

AS HARJU ELEKTER

Interim report 1-3/2015

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
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CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 st of January 2015
End of the reporting period:	31 st of March 2015

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-3/2015 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy and Rifas UAB are consolidated line-by-line. AS Harju Elekter still has a holding of 90% in Harju Elekter AB; however, the activity of the company has been suspended as of 01 April 2014.

As of 31 March 2015, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.3.15	31.12.14	31.3.14
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic Oy	Subsidiary	Finland	100.0%	100.0%	100.0%
Finnkumu Oy	Satmatic Oy`s subsidiary	Finland	100.0%	100.0%	0.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	62.7%	62.7%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	4.6%	5.4%

The shares of PKC Group Oyj are presented in the statement of financial position 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

Recovery of the global economy has been spurred by the highly stimulating monetary policy of central banks, also supported by low oil prices. In Q1, the US economy faced slight stagnation; however, according to the analysts of leading banks, it should not last long, since stock and real estate prices are both on the rise, the labour market is improving, and fuel prices are low. The Eurozone is also recovering; however, sustained recovery is questionable. Progress may be inhibited by political risks (Greece staying in the Eurozone) as well as by the neighbourhood (aggressiveness of Russia). The optimism of European entrepreneurs towards the future is nevertheless supported by the bond-buying program launched in March, with the volume being EUR 60 billion per month and within the framework of which the European Central Bank plans to purchase government bonds worth up to EUR 1.1 trillion over the next 18 months. The competitive ability of the Eurozone is also raised by extremely favourable euro interest rates and the weakening euro. Over the last nine months, the euro has weakened by almost a quarter against the dollar.

Even the factors supporting the economic environment of the Nordic countries are the same: stimulating monetary policies, low interest rates, and exchange rates that have weakened against the euro. Danish and Swedish central banks have implemented non-traditional measures to stimulate their economies, which have led to negative short-term interest rates. It is likely that the central banks of Norway and Sweden will lower interests even more. After several years, the Danish economy has finally begun to grow; however, the drop in crude oil prices and investments has cooled down the Norwegian economy. The Russian-Ukrainian conflict and the recession in Russia are definitely causing problems for the entire world; even so, the negative impact from Russian sanctions and the country's declining economy can be most strongly felt in the Baltic States and Finland, hindering their demand for imports. The economic outlook of Finland, an important trade partner for Estonia, is still weak and requires that supplementary saving measures be taken.

Experts from the Estonian Institute of Economic Research predict 1.8% growth for Estonia in 2015, an inflation rate of 0.6%, unemployment rate of 7.4%, and average salary of EUR 1050. The current state of Estonia's economy is satisfactory, relying, above all, on positive developments in private consumption, whereas the situation with investments remains poor. The well-being of Estonia's economic environment is also backed by strong business partners – Latvia, Lithuania, Germany and

Sweden – whose economies are doing quite well at the moment. The main risks to economic development in Estonia are specifically related to the Russian-Ukrainian conflict, which directly decreases the export demand for Estonian goods and services, as well as the standstill of the Finnish economy and uncertainty in the euro zone.

Main events

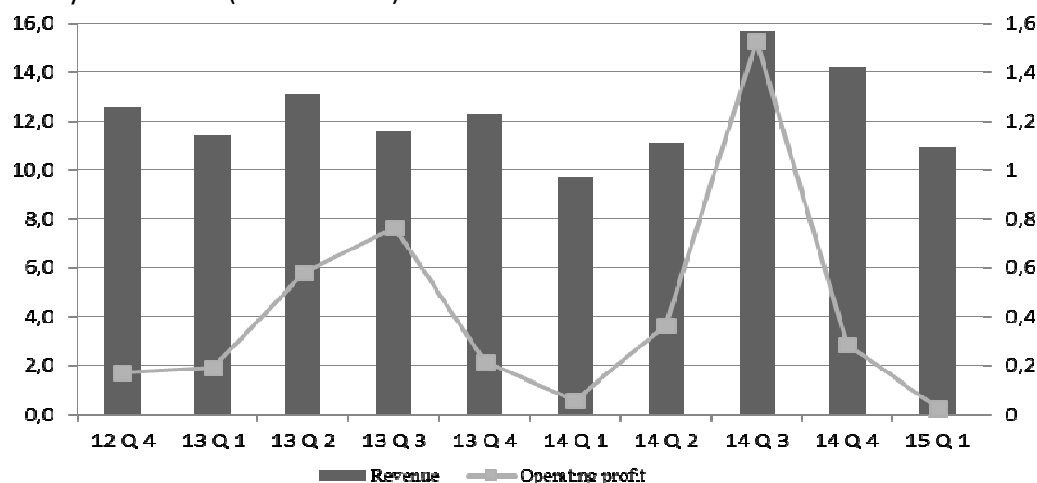
In January, the subsidiaries Satmatic Oy, Finnkumu Oy, AS Harju Elekter Elektrotehnika, and AS Harju Elekter Teletehnika participated in the (energy) distribution network trade fair Sähköverkot 2015, held in Finland, where they introduced the equipment and solutions developed by the companies specifically for the energy distribution sector. The AS Harju Elekter Trade Group presented its product range available in shops at the annual spring international building fair Estbuild, held in Tallinn.

