

AS HARJU ELEKTER

Interim report 1-12/2015

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
Commercial registry code:	10029524
Address:	Paldiski Rd 31, 76 606 Keila
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor:	KPMG Baltics OÜ
Beginning of the reporting period:	1 st of January 2015
End of the reporting period:	31 th of December 2015

The interim report of Harju Elekter Group on 26 pages

CONTENTS

EXPLANATORY NOTE	3
INTERIM FINANCIAL STATEMENTS	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	15
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	16
CONSOLIDATED STATEMENT OF CASH FLOWS.....	17
CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY	17
NOTES TO INTERIM FINANCIAL STATEMENT.....	19
Note 1 Accounting methods and valuation principles used in the consolidated interim report.....	19
Note 2 Non-current assets	19
Note 3 Interest-bearing loans and borrowings	20
Note 4 Owner's equity	21
Note 5 Segment reporting	21
Note 5 Finance income and costs.....	23
Note 7 Basic and diluted earnings per share	23
Note 8 Subsidiaries	23
Note 9 Further information on line items in the statement of cash flows	24
Note 10 Transactions with related parties.....	25
Note 11 Post-balance events	26
Statement of Management responsibility.....	27

EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-12/2015 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.

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

Company		Country	31.12.15	31.12.14
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%
Finnkumu Oy	Satmatic Oy's subsidiary	Finland	100.0%	100.0%
UAB Rifas	subsidiary	Lithuania	100.0%	62.7%
UAB Automatikos Iranga	UAB Rifas's subsidiary	Lithuania	51.0%	51.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	4.6%
Skeleton Technologies Group OÜ	financial investment	Estonia	10.0%	0.0%

On 27 April 2015 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.

In June 2015, 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 end of last year saw the growth of the world economy slow down. After two strong quarters, the activity of the United States economy declined; however, drawing confidence from the good shape of the labour market, the Federal Reserve raised interest rates for the first time since 2006. The European Central Bank, by contrast, continued its expansive monetary policy and extended its asset purchase program through March 2017. Recovery of growth in the euro zone has been moderate and broad-based. In 2015, the slowdown of growth in China, the drop in commodity prices and the strong US dollar created a difficult situation for developing countries, whose increased debt levels and loan servicing costs are also cause for concern. Uncertainty was further increased by both geopolitical tensions in the Middle East and the low price of oil, exacerbating the internal situation in Russia, and by the political tensions in Europe, where the refugee crisis is deepening the rift between left- and right-wing parties and jeopardising compliance with the Schengen Agreement.

Economic growth in Estonia fell far short of expectations. Whereas in early 2015 analysts had predicted growth ranging between 2% to 2.5% for Estonia, an initial estimate by Statistics Estonia indicates that GDP grew just 0.7% in Estonia in Q4 of 2015, setting the annual growth rate at 1.2%. The situation was worse in only two countries: Finland and Greece, where the economies declined 0.2% and 1.9%, respectively, in the last quarter of the year. The growth figures for Finland, Estonia's biggest economic partner, were under pressure from structural changes in the

economy, the reduced competitiveness of expenditure levels, and a contraction in the working-age population.

In Estonia, GDP growth was mainly dampened by meagre exports and significantly diminished investments. Even though interest rates on loans are at a historically low level, the current external environment is not making entrepreneurs feel secure enough to take on major projects, and investments by both companies and the state have remained weak. Companies' returns on sales dwindled throughout 2015, whereas labour costs rose apace on the employee-dominated labour market. The standstill in investments has had a negative effect on construction companies. The economic crisis in Russia has lowered the performance of the transit sector and put Estonian agricultural producers in a difficult situation. In the processing industry, electronic equipment output decreased significantly, and the chemistry industry faced difficulties due to cheap oil.

Main events

In 2015, the management systems of the subsidiaries in the Group underwent recertification to meet the ISO 9001:2008 and ISO 14001:2004 requirements, whereupon relevant certifications were issued for new terms of validity as follows: AS Harju Elekter Elektrotehnika, through 15 September 2018; Satmatic Oy through 19 July 2018; and Rifas UAB, through 15 September 2018. In addition, the Lithuanian subsidiary was also recertified to meet the OHSAS 18001:2007 standard and was issued with a new certificate valid for 3 years on 17 December 2015. Scheduled annual audits were conducted at AS Harju Elekter Teletehnika.

