



AS HARJU ELEKTER

Interim report 1-6/2015

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 OÜ
Beginning of the reporting period:	1 st of January 2015
End of the reporting period:	30 th of June 2015

The interim report of Harju Elekter Group on 26 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/2015 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, UAB Rifas and UAB Automatikos Iranga 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 1 April 2014. On 27 April 2014 AS Harju Elekter acquired a holding of 37% in their subsidiary UAB Rifas, in addition to the previously acquired 63%, and became the sole owner of the company.

As of 30 June 2015, AS Harju Elekter has holdings as follows:

Company		Country	30.6.15	31.12.14	30.6.14
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%
UAB Rifas	subsidiary	Lithuania	100.0%	62.7%	62.7%
UAB Automatikos Iranga	UAB Rifas's subsidiary	Lithuania	51.0%	51.0%	51.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	4.6%	6.3%
Skeleton Technologies Group OÜ	financial investment	Estonia	10.0%	0.0%	0.0%

In the reporting quarter, AS Harju Elekter acquired a 10% holding in Skeleton Technologies Group OÜ, a company developing and manufacturing ultra-capacitors.

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

The extremely stimulating monetary policy of the central banks along with falling oil prices have been the driving force behind the recovery of the global economy. At the same time the International Monetary Fund (IMF) cut their 2015 growth prognosis to 3.3% in relation to the slow economic growth of the USA in Q1, the pressing Greek debt issue and unfavourable developments in the Chinese stock markets. According to estimates of leading analysts, global economic growth will also be modest in the longer term, with the factors behind this trend being the demographic situation in Western countries, the modest volume of investments and global trade slowing down.

The economy of the eurozone is moving on the previously estimated course, in May also coming out of a nearly half-year deflation. Due to the activity of the European Central Bank interest payments on loans given to companies and households have decreased. National economies are mainly driven by internal demand, as the share of exports remains modest due to the impact of the global economy and the related risks. When it comes to the main trade partners of Estonia, the economic climate is good in Sweden and Lithuania, not so good in Finland and Latvia, and poor in Russia.

Eesti Pank has estimated an economical growth of 2.2% for Estonia for the year 2015, with the rate of inflation being 0.6%, an unemployment rate of 5.9% and an average salary or wages of

1,050 euros. The current situation of the Estonian economy is satisfactory, being mainly based on positive developments in private consumption, while the situation has not improved in the area of investments. The favorable course of the Estonian economic environment is based on its strong business partners – Latvia, Lithuania, Germany and Sweden, whose economies are doing well at the moment. The main risks to economic development in Estonia are related to the Russian-Ukrainian conflict, which directly decreases the export demand for Estonian products and services, but also the standstill of the Finnish economy and uncertainty in the eurozone.

Main events

There were 44 employees participating in the share option program of 2012–2015 targeted at the members of the governing bodies of the group's companies, its top specialists and engineers, as well as the members of the governing bodies of the affiliates of AS Harju Elekter, with a total of 339,880 shares being subscribed for between 16–30 June. This increase in the share capital of AS Harju Elekter was entered to the commercial register on 22 July 2015, after which the share capital of AS Harju Elekter amounting to 12.42 million euros was divided into 17,739,880 ordinary named shares.

On 25 June, the newly completed production building (Angerja tee 40, Harku) in Allika Industrial Park, owned by AS Harju Elekter, was ceremonially delivered to the commissioning party (AS Harju Elekter) and the keys and the documentation of the building were handed over to OÜ Eccua, its tenant. Allika Industrial Park, with its attractive location at the intersection of the Paldiski highway and Tallinn ring road, has a total of 18 lots fitted with technological utilities. Currently there are two production companies operating in the industrial park.

At its 2 June 2015 sitting, the Supervisory Board of AS Harju Elekter decided to approve a strategic investment in Skeleton Technologies Group OÜ, a company developing and manufacturing ultracapacitors, by acquiring a 10% holding in the company. AS Harju Elekter sees the attractiveness of the investment in both an increase of its value as well as the possible participation of the company in the development, production and use of modular systems of ultracapacitors in management and switching systems.

The subsidiary AS Harju Elekter Elektrotehnika participated in the biggest electricity sector trade fair in the Nordic region – Elfack 2015 – held in Gothenburg, Sweden, from 5 to 8 May. There, a substation unit devised by the company specifically based on the requirements of the Swedish market was presented to the visitors of the fair. We also unveiled a prototype of a low voltage converter device for a substation with power management capacity, developed under the leadership of Marek Mägi (PhD, TUT), an electrical engineer of AS Harju Elekter Elektrotehnika, and in cooperation with the Tallinn University of Technology.

In April AS Harju Elekter signed a contract to purchase all the shares of UAB Rifas, its Lithuanian subsidiary. Acquiring all the shares of UAB Rifas was a strategic decision of the Group, thereby ensuring its positions in Lithuania and the export markets. The company is going to proceed under its own name and brand as a 100% subsidiary of AS Harju Elekter.