Operating results

KEY INDICATORS

	January - March			Year
	2015	2014	2013	2014
Revenue (EUR'000)	10,945	9,661	11,390	50,606
Gross profit (EUR'000)	1,698	1,701	1,721	9,081
EBITDA (EUR'000)	388	441	555	3,741
EBIT (EUR'000)	29	56	188	2,228
Profit for the period (EUR'000)	10	371	717	9,778
incl attributed to Owners of the Company (EUR'000)	16	391	698	9,697
Revenue growth/decrease (%)	13.3	-15.2	-2.4	4.8
Gross profit growth/decrease (%)	-0.2	-1.2	-9.2	7.4
EBITDA growth/decrease (%)	-12.0	-20.5	-24.5	14.4
EBIT growth/decrease (%)	-48.2	-69.9	-49.8	27.8
Profit for the period growth/decrease (%)	-97.3	-48.3	21.1	89.0
incl attributed to Owners of the Company (%)	-95.6	-44.0	20.3	87.9
Distribution cost to revenue (%)	6.2	6.7	5.3	5.4
Administrative expenses to revenue (%)	9.4	10.1	8.2	8.0
Labour cost to revenue (%)	28.2	29.1	24.0	23.8
Gross margin (Gross profit/revenue) (%)	15.5	17.6	15.1	17.9
EBITDA margin (EBITDA/revenue) (%)	3.5	4.6	4.9	7.4
Operating margin (EBIT/revenue) (%)	0.3	0.6	1.7	4.4
Net margin (Profit for the period/revenue) (%)	0.1	3.8	6.3	19.3
ROE (Profit for the period/average equity) (%)	0.02	0.6	1.4	15.8

Seasonality of business (million euros)



SALES REVENUE

In the accounting quarter, the Group's consolidated revenue was 10.9 million euros, which was 13.3% more compared to the reference period.

The quarterly sales development by business area:

Business area	Q1 change y-o-y	Q1 2015	2014	2013	Year 2014
Electrical equipment	14.2%	8,894	7,787	9,331	42,867
Sheet metal products and services	4.8%	219	209	205	881
Boxes for telecom sector and services	5.8%	239	226	261	1,039
Intermediary sale of electrical products and components	18.0%	865	733	855	3,109
Rental income	-6.7%	513	550	546	2,153
Other services	37.8%	215	156	192	557
Total	13.3%	10,945	9,661	11,390	50,606

There has been a growth in sales revenue among almost all products and services. More than 91% of sales revenue originated from the sale of electrical equipment, having increased 14.2% in the reporting quarter. The biggest contribution to the increase of sales volume came from the Finnish segment. On 17 June 2014, Satmatic Oy purchased Finnkumu Oy – Finland's largest pre-fabricated substation producer – whose sales income in the reporting quarter was 1.1 million euros in the Finnish segment. The largest drop in sales revenue, 391,000 euros, was experienced on the Estonian market, caused mainly by the failure to fulfil one key customer's contractual sales volume, but also due to modest sales figures on the Swedish market, where a one one-off large-scale project was realised in the amount of 811,000 euros in Q1 2014.