Finnkumu Oy, part of the Harju Elekter Group, was the second company in its region to be awarded the Entrepreneur of the Year Title by the Entrepreneurs of South Ostrobothnia. Previously, in 2013, Finnkumu Oy was also named the Entrepreneur of the Year for Kurikka and has received a couple of national acknowledgements for the growth in its sales revenues and its strong economic performance. Over the past 5 years, Finnkumu's sales revenues have more than doubled. Finnkumu Oy launched operations in 2004 and has been part of the Harju Elekter Group since 2014.

In August, the electrical materials store of AS Harju Elekter Commerce Group opened its doors at its new, roomier and more modern commercial and storage facilities at Paldiski Rd 35, Keila. The good location and larger facilities create substantially better opportunities for customer service, make it possible to expand the product range and selection and the prompt release of batches of products.

There were 44 employees participating in the share option programme 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.

In June the newly completed production building (Angerja Str 40, Harku) in Allika Industrial Park, owned by AS Harju Elekter, was delivered to the lessee (OÜ Eccua). 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.

In May, the subsidiary Harju Elekter Elektrotehnika participated in the biggest electricity sector trade fair in the Nordic region – Elfack 2015 – held in Gothenburg, Sweden. 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, power engineering and geotechnology, TUT), an electrical engineer of AS Harju Elekter Elektrotehnika, and in cooperation with the Tallinn University of Technology. In addition, the Group's subsidiaries actively participated in other regional exhibitions: in January, Satmatic Oy, Finnkumu Oy, AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika participated in the (energy) distribution network trade fair Sähköverkot 2015 in Finland. As usual, in September AS Harju Elekter Elektrotehnika participated at the SLO autumn fair in Tallinn and Satmatic Oy at Alihankinta 2015 in Tampere. AS Harju Elekter Trade Group presented its product range available in shops at the annual international building fair Estbuild in Tallinn.

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.