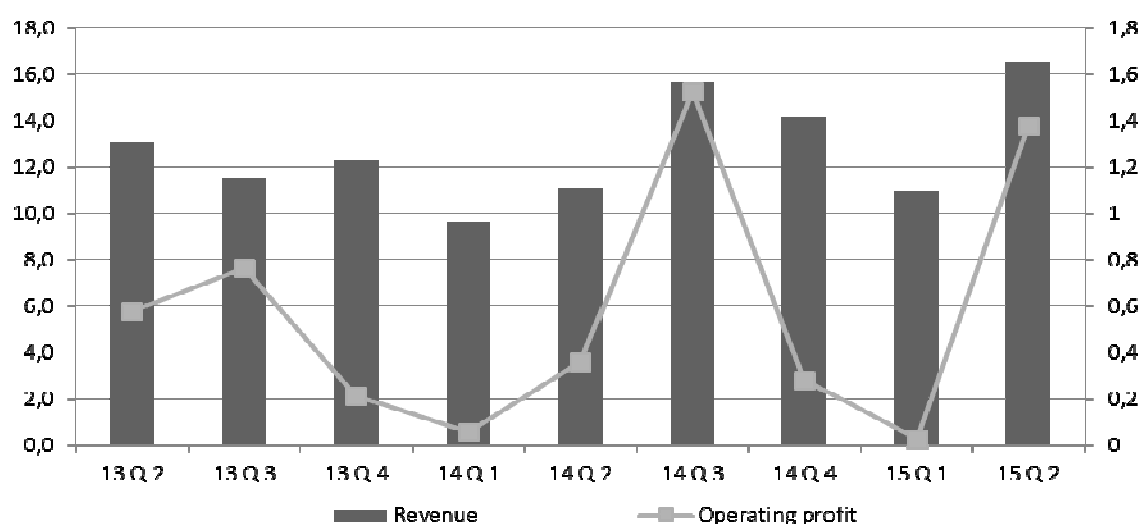
In January, the subsidiaries Satmatic Oy, Finnkumu Oy, AS Harju Elekter Elektrotehnika, and AS Harju Elekter Teletehnika participated in the (energy) distribution network trade fair Sähköverkot 2015, held in Finland, where they introduced the equipment and solutions developed by the companies specifically 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 - June			Year
	2015	2014	2013	2014
Revenue (EUR'000)	27,535	20,753	24,450	50,606
Gross profit (EUR'000)	4,779	3,616	4,066	9,081
EBITDA (EUR'000)	2,139	1,177	1,507	3,741
EBIT (EUR'000)	1,408	418	768	2 228
Profit for the period (EUR'000)	1,583	6,325	2,470	9,778
incl attributed to Owners of the Company (EUR'000)	1,572	6,361	2,403	9,697
Revenue growth/decrease (%)	32.7	-15.1	-5.1	4.8
Gross profit growth/decrease (%)	32.1	-11.1	-4.6	7.4
EBIDTA growth/decrease (%)	81.8	-21.9	-12.8	14.4
EBIT growth/decrease (%)	236.8	-45.5	-23.7	27.8
Profit for the period growth/decrease (%)	-75.0	156.1	17.3	89.0
incl attributed to Owners of the Company (%)	-75.3	164.7	15.9	87.9
Distribution cost to revenue (%)	4.9	6.2	5.3	5.4
Administrative expenses to revenue (%)	7.5	9.2	8.1	8.0
Labour cost to revenue (%)	22.8	27.8	23.9	23.8
Gross margin (Gross profit/revenue) (%)	17.4	17.4	16.6	17.9
EBITDA margin (EBITDA/revenue) (%)	7.8	5.7	6.2	7.4
Operating margin (EBIT/revenue) (%)	5.1	2.0	3.1	4.4
Net margin (Profit for the period/revenue) (%)	5.7	30.5	10.1	19.3
ROE (Profit for the period/average equity) (%)	2.6	10.2	4.7	15.8

Seasonality of business (million euros)



REVENUE

Consolidated revenue for the reporting quarter was 16.6 (Q2 2014: 11.1) million euros and for the first half of the year 27.5 (H1 2014: 20.8) million euros. During the reporting quarter, sales revenue increased by 52% or 5.6 million euros compared to the previous quarter and 50% or 5.5 million euros in relation to the comparison period.

The quarterly sales development by business area:

	Growth %	Q2 2015	Q2 2014	Q2 2013	Year 2014
	Q/Q				
Electrical equipment	59.4	14,392	9,031	10,951	42,867
Sheet metal products and services	-31.1	227	330	228	881
Boxes for telecom sector and services	19.3	321	269	301	1,039
Intermediary sale of electrical products and components	20.5	936	777	914	3,109
Rental income	-8.9	501	550	549	2,153
Other services	57.8	213	135	117	557
Total	49.6	16,590	11,092	13,060	50,606

There has been a growth in sales revenue among almost all products and services. 87% (Q2 2014: 81%) of the reporting quarter sales revenue originated from the sale of electrical equipment. There was 14.4 million euros worth of electrical equipment sold in the reporting quarter, which was 5.4 million euros or 59% more than in the comparison quarter, with sales of equipment growing 38% in the 1st half of the year, to 23.3 million euros. The biggest contribution to the increase of sales volume came from Finnkumu Oy, whose sales income not included in H1 2014 results and from UAB Rifas, whom realized a one large-scale project to Norwegian market in the reporting quarter.