The Lithuanian market remains unstable. The closing of the Russian market has brought with it strong price pressure on the local market. In the reporting quarter, Lithuanian segment companies have grown their sales volumes on the domestic and foreign markets totally by more than 65%, including exports to Norway, which grew from 182,200 euros to 656,100 euros.

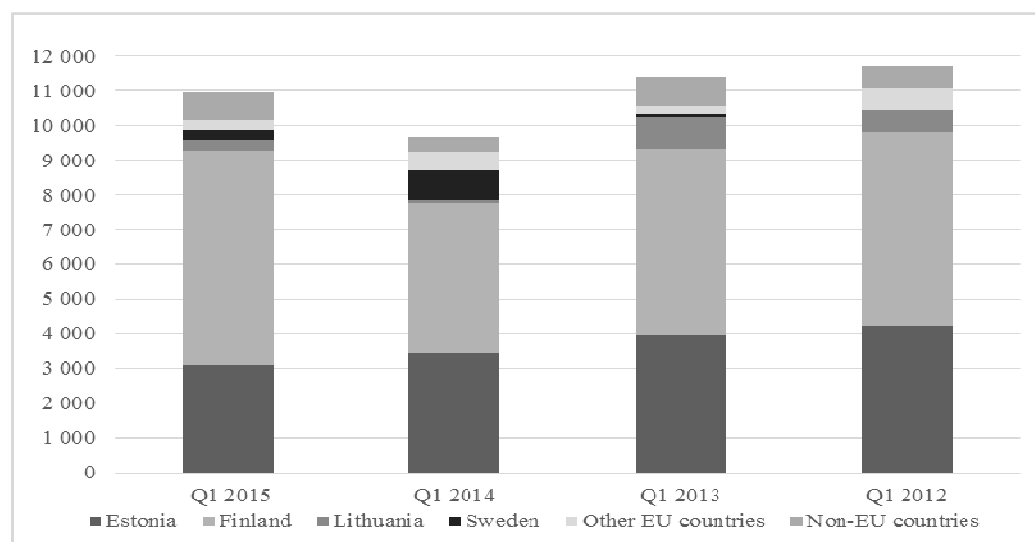
The quarterly sales development by markets:

Markets	Q1 change y-o-y	Q1 2015	2014	2013	2012	Year 2014
Estonia	-11.2%	3,086	3,477	3,956	4,224	15,183
Finland	43.7%	6,175	4,296	5,361	5,564	29,480
Lithuania	238.0%	311	92	917	650	1,037
Sweden	-64.4%	305	857	81	0	1,596
Other EU countries	-50.7%	251	509	251	597	1,144
Others	90.0%	817	430	823	636	2,166
Total	13.3%	10,945	9,661	11,390	11,671	50,606

72% of the Group's products and services were sold in foreign markets, outside Estonia (Q1 2014: 64%) and 87% revenues received from the Group's companies home markets - Estonia, Finland, Lithuania. Finland is the biggest market of the Group; accordingly, the sales volumes of the Group are strongly influenced by the events taking place on this market. In the reporting quarter, 56% of the Group's products and services were sold on the Finnish market (Q1 2014: 45%).

The Group's enterprises mainly have long-term contracts with clients on their domestic markets. Operations outside domestic markets are mainly project and commission-based, and are therefore constantly changing.

The quarterly sales development by markets (thousand euros)



The quarterly sales development by segments:

Segment	Q1 change y-o-y	Q1 2015	2014	2013	2012	Year 2014
Manufacturing	15.4%	9,815	8,504	10,152	10,412	45,814
Real estate	-5.2%	598	631	650	661	2,392
Unallocated activities	1.1%	532	526	588	598	2,400
Total	13.3%	10,945	9,661	11,390	11,671	50,606

90% of sales income was earned from the Production segment, and Real Estate together with other areas of activity contributed 10% of the consolidated sales volume. Income from rent was 33,000 euros less than in the comparable period due to the expiry of commercial lease contracts.

OPERATING EXPENSES

	Growth Q1 (%) y-o-y	3 months			year
		2015	2014	2013	2014
Operating expenses					
Cost of sales	16.2%	9,247	7,960	9,669	41,525
Distribution costs	5.1%	684	651	599	2,720
Administrative expenses	5.1%	1,026	976	939	4,042
Total expenses	14.3%	10 957	9,587	11,207	48,287
incl. depreciation of fixed assets	-6.5%	360	385	367	1,513
Total labour cost	9.7%	3,089	2,815	2,734	12,027
inclusive salary cost	10.0%	2,388	2,170	2,108	9,194

In the reporting quarter, the operating expenses increased by 14.3%. Since the cost of sales increased at a pace that exceeded the sales revenue, the gross profit margin decreased by 2.1 percentage points in comparison to the indicator for the comparable period.

