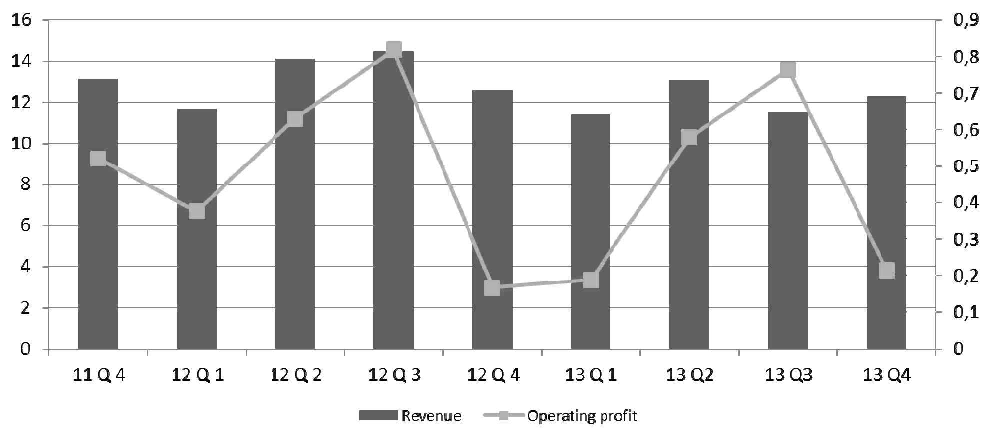
In the accounting quarter, the Group’s consolidated revenue was 12.3 million euros, which was 2.2% lower compared to the reference period. Operating profit of Q4 2013 was 214,000 euros, increasing by 1.3 times. The consolidated net profit of the Q4 increased by 107,000 euros and was 298,000 euros.

The Group’s twelve month sales revenue was 48.3 million euros, which was 8.5% less than in the reference period. The operating profit decreased by 11.5% to 1.74 million euros, but net profit increased by 43.6% to 5.17 million euros, in 12-months period.

KEY INDICATORS

	January - December		
	2013	**2012**	**2011**
Revenue (EUR’000)	48,288	52,801	46,674
Gross profit (EUR’000)	8,458	8,653	7,811
EBITDA (EUR’000)	3,269	3,439	3,378
EBIT (EUR’000)	1,743	1,970	2,025
Profit for the period (EUR’000)	5,173	3,603	2,948
incl attributed to Owners of the Company (EUR’000)	5,162	3,517	2,773
Revenue growth/decrease (%)	-8.5	13.1	14.2
Gross profit growth/decrease (%)	-2.3	11.1	26.2
EBIDTA growth/decrease (%)	-4.9	1.8	16.5
EBIT growth/decrease (%)	-11.5	-2.7	33.3
Profit for the period growth/decrease (%)	43.6	22.2	28.5
incl attributed to Owners of the Company (%)	46.8	26.8	27.6
Distribution cost to revenue (%)	5.4	5.3	4.9
Administrative expenses to revenue (%)	8.4	7.3	7.4
Labour cost to revenue (%)	23.5	22.5	23.3
Gross margin (Gross profit/revenue) (%)	17.5	16.4	16.7
EBITDA margin (EBITDA/revenue) (%)	6.8	6.5	7.2
Operating margin (EBIT/revenue) (%)	3.6	3.7	4.3
Net margin (Profit for the period/revenue) (%)	10.7	6.8	6.3
ROE (Profit for the period/average equity) (%)	9.1	7.8	6.7

Seasonality of business (million euros)



SALES REVENUE

The quarterly sales development by segments:

Segment	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 change y-o-y
Manufacturing	11,135	10,152	11,691	10,231	10,862	-2.5%
Real estate	618	650	590	573	619	0.2%
Unallocated activities	812	588	779	747	807	-0.6%
Total	**12,565**	**11,390**	**13,060**	**11,551**	**12,288**	**-2.2%**

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The Group's 12 month sales revenue was 48.3 million euros, which was 8.5% less than in the reference period. In the reporting quarter, the consolidated sales volume decreased by 2.2% compared to the indicator from the same period of last year, mainly as a result of decreased sales revenue from the Production segment. As usual, around 90% of sales revenue came from the Production segment.

The quarterly sales development by business area:

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 change y-o-y
Electrical equipment	10,226	9,331	10,951	9,531	10,157	-0.7%
Sheet metal products and services	273	205	228	246	246	-10.0%
Boxes for telecom sector and services	274	261	301	266	300	9.6%
Intermediary sale of electrical products and components	1,153	855	914	857	821	-28.8%
Rental income	556	546	549	549	549	-1.3%
Other services	83	192	117	102	215	159.0%
Total	**12,565**	**11,390**	**13,060**	**11,551**	**12,288**	**-2.2%**

83% of the sales revenue came from the production and sale of electrical equipment and 7% from the mediation of electrical goods. The rental income came 4.5% and the other services 5.5% of the consolidated sales revenues. In the reporting quarter, the production and sales volume of electrical equipment was at the Q4 2012 level, while in the year as a whole the sales of these products decreased by 9% to 40 million euros. The greatest setbacks in the production volumes of electrical devices occurred in the segments of Finland (-2.2 million euros) and Lithuania (-1.2 million euros). In the Estonian segment, the leading position in 2013 was held by the sales of substations, serial products and MV/LV devices. The effect of the change in sales volume of other products and services on the consolidated sales revenue was insignificant.