Performance by geographical markets:

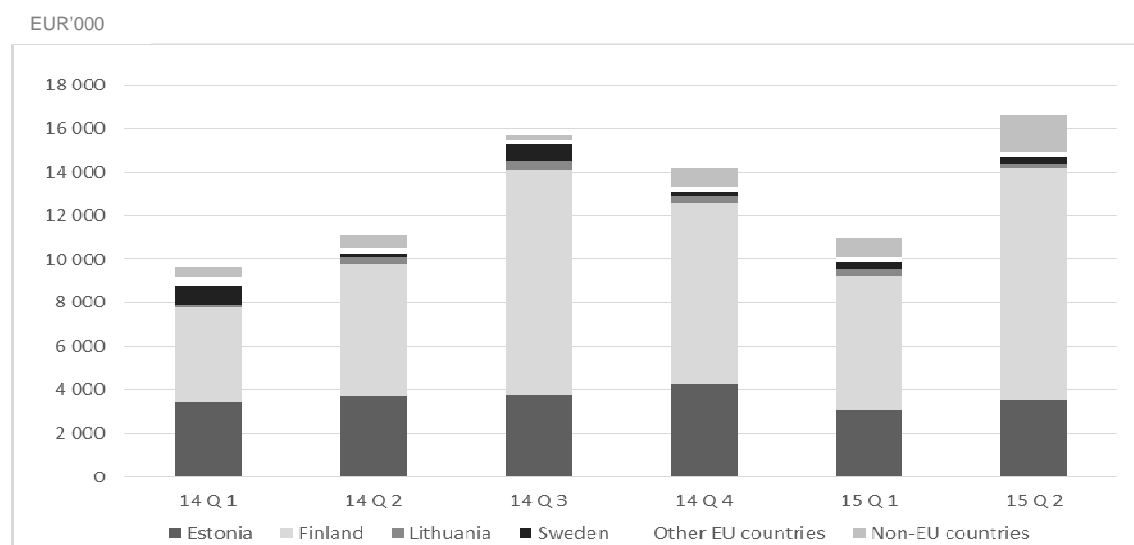
Markets	Growth %		Q2	Q2	6 months		Share	Share
	Q/Q	6m/6m	2015	2014	2015	2014	2015	2014
Estonia	-4.6	-7.8	3,542	3,711	6,628	7,188	24.1%	34.6%
Finland	74.6	61.8	10,614	6,079	16,789	10,375	61.0%	50.0%
Lithuania	-32.8	35.2	184	274	495	366	1.8%	1.8%
Sweden	71.8	-37.0	371	216	676	1,073	2.4%	5.2%
Other EU countries	-4.6	-36.8	209	219	460	728	1.7%	3.5%
Others	181.6	143.0	1,670	593	2,487	1,023	9.0%	4.9%
Total	49.6%	32.7	16,590	11,092	27,535	20,753	100.0%	100.0%

In H1 2015, 24% of the Group's products and services were sold on the Estonian market (H1 2014: 35%). The share of the Estonian market in the consolidated sales decreased during a year by 10.5 percentage points. The decline was mainly due to the non-performance of the contractual order volume by Eesti Energia, which was one third less than in the comparable period.

In H1 2015, 76% (H1 2014: 65%) of the Group's products and services were sold in foreign markets, outside Estonia and in the reporting quarter 79% (Q2 2014: 67%). 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 first half of the year, 61% of the Group's products and services were sold on the Finnish market (H1 2014: 50%). The share of the Finnish market in the

consolidated sales revenue has grown 9 percentage points in the second quarter and 11 percentage points during the half-year when compared to the respective periods of 2014.

The quarterly sales development by markets



The revenue by business segments:

Segment	Growth %		Q 2			6 months			Year 2014
	Q/Q	6m/6m	2015	2014	2013	2015	2014	2013	
Manufacturing	54.2	36.3	15,322	9,937	11,691	25,137	18,440	21,843	45,814
Real estate	-2.5	-4.0	575	590	590	1,173	1,222	1,240	2,392
Unallocated activities	22.7	12.3	693	565	779	1,225	1,091	1,367	2,400
Total	49.6	32.7	16,590	11,092	13,060	27,535	20,753	24,450	50,606

91% of sales income of the first half of the year was earned from the Production segment, and Real Estate together with other areas of activity contributed 9% of the consolidated sales volume. The return on sales from electrical equipment comprised 93% of the sales volume for Manufacturing and 85% of the consolidated return on sales of the first half of the year.

OPERATING EXPENSES

	Change %		Q 2			6 months			Year 2014
	Q2	6m/6m	2015	2014	2013	2015	2014	2013	
Cost of sales	47.3	32.8	13,509	9,170	10,716	22,756	17,137	20,384	41,525
Distribution costs	2.6	3.9	663	646	704	1,347	1,296	1,304	2,720
Administrative expenses	10.7	8.1	1,028	929	1,045	2,054	1,899	1,984	4,042
Total expenses	41.5	28.6	15,200	10,745	12,465	26,157	20,332	23,672	48,287
incl. depreciation of fixed assets	-0.8	-3.7	371	374	372	731	759	739	1,513
Total labour cost	7.7	8.7	3,191	2,962	3,121	6,280	5,777	5,855	12,027
inclusive salary cost	11.7	10.9	2,414	2,162	2,305	4,802	4,331	4,414	9,194

Operating expenses increased 41% in the reporting quarter and 29% in the first half of the year compared to the reference periods. Cost of sales increased 47% in the reporting quarter. Since the sales revenue of the reporting quarter increased at a pace that exceeded the cost of sales, improved the gross profit margin. The cost of sales increased 33% during the first six months, at the same pace sales revenue.

Distribution costs stood stable, increasing marginally to 1,347 thousand euros in the first six months; the rate of distribution costs to revenue accounted for 4.9% (H1 2014: 6.2%). Administrative expenses increased in H1 by 155,000 euros to 2,054 thousand euros and the rate of administrative expenses to revenue accounted for 7.5% (H1 2014: 9.2%).

The average number of employees in the Group increased by 32 and labour costs increased by 8.7% to 6,280 thousand euros in the first six months. The rate of labour costs to revenue accounted for 22.8% (H1 2014: 27.8%).