In the reporting quarter, the distribution costs increased by 33,000 euros to 684,000 euros, the rate of distribution costs to revenue accounted for 6.2% (Q1 2014: 6.7%).

Administrative expenses were 49,000 euros higher than the indicator for the comparable period, and the rate of administrative expenses to revenue accounted for 9.4%, having decreased by 0.7 percentage points.

Although the Group had approximately 27 fewer employees in the reporting quarter than they did one year before, the labour and salary costs still increased by 9.7% up to 3.1 million euros. The rate of labour costs decreased to 28.2%, from 29.1% in Q1 2014.

EARNINGS AND MARGINS

In the first quarter the gross profit of the Group was 1.7 (Q1 2014: 1.7) million euros. The gross profit margin was 15.5% (Q1 2014: 17.6%).

The Group's operating profit of Q1 2015 was 29,000 (Q1 2014:56,000) euros and EBITDA 388,000 (Q1 2014: 441,000) euros. The slight decrease in operating profit is due to the seasonality and inventories growth. Return of sales for the accounting quarter was 0.3% (Q1 2014: 0.6%) and return of sales before depreciation 3.5% (Q1 2014: 4.6%).

In the reporting quarter, the finance income amounted to 14,000 euros and 17,000 euros in the comparative period. In Q1 2014, the Group consolidated from the associated company a profit of 324,000 euros. The Group sold the associated company in 2014. The consolidated profit of AS Draka Keila Cables contributed 87% of the Group's net profit for Q1 2014, also being the main reason for the decline of net profit.

Overall, the consolidated net profit of the Q1 2015 was 10,000 (Q1 2014: 371,000) euros, of which the share of the owners of the Company was 16,000 (Q1 2014: 391,000) euros. EPS in the Q1 was 0.0 (Q1 2014: 0.02) euros.

Employees and remuneration

In Q1 2015, the average 467 people worked in the Group – on the average by 27 persons more than in the reference period. In the first quarter, employee wages and salaries totalled 2,388 (Q1 2014: 2,170) thousand euros. The average wages per employee per month amounted 1,705 (Q1 2014: 1, 645) euros.

	Average number of employees			Number of employees			As at 31.12.2014
	Growth	Q1 2015	Q1 2014	Growth	Q1 2015	Q1 2014	
Estonia	7	290	283	1	303	302	311
Finland	12	92	80	13	92	79	92
Lithuania	9	85	76	13	88	75	80
Sweden	-1	0	1	-1	0	1	0
Total	27	467	440	26	483	457	483

As at the balance day on 31 March, there were 483 people working in the Group, which were 26 employees more than a year before. As at the beginning of the year, the number of employees has not changed.

Financial position and cash flows

During 3 months, the amount of the consolidated balance sheet increased by 5.3 million euros and compared to the period under review increased by 4.2 million euros up to 75.0 million euros, as of 31 March 2015.

During 3 months, the non-current assets increased by 4.0 million euros, but decreased by 4.8 million euros to 48.7 million euros, compared to the reference period. Most of the changes in the non-current assets derived from value adjustment of long-term financial investments in Helsinki Stock Exchange. The market price of PKC Group Oyj shares increased in accounting quarter by 3.07 (Q1 2014

decreased by 1.56) euros and the share price in Helsinki Stock Exchange in last trading day of March was 20.54 (Q1 2014: 18.05) euros. The cost of investment in assets and reserves in equity capital increased by the profit of 3.4 million euros; within the comparable period decreased by the loss of 2.0 million euros.