Sales revenue by market:

	Growth		Q4	Q4	12 months		Share	Share
Markets	Q/Q	y-o-y	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Estonia	6.4%	1.1%	3,916	3,683	17,936	17,744	37.2%	33.6%
Finland	7.8%	-8.2%	6,758	6,271	23,441	25,525	48.5%	48.3%
Lithuania	-46.7%	-12.8%	588	1,101	2,636	3,024	5.5%	5.7%
Sweden	15.5%	-30.4%	273	236	867	1,246	1.8%	2.4%
Other EU countries	-77.5%	-75.7%	247	1,101	642	2,639	1.3%	5.0%
Others	192.5%	5.5%	506	173	2,766	2,623	5.7%	5.0%
Total	**-2.2%**	**-8.5%**	**12,288**	**12,565**	**48,288**	**52,801**	**100%**	**100%**

Home markets were still dominant. Export markets lost some of their significance and their development will depend largely on the activeness of our key clients in the respective countries. At the same time, the changed situation is creating new business opportunities.

63% of the Group's products and services were sold in foreign markets, outside Estonia (2012: 66%) and 93% revenues received from the Group's companies home markets - Estonia, Finland, Sweden, Lithuania.

The largest target markets of the Group are Estonia and Finland, which is why the sales volumes of the Group are strongly influenced by the developments there. The Finnish economic situation has been complicated in 2013; at the beginning of the year, the Finnish export sector was in decline. Finland's industrial output fell 4.6% on the comparative period. During 12 months the Group's sale on the Finnish market decreased by 8% to 23.4 million euros. During the last few months some improvement was been observed in the Finnish economy. In the reporting quarter, sale on the Finnish market increased 7.8%. However, sale on the Estonian market increased by 1.1% and in reporting quarter more than 6%.

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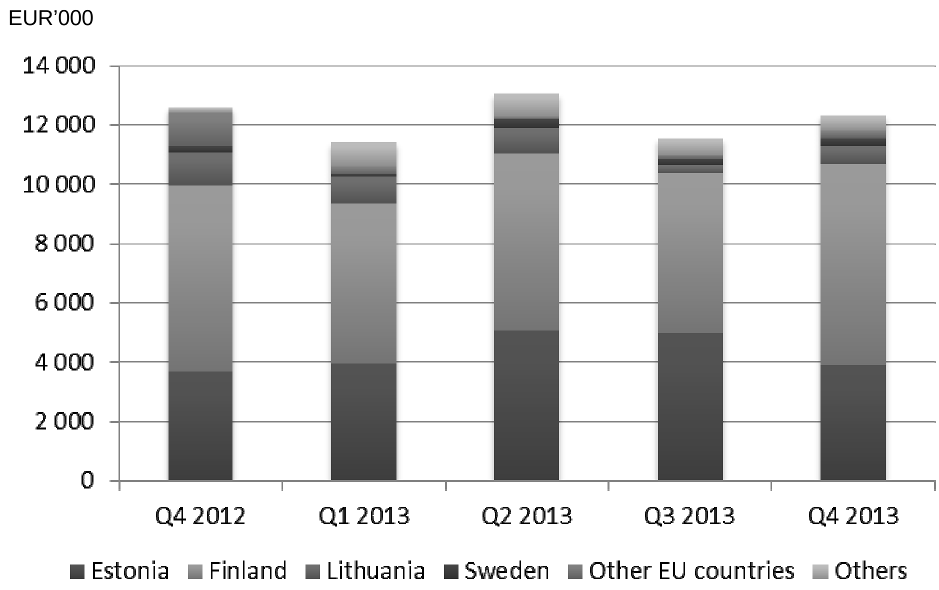
The Group's enterprises have mainly long-term contracts with clients on the domestic markets. At the same time, operations outside the domestic markets are mainly project and commission-based and therefore constantly changing. Due to the significant decrease of infrastructure-related investments in Germany, the Group's sales volume on that market also decreased by 2.1 million euros. In 2013, one-off projects in Belgium, Malaysia, Belarus and Switzerland were concluded, but also some new projects were started in the United States. Deliveries to Norway and Russia have increased, and in the last couple of years these countries have increasingly joined the Group's other target markets.