EARNINGS AND MARGINS

In the second quarter the gross profit of the Group was 3,081 (Q2 2014: 1,922) thousand euros. The gross profit margin was 18.6% being 1.3 per cent point better comparing to the same period a year before. In the first half of the year, the gross profit of the Group was 4,779 (H1 2014: 3,616) thousand euros and the gross profit margin was 17.4% being on the same level as a year before.

The Group's operating profit in the reporting quarter was 1,380 (Q2 2014: 362) thousand euros and EBITDA 1,751 (Q2 2014: 736) thousand euros. Return of sales for the accounting quarter was 8.3% (Q2 2014: 3.3%) and return of sales before depreciation 10.6% improving by 4.0 per cent point, comparing to the same period a year before.

In H1 2015, EBITDA increased by 962 thousand euros to 2,139 thousand euros and operating profit by 990 thousand euros to 1,408 thousand euros. Return of sales before depreciation was 7.8% (H1 2014: 5.7%) and return of sales 5.1% (H1 2014: 2.0%).

PKC Group Oyj paid dividends to the shareholders 0.70 euros per share. Dividend income from the shares was 766 (Q2 2014: 906) thousand euros. In total, financial investments yielded a profit of 785 thousand euros in the first half of the year, which was 4,763 thousand euros lower, than in the comparable period. In Q2 2014, 200,000 shares of PKC Group Oyj were sold and the financial income from selling the shares was 4,616 thousand euros.

In Q2 2014, the Group consolidated from the associated company AS Draka Keila Cables a profit of 491,000 euros and totally 815,000 euros during 6 months. AS Harju Elekter sold its holding in the company on 9 July 2014.

In Q2 2015, the consolidated net profit was 1,573 (Q2 2014: 5,954) thousand euros, of which the share of the owners of the Company was 1,557 (Q2 2014: 5,970) thousand euros. EPS in the Q2 was 0.09 (Q2 2014: 0.34) euros.

Overall, the consolidated net profit of the H1 2015 was 1,583 (H1 2014: 6,325) thousand euros. The share of the owners of the Company was 1,572 (H1 2014: 6,361) thousand euros. In H1, EPS was 0.09 (H1 2014: 0.37) euros.

Employees and remuneration

In Q2 2015, the average 481 people worked in the Group – on the average by 37 persons more than in the reference period. In the first half of the year, the average number of employees increased by 32 to 474.

	Average number of employees				Number of employees at 30.6.			As at 31. 12.2014
	Q2 15	Q2 14	6M 15	6M 14	Growth	2015	2014	
Estonia	293	292	291	287	-5	316	321	311
Finland	93	78	93	79	22	99	77	92
Lithuania	95	74	90	75	24	97	73	80
Sweden	0	0	0	1	0	0	0	0
Total	481	444	474	442	41	512	471	483

In the 2nd quarter, employee wages and salaries totalled 2,414 (Q2 2014: 2,162) thousand euros and during the first 6 months 4,802 (H1 2014: 4,331) thousand euros. The average wages per employee per month amounted to 1,688 (H1 2014: 1,633) euros.

As at the balance date on 30 June, there were 512 people working in the Group, which were 41 employees more than a year before and 29 employees more than in the beginning of January.

Financial position and cash flows

	Growth		30.6.	30.6.	30.6.	31.12
	y-o-y	6m/6m	2015	2014	2013	2014
Current assets	1,949	-2,086	23,055	21,106	17,779	25,141
Non-current assets	169	6,384	51,035	50,866	46,625	44,651
TOTAL ASSETS	2,118	4,298	74,090	71,972	64,404	69,792
Current liabilities	886	3,202	11,592	10,706	8,695	8,390
Non-current liabilities	817	396	1,956	1,139	1,349	1,560
Equity	415	700	60,542	60,127	54,360	59,842
incl attributable to owners of the Company	1,519	1,921	60,398	58,879	52,966	58,475
Equity ratio (%) (equity/total assets)*100	-1.8	-4.0	81.7	83.5	84.5	85.7
Current ratio (average current assets/ average current liabilities)	0.2	-0.4	2.4	2.2	2.0	2.8
Quick ratio (average liquid assets (current assets-inventories) / average current liabilities)	0.1	-0.5	1.4	1.3	1.3	1.9

During 6 months, the amount of the consolidated statement of financial position increased by 4,298 thousand euros and compared to the period under review by 2,118 thousand euros to 74,090 thousand euros.

Current assets decreased 2,086 thousand euros in the first six months and increased during a year by 1,949 thousand euros to 23,055 thousand euros. Trade receivables and other receivables increased during first six months by 2,430 thousand euros and during a year by 1,002 thousand euros to 8,914 thousand euros.

Cost of non-current assets increased by 6,384 thousand euros in the first six months and by 169 thousand euros to 51,035 thousand euros compared to the reference period.

Most of the changes in the non-current assets derived from value adjustment of other long-term financial investments. Financial investments were made in the amount of 2,400 thousand euros in the reporting quarter. The changes in the market price of the shares of PKC Group Oyj have a substantial effect on the value of the financial assets. The market price of PKC Group Oyj shares decreased in accounting quarter by 0.71 euros and during first six months grew by 2.36 euros; the share price in Helsinki Stock Exchange in last trading day of June was 19.83 (30 June 2014):

20.92) euros. The cost of investment in assets and reserves in equity increased by the profit of 2,583 thousand euros, by which amount increased the cost of investment in assets and reserves in equity; within the comparable period decreased by the loss of 3,630 thousand euros. In total, the cost of financial investments increased by 4,983 thousand euros during 6-months period.