	Growth		31.03.	31.03.	31.03.	31.12.
	y-o-y	Q1 2015	2015	2014	2013	2014
Current assets	9,012	1,214	26,355	17,343	18,120	25,141
Non-current assets	-4,800	4,036	48,687	53,487	46,034	44,651
TOTAL ASSETS	4,212	5,250	75,042	70,830	64,154	69,792
Current liabilities	2,711	1,862	10,252	7,541	8,824	8,390
Non-current liabilities	419	0	1,560	1,141	1,349	1,560
Equity	1,082	3,388	63,230	62,148	53,981	59,842
incl attributable to owners of the Company	1,014	3,397	61,872	60,858	52,608	58,475
Equity ratio (%) (Equity/total assets)*100 (%)	-3.4	-1.4	84.3	87.7	84.1	85.7
Current ratio (Average current assets/ Average current liabilities)	0.4	0.0	2.8	2.4	2.0	2.8
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.3	-0.1	1.8	1.5	1.3	1.9

During the 3-months period, the Group's investments to non-current assets totalled 1.04 (Q1 2014: 0.40) million euros.

Trade receivables and prepayments grew by 0.75 million euros to 7.7 million euros and inventories by 2.2 million euros, to 10.3 million euros in the reporting quarter. In three months, the trade payables and other payables increased by 2.0 million euros to 10.0 million euros and total current liabilities of the Group by 1.9 million euros to 10.3 million euros.

The Group's 3-month current ratio improved by 0.4, compared to the reference period, being 2.8, and the quick ratio by 0.3, being 1.8.

As at the balance date, interest-bearing liabilities accounted for 8.7% of the Group's liabilities and 1.4% of the cost of assets; as at 31.03.2014 –19.4% and 2.4%, respectively. The Group had a total of interest-bearing debt obligations of 1.0 (31.3.2014: 1.7) million euros, of which current portion amounted 0.21 (31.3.2014: 0.58) million euros. During 3 months, short-term bank loans were reduced by 73,000 euros to 0.21 million euros.

	3 months			Year
	2015	2014	2013	2014
Cash flows from operating activities	-507	523	266	2,760
Cash flows from investing activities	-1,112	-368	383	5,580
Cash flows from financing activities	-73	-72	28	-2,451
Net cash flow	-1,692	83	677	5,889

During the quarter under review, non-current asset invoices were paid in the amount of 1.1 (Q1 2014: 0.4) million euros. In Q1, real estate development in the Allika Industrial Village continued, for which 480,000 euros was paid, with another 460,000 euros invested into production equipment.

During the accounting quarter, cash and cash equivalents decreased by 1.7 million euros to 8.3 million euros; within the comparable period increased by 84,000 euros to 4.2 million euros.

In the reporting quarter, 35,000 euros in short-term financial assets were sold.

Subsequent events

The general meeting of shareholders of PKC Group Oyj, held on 1 April 2015, decided to pay dividends amounting to 0.70 euros per share. Dividends were transferred to the bank accounts of shareholders on 14 April 2015. AS Harju Elekter owns 1,094,641 of PKC Group Oyj shares. The dividend income of 766,000 euros is reflected in the profit for Q2 of 2015. The 15% income tax on dividends, withheld in Finland, accounted for 115,000 euros and accordingly. The cash flow from investment activity (PKC Group dividends) accounted for 651,000 euros.

On 14 April, the Management Board of AS Harju Elekter sent out invitations to its shareholders on convening a regular meeting of shareholders in the Keila Kultuurikeskus, on 14 May 2015. The Board will propose to the AGM to pay a dividend of 0.15 (2013: 0.10) euros per share for the year 2014, totalling 2.61 (2013: 1.74) million euros.

On 23 April 2015, AS Harju Elekter signed a contract for the purchase of all shares in Lithuanian subsidiary UAB Rifas. In the transaction, AS Harju Elekter acquired a holding of 37% in their subsidiary UAB Rifas, in addition to the previously acquired 63%, and in doing so became the sole owner of the company. The purchase transaction enters into force on 28 April 2015, at the latest. After the transaction, Rifas UAB will continue to operate under its own name and brand as a wholly-owned subsidiary of AS Harju Elekter.

Supervisory and management boards

The Supervisory Board of AS Harju Elekter has 5 members with the following membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Mr. Ain Kabal (Estonian Defence Forces, Head of legal department), Mr. Aare Kirsme (Chairman of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant).

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.