The quarterly sales development by markets



OPERATING EXPENSES

	change % y-o-y		quarter 4			12 months		
	Q4	12 m	2013	2012	2011	2013	2012	2011
Cost of sales	-4.5	-9.8	10,157	10,632	10,956	39,830	44,148	38,863
Distribution costs	12.0	-6.2	737	658	604	2,627	2,801	2,270
Administrative expenses	7.4	4.9	1,169	1,088	995	4,067	3,876	3,455
Total expenses	**-2.5**	**-8.5**	**12,063**	**12,378**	**12,555**	**46,524**	**50,825**	**44,588**
incl. depreciation of fixed assets	11.0	3.8	414	373	316	1,526	1,469	1,353
Total labour cost	-1.6	-4.3	2,926	2,975	3,208	11,350	11,860	10,878
inclusive salary cost	-2.9	-5.4	2,247	2,314	1,900	8,645	9,139	7,699

In the reporting quarter, the operating expenses decreased by 2.5%, including the cost of sales by 4.5%. During the year, cost of sales decreased by 4.3 million euros (a tenth), and the operating expenses totally by 8.5%. In the reporting quarter, doubtful receivables in the total amount of 155,000 euros were written off, as a result of which increased by a total of 8.9% in Q4. In the year as a whole, distribution costs and administrative expenses remained at the same level as the comparison period. The growth in expenditure was caused by structural changes and employees' movement from the sales department to the development and general management units, in both Finland and Estonia.

In the reporting quarter, labour costs decreased by 1.6% to 2.9 million euros and in 12 months 4.3% to 11.4 million euros. In 2013, labour costs amounted to 23.5% of sales revenue, which is 1.0 percentage points more than in the previous year.

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EARNINGS AND MARGINS

In the fourth quarter the gross profit of the Group was 2.1 (Q4 2012: 1.9) million euros. The gross profit margin was 17.3% being 1.9 per cent point better compering to the same period figure a year before.

Operating profit of Q4 2013 was 214,000 (Q4 2012: 167,000) euros and EBITDA 628,000 (Q4 2012: 540,000) euros. Return of sales for the accounting quarter was 1.7% being 0.4 per cent point better and return of sales before depreciation was 5.1% being 0.8 per cent point better compering to the same period figure a year before.

In the accounting quarter, the Group consolidated from the associated company a profit of 153,000 (Q4 2012: 104,000) euros.

The consolidated net profit of Q4 2013 was 298,000 (Q4 2012: 191,000) euros, of which the share of the owners of the Company was 327,000 (Q4 2012: 207,000) euros. EPS in the last quarter was 0.02 (Q4 2012: 0.01) euros.

The consolidated gross profit for the financial year was 8.46 (2012: 8.65) million euros. The gross profit margin was 17.5% being 1.1 per cent point better compering to the same period figure a year before. In 2013, EBIDTA decreased by 4.9% to 3.27 million euros and the operating profit by 11.5% to 1.74 million euros. In the accounting period, EBITDA was 6.8% (2012: 6.5%) and EBIT 3.6% (2012: 3.7%).

In the first quarter, 30,000 (Q1 2012: 15,362) and in the third quarter additional 60,000 PKC Group Oyj shares were sold. The total financial income from selling the shares was 1.68 (2012: 0.18) million euros. Totally, the net financial incomes have increased by 1.61 million euros to 2.65 million euros. During the 12 months, the Group consolidated from the associated company a profit of 1.30 (2012: 1.12) million euros.

Overall, the consolidated net profit of the year 2013 was 5.17 million euros, increasing by 43.6%. The share of the owners of the Company was 5.16 million euros, increasing by 46.8%. EPS in 12 months was 0.30 (2012: 0.21) euros.

Employees and remuneration

As at the balance day on 31 December, there were 451 people working in the Group, which were 27 employees less than in the beginning of the year.

In Q4 2013, the average 436 people worked in the Group − on the average by 21 persons less than in the reference period. During the 12 months, the average number of employees increased by 3 persons up to 455 employees. In the fourth quarter, employee wages and salaries totalled 2,247 (Q4 2012: 2,314) thousand euros and during 12 months 8,645 (2012: 9,139) thousand euros. The average wages per employee per month amounted 1,584 (2012: 1,684) euros.

	Average number of employees				Number of employees at 31.12.		
	Q4 2013	Q4 2012	12M 2013	12M 2012	Change	2013	2012
Estonia	275	283	282	284	-3	296	299
Finland	78	87	86	87	-12	76	88
Lithuania	82	85	85	79	-11	78	89
Sweden	1	2	2	2	-1	1	2
Total	**436**	**457**	**455**	**452**	**-27**	**451**	**478**

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Financial position and cash flows

	Growth y-o-y	31.12. 2013	31.12. 2012	31.12. 2011
Current assets	-573	15,899	16,472	15,445
Non-current assets	12,035	55,172	43,137	37,475
TOTAL ASSETS	**11,462**	**71,071**	**59,609**	**52,920**
Current liabilities	-2,013	6,111	8,124	9,317
Non-current liabilities	-208	1,141	1,349	1,569
Equity	13,683	63,819	50,136	42,034
incl attributable to owners of the Company	13,697	62,479	48,782	40,313
Equity ratio (%) (Equity/total assets)*100 (%)	5.7	89.8	84.1	79.4
Current ratio (Average current assets/ Average current liabilities)	0.5	2.3	1.8	1.8
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.3	1.4	1.1	1.0

During 12 months, the amount of the consolidated balance sheet increased by 11.5 million euros and as of 31 December 2013 was 71.1 million euros.