Investment property grew by 1,056 thousand euros in 6 months. In the first half of the year investment property was acquired in the sum of 1,288 (H1 2014: 123) thousand euros, which includes an investment of 1,272 thousand in the production building of Allika Industrial park. Property, plant and equipment increased by 326,000 euros in 6 months. In the first half of the year property, plant and equipment were acquired in the sum of 759,000 (H1 2014: 510,000) euros, out of which 593,000 euros were comprised of production equipment.

As at the reporting date, the Group's liabilities totalling 13,548 thousand euros, of which short-term liabilities made up 11,592 thousand euros. Short-term liabilities increased by 3,202 thousand euros in the first six months and by 886 thousand euros during a year. Trade payables and other payables grew the most: 1,583 thousand euros in the first six months and 25,000 euros year on year, to 8,572 thousand euros. Short-term interest-bearing loans and borrowings increased by 1,363 thousand euros in the first half of the year and 700,000 euros year on year.

The Group's current ratio for the first six months improved by 0.2 per cent point compared to the reference period, being 2.4, and the quick ratio by 0.1 per cent point, and being 1.4.

As at 30 June 2015, interest-bearing debt obligations amounted to 21.1% of the Group's liabilities and 3.9% of the total assets; as at 30 June 2014 17.2% and 2.8%, respectively. The Group had interest-bearing debt obligations totalling 2,855 (30 June 2014: 2,037) thousand euros, with the short-term obligations making up 1,641 (30 June 2014: 941) thousand euros.

<i>Consolidated cash flow statement</i>	6 months			Year
	2015	2014	2013	2014
Cash flows from operating activities	-1,346	470	371	2,760
Cash flows from investing activities	-5,823	163	1,193	5,580
Cash flows from financing activities	-552	-1,482	-1,821	-2,451
Net cash flow	-7,721	-849	-257	5,889

Financial investments were made in the amount of 4,908 thousand euros in the reporting quarter. A 10-percent holding was acquired in Skeleton Technologies Group OÜ, a company developing and manufacturing ultracapacitors, a 37-percent non-controlling interest in the subsidiary UAB Rifas and an additional payment was made for the shares of Finnkumu Oy (see Note 8).

PKC Group Oyj paid dividends 0.70 euros per share. In H1, AS Harju Elekter received 766,000 euros in dividends or 140,000 euros less than in the comparable period.

In H1, AS Harju Elekter paid dividends to the shareholders in the amount of 2,654 thousand euros; in the comparable period of 1,767 thousand euros.

During six months, short-term bank loans increased by 1,468 thousand euros and 168,000 euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term bank loans increased by 439,000 euros and 154,000 euros worth of principal amounts of the financial lease were paid.

Income from the issuing of shares amounted to 802,000 euros in June.

In the first six months, cash-flow out from business activities was 1,346 thousand euros, from investment activities 5,823 thousand euros and from financing activities 552,000 euros; in the comparable period cash-flow from business activities was 470,000 euros, from investment

activities was 163,000 euros and cash-flow out from financing activities was 1,482 thousand euros. During six months, cash and cash equivalents decreased by 7,721 thousand euros to 2,263 thousand euros, within the comparable period by 849,000 euros to 3,252 thousand euros.

AGM

On 14th of May 2015 the AGM was held where attended by 84 shareholders and their authorised representatives who represented the total 12,392,987 votes, being 71.2% of the total votes.

The general meeting approved the 2014 annual report and profit distribution and decided to pay dividends amounting to 0.15 euros per share, totally 2,610 thousand euros. The shareholders registered in the shareholders' registry on 28.5.2015 at 23.59 entitled to dividend. The dividends transferred to the shareholders bank accounts on 3.6.2015.

The general meeting resolved to appoint KPMG Baltics OÜ to perform the audit of AS Harju Elekter on the years 2015-2017.

The general meeting resolved to realize the targeted share option program, approved by the AGM on 3.5.2012.

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

As at June 30 2015 AS Harju Elekter had 1,621 shareholders. The number of shareholders increased during six months by 148 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. Members of the supervisory and management boards hold 10.05% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Security trading history:

Price:	2011	2012	2013	2014	6k 2015
Open	3.10	2.30	2.64	2.77	2.79
High	3.54	2.80	2.92	2.85	3.14
Low	2.19	2.30	2.46	2.52	2.69
Last	2.28	2.64	2.70	2.79	2.82
Traded volume	663,917	759,869	936,162	800,823	444,834
Turnover, in million euros	1.88	1.88	2.48	2.17	1.28
Capitalisation, in million euros	38.30	45.94	46.98	48.55	49.07
Average number of the shares	16,800,000	17,093,443	17,400,000	17,400,000	17,400,000
EPS, in euros	0.17	0.21	0.30	0.56	0.09

Share price in Tallinn Stock growth/decrease, 1.1.2015 - 30.6.2015



Shareholders structure by size of holding at 30 June 2015

Holding	No of shareholders	% of all shareholders	% of votes held
>10%	2	0.12	42.92
1.0 - 10.0%	12	0.74	27.75
0.1 - 1.0,%	55	3.39	14.69
<0.1%	1,552	95.75	14.64
Total	1,621	100.0	100.0