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	2011	2012	2013	2014	3M 2015
Open	3.10	2.30	2.64	2.77	2.79
High	3.54	2.80	2.92	2.85	2.96
Low	2.19	2.30	2.46	2.52	2.69
Last	2.28	2.64	2.70	2.79	2.91
Traded volume	663,917	759,869	936,162	800,823	169,934
Turnover, million	1.88	1.88	2.48	2.17	0.48
Capitalisation, million	38.30	45.94	46.98	48.55	50.63
Overage number of the shares	16,800,000	17,093,443	17,400,000	17,400,000	17,400,000
EPS	0.17	0.21	0.30	0.02	0.00

As at March 31 2015 AS Harju Elekter had 1,536 shareholders. The number of shareholders increased during the accounting period by 63 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32.0% of AS Harju Elekter's share capital. At 31 March 2015, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.1% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Share price (in euros) in Tallinn Stock growth/decrease, 1.01.2014 - 31.3.2015



Shareholders structure by size of holding at 31 March 2015

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.13	42.92
1.0 – 10.0%	12	0.78	27.91
0.1 – 1.0 %	58	3.78	15.04
< 0.1%	1,464	95.31	14.13
Total	1,536	100.0	100.0

Shareholders (above 5%) at 31 March 2015

Shareholder	Holding (%)
HARJU KEK AS	32.00
ING LUXEMBOURG S.A.	10.92
Endel Palla	6.32
Tiina Kirsme	5.06
Other	45.70

INTERIM FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

ASSETS	Note	31.3.2015	31.12.2014	31.3.2014
Current assets				
Cash and cash equivalents		8,292	9,984	4,186
Current financial investments		0	35	0
Trade receivables and other receivables		6,847	6,484	5,928
Prepayments		842	455	363
Income tax prepayments		99	79	54
Inventories		10,274	8,104	6,812
Total current assets		26,354	25,141	17,343
Non-current assets				
Deferred income tax asset		0	0	6
Investments in associate	2	0	0	3,922
Other long-term financial investments	2	22,505	19,145	29,319
Investment property	2	12,364	12,109	11,676
Property, plant and equipment	2	8,390	7,968	8,066
Intangible assets	2	5,429	5,429	498
Total non-current assets		48,688	44,651	53,487
TOTAL ASSETS		75,042	69,792	70,830
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	205	278	582
Trade payables and other payables		8,935	6,989	6,151
Tax liabilities		1,080	1,072	761
Income tax liabilities		12	12	15
Short-term provision		20	39	32
Total current liabilities		10,252	8,390	7,541
Interest-bearing loans and borrowings	3	818	818	1,098
Other non-current liabilities		742	742	43
Non-current liabilities		1,560	1,560	1,141
Total liabilities		11,812	9,950	8,682
Equity				
Share capital		12,180	12,180	12,180
Share premium		240	240	240
Reserves		22,754	19,393	29,394
Retained earnings		26,698	26,664	19,044
Total equity attributable to equity holders of the parent		61,872	58,477	60,858
Non-controlling interests		1,358	1,365	1,290
Total equity		63,230	59,842	62,148
TOTAL LIABILITIES AND EQUITY		75,042	69,792	70,830

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the period 1 January –31 March	Note	2015	2014
Revenue	4	10,945	9,661
Cost of sales		-9,247	-7,960
Gross profit		1,698	1,701
Distribution costs		-684	-651
Administrative expenses		-1,025	-976
Other income		54	9
Other expenses		-14	-27
Operating profit	4	29	56
Finance income	5	14	17
Finance costs	5	-7	-8
Share of profit of equity-accounted investees	2	0	324
Profit before tax		36	389
Income tax expense	7	-26	-18
Profit for the period		10	371
Profit attributable to:			
Owners of the Company	6	16	391
Non-controlling interests		-6	-20
Profit for the period		10	371
Earnings per share			
Basic earnings per share (EUR)	6	0.00	0.02
Diluted earnings per share (EUR)	6	0.00	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January –31 March	Note	2015	2014
Profit for the period		10	371
Other comprehensive income			
Net growth/decrease in fair value of available-for-sale financial assets	2	3,360	-2,020
Currency translation differences		0	-12
Other comprehensive income for the period, net of tax		3,360	-2,032
Total comprehensive income for the period		3,370	-1,661
Total comprehensive income attributable to:			
Owners of the Company		3,376	-1,639
Non-controlling interests		-6	-22
Total comprehensive income for the period		3,370	-1,661