During 12 months, the cost of non-current assets increased by 12.0 million euros up to 55.2 million euros. Most of the growth derived from value adjustment of long-term financial investments. The market price of PKC Group Oyj shares increased in accounting quarter by 0.24 (Q4 2012: 1.40) euros and the share price in Helsinki Stock Exchange in last trading day of December was 24.19 (a year before: 15.43) euros. During 12 months, the market price of PKC Group Oyj shares increased by 8.76 (2012: 4.00) euros. The cost of investment in assets and reserves in equity capital increased by the profit of 11.7 (2012: 5.5) million euros, received from stock revaluation. During the reporting period, the Group sold 90,000 (2012: 15,362) shares with the accounting value of 1.7 (2012: 0.2) million euros. In total, the cost of financial assets increased by 10.0 million euros to 31.3 million euros in 12 months; within the comparable period by 5.4 million euros to 21.4 million euros.

During the 12-months period, the Group's investments to real estate, tangible fixed assets and intangible fixed assets totalling 2.32 (2012: 0.84) million euros. At the balance date 31 December 2013, fixed assets amounted 77.6% (31 December 2012: 72.4%) of the cost of assets.

The trade receivables and prepayments decreased by 12 months of 0.76 million euros to 6.0 million euros and inventory by 0.59 million euros to 5.8 million euros. During 12 months, the trade and other payables decreased 1.6 and total short-term liabilities of the Group by 2.0 million euros, to 6.1 million euros.

The Group's 12-month current ratio improved by 0.5 and the quick ratio by 0.3, compared to the reference period, being 2.3 and 1.4, respectively.

The Group's liabilities ratio to assets was 10.2%. As at the balance date, interest-bearing liabilities accounted for 24.2% of the Group's liabilities and 2.5% of the cost of assets; as at 31.12.2012 being 21.1% and 4.0%, respectively. The Group had a total of interest-bearing debt obligations of 1.8 (31.12.2012: 2.4) million euros, of which current portion amounted 0.7 (31.12.2012: 1.1) million euros. During 12 months, short-term liabilities were decreased by 438,000 euros to 358,000 euros and 294,000 euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities increased by 771,000 euros; at the same time 282,000 euros worth of principal amounts of the financial lease were paid.

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Consolidated statement of cash flows	12 months 2013	2012	2011
Cash flows from operating activities	2,553	4,574	1,248
Cash flows from investing activities	533	-58	-2,214
Cash flows from financing activities	-2,324	-1,983	-617
Net cash flow	**762**	**2,533**	**-1,583**

PKC Group Oyj paid dividends 0.70 euros per share. AS Harju Elekter owns PKC Group Oyj shares in quantity 1,354,641 shares. The dividend income of 948,000 euros is reflected in the profit for Q2 of 2013. The 15% income tax on dividends, withheld in Finland, accounted for 142,000 euros and accordingly, the cash flow from investment activity accounted for 806,000 euros.

1.75 (2012: 0.2) million euros was received as sales proceeds of financial assets and fixed asset invoices were paid in the amount of 2.22 (2012: 0.73) million euros. During 12 months, cash and cash equivalents increased by 0.76 million euros to 4.10 million euros; within the comparable period, cash and cash equivalents increased by 2.5 million euros to 3.35 million euros.

AGM

On 9th of May 2013 the AGM was held where attended by 89 shareholders and their authorised representatives who represented the total of 71.94 % of the total votes.

The general meeting approved the 2012 annual report and profit distribution and decided to pay dividends amounting to 0.09 euros per share, totally 1,566 thousand euros as well as increase of reserves by 42,000 euros. The shareholders registered in the shareholders' registry on 23.5.2013 at 23.59 entitled to dividend. The dividends transferred to the shareholders bank accounts on 28.5.2013.

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) and members Mr. Ain Kabal (Viru Keemia Grupp AS, Head of Legal Department), Mr. Madis Talgre (Chairman of the Management Board, AS Harju KEK), Mrs.Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant). The Management Board of AS Harju Elekter has one member and the Managing Director/CEO is Mr Andres Allikmäe. 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. During the year 2013, there were no changes either in in Supervisory or Management Boards.