Shareholders (above 5%) at 30 June 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	30.6.2015	31.12.2014	30.6.2014
Current assets				
Cash and cash equivalents		2,263	9,984	3,252
Available-for-sale financial assets		0	35	112
Trade receivables and other receivables		8,914	6,484	7,912
Prepayments		688	455	414
Income tax prepayments		49	79	64
Inventories		11,141	8,104	9,352
Total current assets		23,055	25,141	21,106
Non-current assets				
Deferred income tax asset		0	0	7
Investments in associate	2	0	0	4,413
Other long-term financial investments	2	24,128	19,145	22,922
Investment property	2	13,165	12,109	11,566
Property, plant and equipment	2	8,294	7,968	8,184
Intangible assets	2	5,448	5,429	3,774
Total non-current assets		51,035	44,651	50,866
TOTAL ASSETS		74,090	69,792	71,972
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	1,641	278	941
Trade payables and other payables		8,572	6,989	8,547
Tax liabilities		1,104	1,072	1,057
Income tax liabilities		271	12	136
Short-term provision		4	39	25
Total current liabilities		11,592	8,390	10,706
Interest-bearing loans and borrowings	3	1,214	818	1,096
Other non-current liabilities		742	742	43
Non-current liabilities		1,956	1,560	1,139
Total liabilities		13,548	9,950	11,845
Equity				
Share capital	4	12,180	12,180	12,180
Unregistered share capital	4	238	0	0
Share premium	4	804	240	240
Reserves		21,976	19,393	23,167
Retained earnings		25,200	26,664	23,292
Total equity attributable to equity holders of the parent		60,398	58,477	58,879
Non-controlling interests		144	1,365	1,248
Total equity		60,542	59,842	60,127
TOTAL LIABILITIES AND EQUITY		74,090	69,792	71,972

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 April – 30 June		1 January – 30 June	
		2015	2014	2015	2014
Revenue	5	16,590	11,092	27,535	20,753
Cost of sales		-13,509	-9,170	-22,756	-17,137
Gross profit		3,081	1,922	4,779	3,616
Distribution costs		-663	-646	-1,347	-1,296
Administrative expenses		-1,028	-929	-2,054	-1,899
Other income		7	26	61	35
Other expenses		-17	-11	-31	-38
Operating profit	5	1,380	362	1,408	418
Finance income	6	771	5,531	785	5,548
Finance costs	6	-22	-9	-29	-16
Share of profit of equity-accounted investees		0	491	0	815
Profit before tax		2,129	6,375	2,164	6,765
Income tax expense		-556	-421	-582	-440
Profit for the period		1,573	5,954	1,583	6,325
Profit attributable to:					
Owners of the Company		1,557	5,970	1,572	6,361
Non-controlling interests		16	-16	11	-36
Profit for the period		1,573	5,954	1,583	6,325
Earnings per share					
Basic earnings per share (EUR)	7	0.09	0.34	0.09	0.37
Diluted earnings per share (EUR)	7	0.09	0.34	0.09	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 April – 30 June		1 January – 30 June	
	Note	2015	2014	2015	2014
Profit for the period		1,573	5,954	1,583	6,325
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	-777	-1,610	2,583	-3,630
Realised gain from sale of financial assets (-)		0	-4,616	0	-4,616
Currency translation differences		0	0	0	-12
Other comprehensive income for the period, net of tax		-777	-6,226	2,583	-8,258
Total comprehensive income for the period		796	-272	4,166	-1,933
Total comprehensive income attributable to:					
Owners of the Company		780	-256	4,155	-1,896
Non-controlling interests		16	-16	11	-37
Total comprehensive income for the period		796	-272	4,166	-1,933

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 June	Note	2015	2014
Cash flows from operating activities			
Operating profit	5	1,408	418
<u>Adjustments for:</u>			
Depreciation and amortisation	2	731	759
Gain on sale of property, plant and equipment		-22	-5
Share-based payment transactions	10	36	36
Growth/decrease in receivables related to operating activity		-2,664	-1,135
Growth/decrease in inventories		-3,037	-1,920
Growth/decrease in payables related to operating activity		2,510	2,810
Corporate income tax paid	9	-292	-478
Interest paid	6	-16	-15
Net cash from operating activities		-1,346	470
Cash flows from investing activities			
Acquisition of investment property	9	-1,370	-108
Acquisition of property, plant and equipment	9	-312	-481
Acquisition of intangible assets	9	-81	-124
Acquisition of subsidiaries, net of cash acquired	8	-857	-4,847
Acquisition of non-controlling interests	8	-1,651	0
Acquisition of other financial investments		-2,400	0
Proceeds from sale of property, plant and equipment	9	26	17
Proceeds from sale of other financial investments		36	4,787
Interest received	9	20	13
Dividends received		766	906
Net cash used in investing activities		-5,823	163
Cash flows from financing activities			
Growth/decreases in short-term loans	3	1,468	439
Payment of finance lease principal	3	-168	-154
Receipts from contribution into share capital	4	802	0
Dividends paid		-2,654	-1,767
Net cash used in financing activities		-552	-1,482
Net cash flows		-7,721	-849
Cash and cash equivalents at beginning of period		9,984	4,102
Net increase / decrease		-7,721	-849
Effect of exgrowth/decrease rate fluctuations on cash held	6	0	-1
Cash and cash equivalents at end of period		2,263	3,252

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

For the period 1 January – 30 June	Attributable to owners of the Company							TOTAL	Non- Controlling interests	TOTAL
	Share capital	Unregis- tered share capital	Share premium	Capital reserve	Fair value reserve	Trans- lation reserve	Retained earnings			
At 31 December 2013	12,180	0	240	1,218	30,206	0	18,635	62,479	1,340	63,819
Comprehensive income 2014										
Profit for the period	0	0	0	0	0	0	6,361	6,361	-36	6,325
Other comprehensive income the period	0	0	0	0	-8,246	-11	0	-8,257	-1	-8,258
Total comprehensive income	0	0	0	0	-8,246	-11	6,361	-1,896	-37	-1,933
Transaction with the owners of the Company, recognised directly in equity										
Share-based payments	0	0	0	0	0	0	36	36	0	36
Dividends	0	0	0	0	0	0	-1,740	-1,740	-55	-1,795
At 30 June 2014	12,180	0	240	1,218	21,960	-11	23,292	58,879	1,248	60,127