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 March	Note	2015	2014
Cash flows from operating activities			
Operating profit	4	29	56
<u>Adjustments for:</u>			
Depreciation and amortisation	2	359	385
Gain on sale of property, plant and equipment		-16	0
Share-based payment transactions	7	18	18
Growth/decrease in receivables related to operating activity		-742	-334
Growth/decrease in inventories		-2,170	-1,011
Growth/decrease in payables related to operating activity		2,068	1,448
Corporate income tax paid	7	-46	-31
Interest paid	5	-7	-8
Net cash from operating activities		-507	523
Cash flows from investing activities			
Acquisition of investment property	7	-489	-107
Acquisition of property, plant and equipment	7	-649	-177
Acquisition of intangible assets	7	-32	-87
Proceeds from sale of property, plant and equipment		18	0
Proceeds from sale of other financial investments		35	0
Interest received	7	5	3
Net cash used in investing activities		-1,112	-368
Cash flows from financing activities			
Growth/decreases in short-term loans	3	0	-13
Payment of finance lease principal	3	-73	-59
Net cash used in financing activities		-73	-72
Net cash flows		-1,692	83
Cash and cash equivalents at beginning of period		9,984	4,102
Net increase / decrease		-1,692	83
Effect of exgrowth/decrease rate fluctuations on cash held	5	0	1
Cash and cash equivalents at end of period		8,292	4,186

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to owners of the Company						TOTAL	Non- Control- ling interests	TOTAL EQUITY
	Share capital	Share pre- mium	Capital reserve	Fair value reserve	Trans- lation reserve	Retained earnings			
At 31 December 2013	12,180	240	1,218	30,206	0	18,635	62,479	1,340	63, 819
Comprehensive income									
Profit for the period	0	0	0	0	0	391	391	-20	371
Other comprehensive income the period	0	0	0	-2,020	-10	0	-2,030	-2	-2,032
Total comprehensive income	0	0	0	-2, 020	-10	391	-1,639	-22	-1, 661
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	18	18	0	18
Dividends	0	0	0	0	0	0	0	-28	-28
At 31 March 2014	12,180	240	1,218	28,186	-10	19,044	60,858	1,290	62,148
At 31 December 2014	12,180	240	1,218	18,184	-9	26,664	58,477	1,365	59,842
Comprehensive income									
Profit for the period	0	0	0	0	0	16	16	-6	10
Other comprehensive income for the period	0	0	0	3,360	0	0	3,360	0	3,360
Total comprehensive income	0	0	0	3,360	0	16	3,376	-6	3,370
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	18	18	0	18
At 31 March 2015	12,180	240	1,218	21,544	-9	26,698	61,871	1,359	63,230

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 31.3.2015 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Finnkumu Oy and Rifas UAB (together referred to as the Group). 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 31.12.2014. 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 2014 annual report.

According to the assessment of the management board, the interim report for 1-3/2015 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 March	2015	2014
Investments in associate		
At 1 January	0	3,598
Profit under the equity method	0	324
At the end of the period	0	3,922
Other long-term financial investments		
At 1 January	19,145	31,339
Growth/decreases in the fair value reserve	3,360	-2,020
At the end of the period	22,505	29,319
Investment property		
At 1 January	12,110	11,663
Additions	364	123
Depreciation charge	-110	-110
At the end of the period	12,364	11,676

Note 2 Non-current assets (continued)

For the period 1 January – 31 March	2015	2014
Property, plant and equipment		
At 1 January	7,968	8,129
Additions	639	184
Disposals	-2	0
Depreciation charge	-215	-247
At the end of the period	8,390	8,066
Intangible assets		
At 1 January	5,429	436
Additions	34	90
Depreciation charge	-34	-28
At the end of the period	5,429	498

Note 3 Interest-bearing loans and borrowings

	31.3.2015	31.12.2014	31.3.2014
Liabilities			
Short-term bank loans	0	0	345
Current portion of lease liabilities	205	278	237
Total current liabilities	205	278	582
Non-current liabilities			
Lease liabilities	818	818	1,098
Total non-current liabilities	818	818	1,098
TOTAL	1,023	1,096	1,680

Growth/decreases during the period 1 January – 31 March

	2015	2014
Loans and borrowings at the beginning of the year	1,096	1,752
Growth/decreases in short-term loans	0	-13
Payment of finance lease principal	-73	-59
Loans and borrowings at the end of the current period	1,023	1,680

Note 4 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, Finnkumu Oy and UAB Rifas.