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.ee

Shares of Harju Elekter and shareholders

Security trading history:

Price	**2009**	**2010**	**2011**	**2012**	**2013**
Open	0.99	2.05	3.10	2.30	2.64
High	2.99	3.14	3.54	2.80	2.92
Low	0.67	2.02	2.19	2.30	2.46
Last	2.07	3.02	2.28	2.64	2.70
Traded volume	1,559,830	2,039,910	663,917	759,869	936,162
Turnover, million euros	2.14	5.40	1.88	1.88	2.48
Capitalisation, million euros	34.78	50.74	38.30	45.94	46.98
Average number of the shares	16,800,000	16,800,000	16,800,000	17,093,443	17,400,000
EPS	0.07	0.13	0.17	0.21	0.30

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Share price in Tallinn Stock growth/decrease, 1.1.2013 - 31.12.2013

As at December 31 2013 AS Harju Elekter had 1,500 shareholders. The number of shareholders decreased during the last three months by 19 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32% of AS Harju Elekter's share capital. Members of the supervisory and management boards and their close family members hold 8.46% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

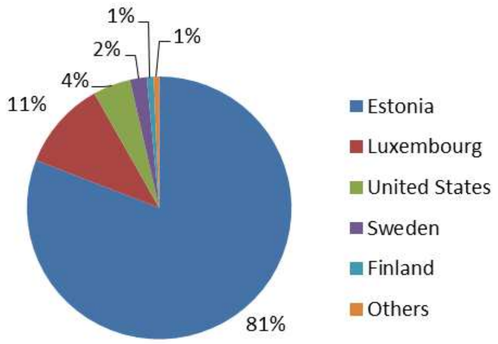
Shareholders structure by size of holding at 31 December 2013

Holding	**No of shareholders**	**% of all shareholders**	**% of votes held**
> 10%	2	0.13	42.92
1.0 – 10.0%	8	0.53	27.18
0.1 – 1.0 %	57	3.80	15.56
< 0.1%	1,433	95.54	14.34
Total	1,500	100.0	100.0

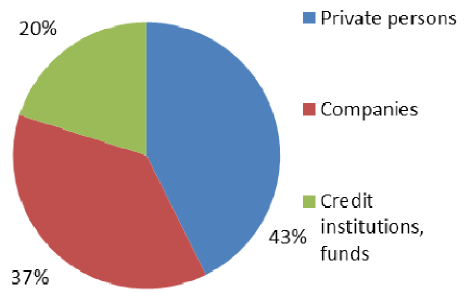
Shareholders (above 5%) at 31 December 2013

Shareholder	**Holding (%)**
HARJU KEK AS	32.00
ING LUXEMBOURG S.A.	10.92
Lembit Kirsme	8.10
Endel Palla	6.32
Other	42.66

Shareholding by country



Distribution of shareholders by category



AS Harju Elekter Interim report 1-12/2013, consolidated (unaudited, in thousand euros)

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	**31.12.2013**	**31.12.2012**
Current assets			
Cash and cash equivalents		4,102	3,352
Trade receivables and other receivables		5,699	6,493
Prepayments		256	232
Income tax prepayments		41	0
Inventories		5,801	6,395
Total current assets		**15,899**	**16,472**
Non-current assets			
Deferred income tax asset		7	5
Investments in associate	2	3,598	2,295
Other long-term financial investments	2	31,339	21,386
Investment property	2	11,663	10,454
Property, plant and equipment	2	8,129	8,546
Intangible assets	2	436	451
Total non-current assets		**55,172**	**43,137**
TOTAL ASSETS		**71,071**	**59,609**