Attributable to owners of the Company										
For the period 1 January – 30 June	Share capital	Unregis- tered share capital	Share premium	Capital reserve	Fair value reserve	Trans- lation reserve	Retained earnings	TOTAL	Non- Controlling interests	TOTAL
At 31 December 2014	12,180	0	240	1,218	18,184	-9	26,664	58,477	1,365	59,842
Comprehensive income 2015										
Profit for the period	0	0	0	0	0	0	1,573	1,573	11	1,584
Other comprehensive income for the period	0	0	0	0	2,583	0	0	2,583	0	2,583
Total comprehensive income	0	0	0	0	2,583	0	1,573	4,156	11	4,167
Transaction with the owners of the Company, recognised directly in equity										
Unregistered share capital	0	238	564	0	0	0	0	802	0	802
Share-based payments	0	0	0	0	0	0	36	36	0	36
Dividends	0	0	0	0	0	0	-2,610	-2,610	-44	-2,654
Acquisition of non-controlling interest	0	0	0	0	0	0	-463	-463	-1,188	-1,651
At 30 June 2015	12,180	238	804	1,218	20,767	-9	25,200	60,398	144	60,542

Further information on share capital is presented 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 30.6.2015 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Finnkumu Oy (Satmatic Oy’s subsidiary), UAB Rifas and UAB Automatikos Iranga (UAB Rifas’s subsidiary), 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 should be read in conjunction with the Group's annual report of 2014, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the management board, the interim report for 1-6/2015 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 – 30 June	2015	2014
Investments in associate		
At 1 January	0	3,598
Profit under the equity method	0	815
At the end of the period	0	4,413
Other long-term financial investments		
At 1 January	19,145	31,339
Sale of shares	0	-4,787
Additions	2,400	0
Growth/decreases in the fair value reserve	2,583	-3,630
At the end of the period	24,128	22,922
Investment property		
At 1 January	12,109	11,663
Additions	1,288	123
Reclassification	-13	0
Depreciation charge	-219	-220
At the end of the period	13,165	11,566

Note 2 Non-current assets

For the period 1 January – 30 June	2015	2014
Property, plant and equipment		
At 1 January	7,968	8,129
Additions	759	510
Acquisitions through business combinations	0	39
Disposals	-4	-12
Reclassification	13	0
Depreciation charge	-442	-482
At the end of the period	8,294	8,184
Intangible assets		
At 1 January	5,429	436
Additions	89	120
Acquisitions through business combinations	0	3,275
Depreciation charge	-70	-57
At the end of the period	5,448	3,774

Note 3 Interest-bearing loans and borrowings

	30.6.2015	31.12.2014	30.6.2014
Liabilities			
Short-term bank loans	1,468	0	797
Current portion of lease liabilities	173	278	144
Total current liabilities	1,641	278	941
Non-current liabilities			
Lease liabilities	1,214	818	1,096
Total non-current liabilities	1,214	818	1,096
TOTAL	2,855	1,096	2,037

Growth/decreases during the period 1 January – 30 June

	2015	2014
Loans and borrowings at the beginning of the year	1,096	1,752
Growth/decreases in short-term loans	1,468	439
New finance lease	459	0
Payment of finance lease principal	-168	-154
Loans and borrowings at the end of the current period	2,855	2,037

Note 4 Owner's equity

	Unit	30.06.2015	31.12.2014	30.06.2014
Share capital	EUR'000	12,180	12,180	12,180
Number of shares issued (fully paid)	PC'000	17,400	17,400	17,400
Par value of a share	EUR	0.70	0.70	0.70
Unregistered share capital	EUR'000	238	0	0
Number of unregistered shares	PC'000	340	0	0

AGM held on 14 May 2015 decided to implement the option programme approved by the AGM held on 3 April 2012, which was directed to members and employees of the companies belonging to the same Group with AS Harju Elekter as well as to the members of the management board of associate companies.

The share subscription was carried out during 16-30 June 2015. The subscription was open to those who had previously signed a share subscription agreement. 339 880 shares with a nominal value of 0.70 euros were subscribed. The issued shares were paid for simultaneously with the subscription. The issue price of shares was 2.36 euros. By 30 June 2015, a total of 802 thousand euros had been received for the shares, of which the issue premium made up 564 thousand euros. After the issue, the share capital of AS Harju Elekter is 12,418 thousand euros, which is divided into 17.7 million ordinary shares. The maximum allowed number of shares under the articles of association is 20 million. The issued shares grant the right to dividends from 2015.

An entry concerning the increase of share capital was made in the Commercial Register on 22 July 2015.