“*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 March	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
2015					
Revenue from external customers	9,815	598	532	0	10,945
Inter-segment revenue	53	271	87	-411	0
Total revenue	9,868	869	619	-411	10,945
Operating profit	-195	252	-29	1	29
Segment assets	35,614	12,702	8,499	-7,350	49,465
Indivisible assets					25,577
Total assets					75,042
2014					
Revenue from external customers	8,503	632	526	0	9,661
Inter-segment revenue	80	270	148	-498	0
Total revenue	8,583	902	674	-498	9,661
Operating profit	-118	286	-93	-19	56
Segment assets	25,818	12,011	4,297	-769	41,357
Indivisible assets					29,473
Total assets					70,830

Revenue by markets:

For the period 1 January – 31 March	2015	2014
Estonia	3,086	3,477
Finland	6,175	4,296
Lithuania	311	92
Sweden	305	857
Other EU countries	251	509
Non-EU countries	817	430
Total	10,945	9,661

Revenue by business area:

For the period 1 January – 31 March	2015	2014
Electrical equipment	8,894	7,787
Sheet metal products and services	219	209
Boxes for telecom sector and services	239	226
Intermediary sale of electrical products and components	865	733
Commerce and mediation of services	90	90
Rental income	513	550
Other services	125	66
Total	10,945	9,661

Note 5 Finance income and costs

For the period 1 January – 31 March	2015	2014
Interest income	13	5
Net loss from foreign exgrowth/decrease differences	0	1
Other	1	11
Total finance income	14	17
Interest expense	-7	-8
Total finance costs	-7	-8

Note 6 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 31.3.2015 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 1-3/2015 was 2.80 euros and 2.79 euros in the comparative period. Hence, the potential shares did not have any diluting effect.

For the period 1 January – 31 March	Unit	2015	2014
Profit attributable to equity holders of the parent	EUR'000	391	391
Average number of shares outstanding	Pc'000	17,400	17,400
Basic earnings per share	EUR	0.00	0.02
Adjusted number of shares during the period	Pc'000	17,400	17,400
Diluted earnings per share	EUR	0.00	0.02

Note 7 Further information on line items in the statement of cash flows

For the period 1 January – 31 March	Note	2015	2014
Corporate income tax paid			
Income tax expense		-26	-18
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-20	-13
Corporate income tax paid		-46	-31
Interest received			
Interest income	5	13	5
Receivable increase (-)		-8	-2
Interest received		5	3
Paid for investment property			
Additions of investment property	2	-364	-123
Liability decrease (-)/ increase (+) incurred by purchase		-125	16
Acquisition of investment property		-489	-107
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-639	-184
Liability decrease (-)/ increase (+) incurred by purchase		-10	7
Acquisition of property, plant and equipment		-649	-177
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	2	0
Profit on disposal of property, plant and equipment		16	0
Proceeds from sale of property, plant and equipment		18	0
Paid for intangible assets			
Additions of intangible assets	2	-34	-90
Liability decrease (-)/ increase (+) incurred by purchase		2	-3
Acquisition of intangible assets		-32	-87

Note 8 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 32.0% of the shares of AS Harju Elekter and until 30.6.2014 associated company AS Draka Keila Cables. 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 March	2015	2014
Purchase of goods and services from related parties:		
- from associates	0	103
- from Harju KEK	20	139
TOTAL	20	242
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	103
- lease of property, plant and equipment	16	16
- purchase of property, plant and equipment	4	123
Sale of goods and services to related parties:		
- to associates	0	188
- to Harju KEK	1	1
TOTAL	1	189
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	7
- lease of property, plant and equipment	0	170
- other	1	12
Balances with related parties at 31 March		
Receivables with associates: goods and services	0	154
Payables with associates: goods and services	0	44
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	46	55
- social security and other taxes on salaries	15	18
TOTAL	61	73

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 Q1 2015, the Group recorded 18,000 (18,000 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 1-3/2015 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
„28th“ April 2015