LIABILITIES AND EQUITY			
Liabilities			
Interest-bearing loans and borrowings	3	654	1,075
Trade and other payables		4,437	5,902
Tax liabilities		969	1,049
Income tax liabilities		15	75
Short-term provision		36	23
Total current liabilities		**6,111**	**8,124**
Interest-bearing loans and borrowings	3	1,098	1,306
Other non-current liabilities		43	43
Non-current liabilities		**1,141**	**1,349**
Total liabilities		**7,252**	**9,473**
Equity			
Share capital		12,180	12,180
Share premium		240	240
Reserves	4	31,424	21,354
Retained earnings		18,635	15,008
Total equity attributable to equity holders of the Company		**62,479**	**48,782**
Non-controlling interests		1,340	1,354
Total equity		**63,819**	**50,136**
TOTAL LIABILITIES AND EQUITY		**71,071**	**59,609**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 October – 31 December		1 January - 31 December	
		2013	**2012**	**2013**	**2012**
Revenue	5	12,288	12,565	48,288	52,801
Cost of sales		-10,157	-10,632	-39,830	-44,148
Gross profit		**2,131**	**1,933**	**8,458**	**8,653**
Distribution costs		-737	-658	-2,627	-2,801
Administrative expenses		-1,169	-1,088	-4,067	-3,876
Other income		8	1	38	49
Other expenses		-19	-21	-59	-55
Operating profit	5	**214**	**167**	**1,743**	**1,970**
Financing income	6	2	4	2,648	1,042
Financing costs		-16	-10	-46	-45
Share of profit of equity-accounted investees	2	153	104	1,303	1,118
Profit before tax		**353**	**265**	**5,648**	**4,085**
Income tax expense		-55	-74	-475	-482
Profit for the period		**298**	**191**	**5,173**	**3,603**
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		311	1,938	11,690	5,538
Realised gain from sale of financial assets (-)		0	0	-1,660	-162
Currency translation differences		3	-5	-1	-6
Other comprehensive income for year, net of tax		**314**	**1,933**	**10,029**	**5,370**
Total comprehensive income for the period		**612**	**2,124**	**15,202**	**8,973**
Profit attributable to:					
Owners of the Company		327	207	5,162	3,517
Non-controlling interests		-29	-16	11	86
Profit for the period		**298**	**191**	**5,173**	**3,603**
Total comprehensive income attributable to:					
Owners of the Company		640	2,140	15,190	8,887
Non-controlling interests		-28	-16	12	86
Total comprehensive income for the period		**612**	**2,124**	**15,202**	**8,973**
Earnings per share					
Basic earnings per share (EUR)	7	0.02	0.01	0.30	0.21
Diluted earnings per share (EUR)	7	0.02	0.01	0.30	0.21

AS Harju Elekter Interim report 1-12/2013, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	**2013**	**2012**
Cash flows from operating activities			
Operating profit	5	1,743	1,970
Adjustments for:			
Depreciation and amortisation	2	1,526	1,469
Gain on sale of property, plant and equipment	8	-12	-6
Share-based payment transactions		73	85
Growth/decrease in receivables related to operating activity		772	1,226
Growth/decrease in inventories		594	263
Growth/decrease in payables related to operating activity		-1,531	1
Corporate income tax paid	8	-579	-388
Interest paid	8	-33	-46
Net cash from operating activities		**2,553**	**4,574**
Cash flows from investing activities			
Acquisition of investment property	8	-1,650	-100
Acquisition of property, plant and equipment	8	-429	-463
Acquisition of intangible assets	8	-138	-168
Acquisition of a subsidiary		0	-391
Proceeds from sale of property, plant and equipment	8	16	12
Proceeds from sale of intangible assets	8	11	0
Proceeds from sale of other financial investments		1,753	189
Interest received	6	22	9
Dividends received	6	948	854
Net cash used in investing activities		**533**	**-58**
Cash flows from financing activities			
Growth/decreases in short-term loans	3	-438	-1,179
Other long-term liabilities		0	43
Receipts from contribution into share capital		0	660
Payment of finance lease principal	3	-294	-282
Dividends paid		-1,592	-1,225
Net cash used in financing activities		**-2,324**	**-1,983**
Net cash flows		**762**	**2,533**
Cash and cash equivalents at beginning of period		**3,352**	**815**
Net increase / decrease		762	2,533
Effect of growth/decrease rate fluctuations on cash held		-12	4
Cash and cash equivalents at end of period		**4,102**	**3,352**

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CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to equity holders of the Company					Non-controlling interests	
	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Total**		**TOTAL**
At 31.12.2011	**11,760**	**0**	**15,881**	**12,672**	**40,313**	**1,721**	**42,034**
Profit for the period	0	0	0	3,517	**3,517**	86	**3,603**
Other comprehensive income	0	0	5,370	0	**5,370**	0	**5,370**
Comprehensive income for the period	0	0	5,370	3,517	**8,887**	86	**8,973**
Unregistered share capital	420	240	0	0	**660**	0	**660**
Share-based payment transactions	0	0	0	85	**85**	0	**85**
Increase in reserves	0	0	103	-103	**0**	0	**0**
Dividends	0	0	0	-1,176	**-1,176**	-49	**-1,225**
Acquisition of non-controlling interests	0	0	0	13	**13**	-404	**-391**
At 31.12.2012	**12,180**	**240**	**21,354**	**15,008**	**48,782**	**1,354**	**50,136**
Profit for the period	0	0	0	5,162	**5,162**	11	**5,173**
Other comprehensive income	0	0	10,028	0	**10,028**	1	**10,029**
Comprehensive income for the period	0	0	10,028	5,162	**15,190**	12	**15,202**
Share-based payment transactions	0	0	0	73	**73**	0	**73**
Increase in reserves	0	0	42	-42	**0**	0	**0**
Dividends	0	0	0	-1,566	**-1,566**	-26	**-1,592**
At 31.12.2013	**12,180**	**240**	**31,424**	**18,635**	**62,479**	**1,340**	**63,819**

Further information on equity items can be found in Note 4.

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 31.12.2013 comprises AS Harju Elekter (the “Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group’s interest in associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease since 30 September 1997; 32.0% 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 31.12.2012. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2012 annual report.