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, Finnkumu Oy, UAB Automatikos Iranga 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 – 30 June	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
2015					
Revenue from external customers	25,137	1,173	1,225	0	27,535
Inter-segment revenue	136	503	168	-807	0
Total revenue	25,273	1,676	1,393	-807	27,535
Operating profit	1,063	507	-126	-36	1,408
Segment assets	37,100	13,604	4,995	-8,758	46,941
Indivisible assets					27,149
Total assets					74,090
2014					
Revenue from external customers	18,440	1,222	1,091	0	20,753
Inter-segment revenue	146	500	232	-878	0
Total revenue	18,586	1,722	1,323	-878	20,753
Operating profit	24	590	-158	-38	418
Segment assets	33,911	11,893	2,209	-577	47,436
Indivisible assets					24,536
Total assets					71,972

Revenue by markets:

For the period 1 January – 30 June	2015	2014
Estonia	6,628	7,188
Finland	16,789	10,375
Lithuania	495	366
Sweden	676	1,073
Other EU countries	460	728
Non-EU countries	2,487	1,023
Total	27,535	20,753

Revenue by business area:

For the period 1 January – 30 June	2015	2014
Electrical equipment	23,286	16,819
Sheet metal products and services	446	539
Boxes for telecom sector and services	560	495
Intermediary sale of electrical products and components	1,802	1,509
Commerce and mediation of services	80	137
Rental income	1,014	1,100
Other services	347	154
Total	27,535	20,753

Note 5 Finance income and costs

For the period 1 January – 30 June	2015	2014
Interest income	18	15
Other	0	11
Income from sale of investments	1	4,616
Dividend income	766	906
Total finance income	785	5,548
Interest expense	-16	-15
Net loss from foreign exchange differences	0	-1
Financial expense from subsidiary	-13	0
Total finance costs	-29	-16

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. At 30 June 2015, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share. (Note 4)

For the period	Unit	2015	2014
1 January – 30 June			
Profit attributable to equity holders of the parent	EUR'000	1,572	6,361
Average number of shares outstanding	Pc'000	17,400	17,400
Basic and diluted earnings per share	EUR	0.09	0.37
1 April – 30 June			
Profit attributable to equity holders of the parent	EUR'000	1,556	5,970
Adjusted number of shares during the period	Pc'000	17,400	17,400
Basic and diluted earnings per share	EUR	0.09	0.34

Note 8 Subsidiaries

In April 2015 AS Harju Elekter bought a holding of 37% in their Lithuanian subsidiary Rifas UAB, becoming the sole owner of the company. The difference between the book value of the non-controlling holding and the amount paid for it is accounted for in the equity capital.

	2015
Carrying amount of non-controlling interest acquired	1,188
Consideration paid for non-controlling interest	-1,651
Total recognised in equity	-463

On 17 June 2014, Satmatic Oy (Finland) signed a contract for the purchase of all of the shares of Finnkumu Oy, Finland's largest unit substation producer. According to the contract, after the audited annual report is approved, in 2015 an additional 50% of the company's operating profit shall be paid for the year 2014, and in 2016 an additional 40% of the company's operating profit

shall be paid to the sellers for the year 2015. In the reporting quarter Satmatic Oy paid an additional 857,000 euros for the shares of Finnkumu Oy. As at 31.12.2014, the balance sheet of Satmatic Oy includes a liability in the amount of 843,000 euros for the shares and an additional expense of 13,000 euros has been written under financial expenses for the reporting period.

Note 9 Further information on line items in the statement of cash flows

For the period 1 January – 30 June	Note	2015	2014
Corporate income tax paid			
Income tax expense		-581	-440
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		289	-38
Corporate income tax paid		-292	-478
Interest received			
Interest income	6	18	15
Receivable increase (-)		2	-2
Interest received		20	13
Paid for investment property			
Additions of investment property	2	-1,288	-123
Liability decrease (-)/ increase (+) incurred by purchase		-82	15
Acquisition of investment property		-1,370	-108
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-759	-510
Acquired with finance lease	3	459	0
Liability decrease (-)/ increase (+) incurred by purchase		-12	29
Acquisition of property, plant and equipment		-312	-481
Paid for intangible assets			
Additions of intangible assets	2	-89	-120
Liability decrease (-)/ increase (+) incurred by purchase		8	-4
Acquisition of intangible assets		-81	-124
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	4	12
Profit on disposal of property, plant and equipment		22	5
Proceeds from sale of property, plant and equipment		26	17

Note 10 Transactions with related parties

The related party of AS Harju Elekter includes members of the management and supervisory boards and their close family members, 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 – 30 June	2015	2014
Purchase of goods and services from related parties:		
- from associates	0	248
- from Harju KEK	41	157
TOTAL	41	405
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	248
- lease of property, plant and equipment	33	33
- purchase of property, plant and equipment	8	123
- other	0	1
For the period 1 January – 30 June	2015	2014
Sale of goods and services to related parties:		
- to associates	0	378
- to Harju KEK	1	2
TOTAL	1	380
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	17
- lease of property, plant and equipment	0	339
- other	1	24
Balances with related parties at 30 June		
Receivables with associates: goods and services	0	156
Payables with associates: goods and services	0	98
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	100	101
- social security and other taxes on salaries	33	34
TOTAL	133	135

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 first half of the year, 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.

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.

In six months 2015, the Group recorded 36,000 (36,000 y-o-y) euros as labour costs and share-based benefits under shareholder's equity and retained earnings.

The shares were subscribed for between 16 June and 30 June 2015. As at 30 June 2015, 339,880 shares were subscribed for, including 75,000 shares on behalf of the members of the Management Board and the Supervisory Board (Note 4).

Note 11 Subsequent events

On 23 July, the 339,880 additional ordinary shares issued were listed on the Nasdaq Baltic Main List. The new registered share capital of AS Harju Elekter is 12,418,000 euros.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/2015 as set out on pages 3 to 26 and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a Group; and reflects significant transactions with related parties;
- the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and
- AS Harju Elekter and its subsidiaries are going concerns.

/signature/

Andres Allikmäe

Managing director/ CEO

„5th“ August 2015