According to the assessment of the management board, the interim report for 1-12/2013 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.

Note 2 Non-current assets

For the period 1 January – 31 December	**2013**	**2012**
Investments in associate		
At 1 January	2,295	1,177
Profit under the equity method	1,303	1,118
At the end of the period	**3,598**	**2,295**
Other long-term financial investments		
At 1 January	21,386	16,023
Sale of shares	-1,737	-175
Growth/decreases in the fair value reserve	11,690	5,538
At the end of the period	**31,339**	**21,386**
Investment property		
At 1 January	10,454	10,833
Additions	1,644	61
Reclassification	6	0
Depreciation charge	-441	-440
At the end of the period	**11,663**	**10,454**

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For the period 1 January – 31 December	**2013**	**2012**
Property, plant and equipment		
At 1 January	8,546	8,985
Additions	532	486
Disposals	0	-6
Reclassification	-6	0
Depreciation charge	-943	-919
At the end of the period	**8,129**	**8,546**
Intangible assets		
At 1 January	451	422
Additions	142	140
Depreciation charge	-15	0
Currency translation differences[1]	-142	-110
At the end of the period	0	-1
Total non-current assets	**436**	**451**

[1]Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

Note 3 Interest-bearing loans and borrowings

	31.12.2013	**31.12.2012**
Liabilities		
Short-term bank loans	358	796
Current portion of lease liabilities	296	279
Total current liabilities	**654**	**1,075**
Non-current liabilities		
Lease liabilities	1,098	1,306
Total non-current liabilities	**1,098**	**1,306**
TOTAL	**1,752**	**2,381**

Growth/decreases during the period 1 January – 31 December

	2013	**2012**
Loans and borrowings at the beginning of the year	**2,381**	**3,814**
Growth/decreases in short-term loans	-438	-1,179
New finance lease	103	28
Payment of finance lease principal	-294	-282
Loans and borrowings at the end of the current period	**1,752**	**2,381**

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Note 4 Reserves

	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2011	1,073	14,800	8	15,881
Increase in capital reserve	103	0	0	103
Other comprehensive income	0	5,376	-6	5,370
At 31.12.2012	**1,176**	**20,176**	**2**	**21,354**
Increase in capital reserve	42	0	0	42
Other comprehensive income	0	10,030	-2	10,028
At 31.12.2013	**1,218**	**30,206**	**0**	**31,424**

Note 5 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.

"*Manufacturing*" – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy and Rifas UAB.

"*Real estate*"– Real estate development, maintenance and rental. 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.

Unallocated items – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies; management services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

For the period 1 January – 31 December	Manu-facturing	Real estate	Un-allocated activities	Elimi-nations	Consoli-dated
2013					
Revenue from external customers	42,935	2,432	2,921	0	48,288
Inter-segment revenue	582	1,005	349	-1,936	0
Total revenue	**43,517**	**3,437**	**3,270**	**-1,936**	**48,288**
Operating profit	1,048	1,188	-421	-72	**1,743**
Segment assets	23,729	11,992	4,504	-666	39,559
Indivisible assets					31,512
Total assets					**71,071**
2012					
Revenue from external customers	47,728	2,395	2,678	0	52,801
Inter-segment revenue	464	1,003	300	-1,767	0
Total revenue	**48,192**	**3,398**	**2,978**	**-1,767**	**52,801**
Operating profit	1,280	1,140	-367	-83	**1,970**
Segment assets	22,402	10,886	3,303	-812	35,779
Indivisible assets					23,830
Total assets					**59,609**

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Revenue by markets:

For the period 1 January – 31 December	**2013**	**2012**
Estonia	17,936	17,744
Finland	23,441	25,525
Lithuania	2,636	3,024
Sweden	867	1,246
Other EU countries	642	2,639
Non-EU countries	2,766	2,623
Total	**48,288**	**52,801**

Revenue by business area:

For the period 1 January – 31 December	**2013**	**2012**
Electrical equipment	39,969	44,079
Sheet metal products and services	925	1,143
Boxes for telecom sector and services	1,129	1,057
Intermediary sale of electrical products and components	3,446	3,586
Commerce and mediation of services	104	372
Rental income	2,192	2,180
Other services	523	384
Total	**48,288**	**52,801**

Note 6 Financing income and costs

For the period 1 January – 31 December	**2013**	**2012**
Interest income	24	9
Dividend income	948	854
Income from sale of investments	1,676	175
Net loss from foreign exgrowth/decrease differences	0	4
Total financing income	**2,648**	**1,042**
Interest expense	-33	-45
Net loss from foreign exgrowth/decrease differences	-13	0
Total financing costs	**-46**	**-45**

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 31.12.2013 the Group had 434.96 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 3 may 2012 the price of a share was established at the level of 2.36 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 0.50 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 2.86 (2.36+0.50) euros and the potential shares become dilutive only after their average market price of the period exceed 2.86 euros.

The average market price of the share of 1-12/2013 was 2.72 euros and of 1.10.-31.12.2013 was it 2.64 euros. Hence, the potential shares did not have any diluting effect.

For the period 1 January – 31 December	Unit	**2013**	**2012**
Profit attributable to equity holders of the Company	EUR‘000	5,162	3,517
Average number of shares outstanding	Pc‘000	17,400	17,093
Basic and diluted earnings per share	EUR	0.30	0.21
1 October – 31 December			
Profit attributable to equity holders of the Company	EUR‘000	327	207
Average number of shares outstanding	Pc‘000	17,400	17,400
Basic and diluted earnings per share	EUR	0.02	0.01

Note 8 Further information on line items in the statement of cash flows

For the period 1 January – 31 December	Note	**2013**	**2012**
Corporate income tax paid			
Income tax expense		-475	-482
Prepayment decrease (+)/ increase (-); liability decrease (-)/ increase (+)		-101	66
Deferred income tax (income -)		-3	28
Corporate income tax paid		**-579**	**-388**
Interest received			
Interest income	6	24	9
Receivable increase (-)		-2	0
Interest received		**22**	**9**
Interest paid			
Interest expense	6	-33	-45
Liability decrease		0	-1
Interest paid		**-33**	**-46**
Paid for investment property			
Additions of investment property	2	-1,644	-61
Liability decrease (-)/ increase (+) incurred by purchase		-6	-39
Acquisition of investment property		**-1,650**	**-100**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-532	-486
Acquired with finance lease		103	28
Liability decrease (-)/ increase (+) incurred by purchase		0	-5
Acquisition of property, plant and equipment		**-429**	**-463**
Paid for intangible assets			
Additions of intangible assets	2	-142	-140
Liability decrease (-)/ increase (+) incurred by purchase		4	-27
Effect of movements in exchange rates		0	-1
Acquisition of intangible assets		**-138**	**-168**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	0	6
Profit on disposal of property, plant and equipment		16	6
Proceeds from sale of property, plant and equipment		**16**	**12**
Proceeds from sale of intangible assets			
Book value of disposed property, plant and equipment	2	15	0
Profit on disposal of property, plant and equipment		-4	0
Proceeds from sale of intangible assets		**11**	**0**

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Note 9 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 32.0% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's supervisory and management boards. The management board has one member and the supervisory board has five members.

Group has purchased goods and services from and sold goods and services to related parties as follows:

For the period 1 January – 31 December	**2013**	**2012**
Purchase of goods and services from related parties:		
- from associates	479	474
- from Harju KEK	1,686	67
TOTAL	2,165	541
Inclusive:		
- goods and materials for manufacturing	479	474
- lease of property, plant and equipment	47	65
- other	1	2
- purchase of property, plant and equipment	1,638	0
Sale of goods and services to related parties:		
- to associates	774	722
- to Harju KEK	19	5
TOTAL	793	727
Inclusive:		
- goods and materials for manufacturing	26	18
- lease of property, plant and equipment	678	680
- other	89	29
Balances with related parties at 31 December		
Receivables with associates: goods and services	154	209
Payables with associates: goods and services	42	56

Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	185	192
- social security and other taxes on salaries	61	63
TOTAL	246	255

The member/Chairman of the Management Board receives remuneration in accordance with the contract and is also entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the management board. The member/Chairman of the Management Board has no rights related to pension. During the quarter, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In 2012, option contracts were concluded with the Group's employees and the members of the directing bodies of Group-related companies. Each member of the management and supervisory boards was issued an option for the subscription of up to 20 thousand shares, i.e. 120 thousand shares in aggregate.

During the conclusion period of preliminary contracts, from 18 June to 29 June 2012, the subscription rights for a total of 434,960 shares were registered. The issue price of the shares was determined to be the average price of the share of AS Harju Elekter in euros on the Tallinn Stock Exchange during the trading days of 01.06.-15.06.2012. Thus, the issue price of the share amounted to 2.36 euros.

IFRS 2 principles are used to record the subscription rights for shares. In evaluating the services (labour input) received from the employees for the shares, the Group used the fair value of the subscription right at the moment of concluding the preliminary contracts, the value of which was estimated at 0.50 euros per subscription right by an independent expert. Fair value was assessed using the Black-Scholes pricing model. In determining the price, the weighted average market price of the share (2.36 euros), estimated volatility of the share (35%), risk-free interest rate (1%), forecasted dividends and the length of period between the conclusion of preliminary contracts and the planned subscription moment of shares (3 years) has been taken into account.

In the year 2013, the Group recorded 73,000 (85,000 y-o-y) euros as labour costs and share-based benefits under shareholder's equity and retained earnings.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2013 as set out on pages 3 to 22 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.

/signature/
Andres Allikmäe
Managing director/ CEO
„27th"February 2014