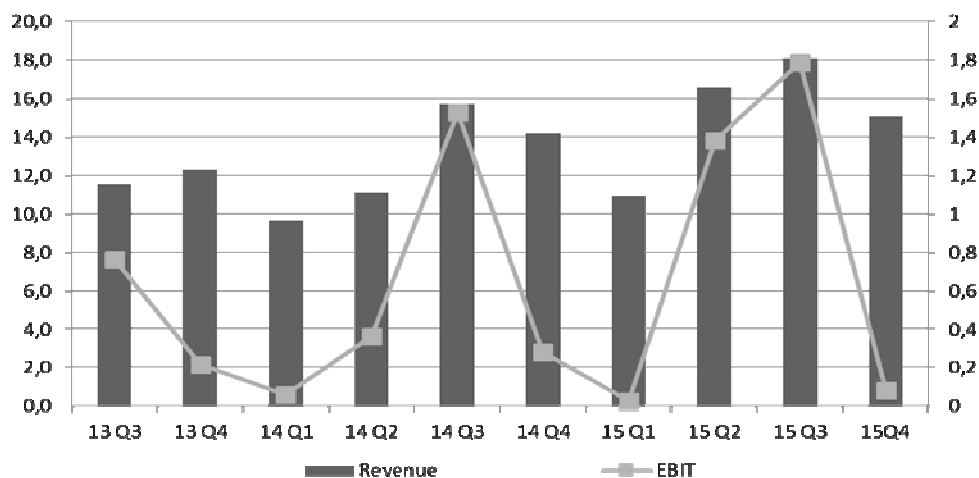
Operating results

KEY INDICATORS

	January - December		
	2015	2014	2013
Revenue (EUR'000)	60,656	50,606	48,288
Gross profit (EUR'000)	10,299	9,081	8,458
EBITDA (EUR'000)	4,819	3,741	3,269
EBIT (EUR'000)	3,276	2,228	1,743
Profit for the period (EUR'000)	3,186	9,778	5,173
incl attributed to Owners of the Company (EUR'000)	3,190	9,697	5,162
Revenue growth/decrease (%)	19.9	4.8	-8.5
Gross profit growth/decrease (%)	13.4	7.4	-2.3
EBITDA growth/decrease (%)	28.8	14.4	-4.9
EBIT growth/decrease (%)	47.0	27.8	-11.5
Profit for the period growth/decrease (%)	-67.4	89.0	43.6
incl attributed to Owners of the Company (%)	-67.1	87.9	46.8
Distribution cost to revenue (%)	4.4	5.4	5.4
Administrative expenses to revenue (%)	7.2	8.0	8.4
Labour cost to revenue (%)	20.7	23.8	23.5
Gross margin (Gross profit/revenue) (%)	17.0	17.9	17.5
EBITDA margin (EBITDA/revenue) (%)	7.9	7.4	6.8
Operating margin (EBIT/revenue) (%)	5.4	4.4	3.6
Net margin (Profit for the period/revenue) (%)	5.3	19.3	10.7
ROE (Profit for the period/average equity) (%)	5.4	15.8	9.1

The operations of Finnkumu Oy have been reflected in the economic results of the Group since the second half of 2014.

Seasonality of business (million euros)



REVENUE

Consolidated revenue for the reporting quarter was 15.0 (Q4 2014: 14.2) million euros. During the reporting quarter, sales revenue decreased by 17% or 3.0 million euros compared to the previous quarter and increased 6.1% or 0.8 million euros in relation to the comparison period. Consolidated sales revenue for the twelve month period reached 60.7 million euros, having increased by 10 million euros or 19.9% in relation to the comparable period.

The quarterly sales development by business area:

	Growth % Q/Q	Q4 2015	Q4 2014	Q4 2013	Year 2015	Year 2014
Electrical equipment	4.5	12,920	12,366	10,157	52,135	42,867
Sheet metal products and services	9.2	187	171	246	843	881
Boxes for telecom sector and services	6.8	257	241	300	1,108	1,039
Intermediary sale of electrical products and components	30.0	937	721	821	3,686	3,109
Rental income	4.0	541	520	549	2,073	2,153
Other services	27.9	188	147	215	811	557
Total	6.1	15,030	14,166	12,288	60,656	50,606

There has been a growth in sales revenue among almost all products and services. 86% (Q4 2014: 87%) of the reporting quarter sales revenue originated from the sale of electrical equipment. There was 12.9 million euros worth of electrical equipment sold in the reporting quarter, which was 0.5 million euros or 4% more than in the comparison quarter, with sales of equipment increasing more than one fifth and growing up to 52.1 (2014: 42.9) million euros in the 12-months period.

During the year, 23% (2014: 30%) of the Group's products and services were sold on the Estonian market. Year on year, supply to the Estonian market decreased by 1 million euros or 6.5%. The decline was mainly caused by decreased investments in the energy distribution sector in Estonia starting from 2014, which has resulted in a decrease in sales volumes for medium voltage distribution equipment and substations. A difficult situation on the Estonian market has given an incentive to find opportunities on other markets. Although supply to the Estonian market has decreased, the Estonian companies' sales revenue outside the Group has remained at the levels of the comparative period.

Performance by geographical markets:

Markets	Growth %		Q4		12 months		Share %	
	Q/Q	12m/12m	2015	2014	2015	2014	2015	2014
Estonia	-17.7	-6.5	3,492	4,244	14,198	15,183	23.4	30.0
Finland	23.1	31.9	10,258	8,336	38,875	29,480	64.1	58.2
Lithuania	-89.1	-41.2	31	284	610	1,037	1.0	2.1
Sweden	168.5	-10.5	443	165	1,428	1,596	2.4	3.2
Norway	2.3	133.6	662	647	3,873	1,658	6.4	3.3
Others	-70.6	1.3	144	490	1,672	1,652	2.7	3.2
Total	6.1	19.9	15,030	14,166	60,656	50,606	100.0	100.0

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 twelve months, 64% of the Group's products and services were sold on the Finnish market (2014: 58%). Sales to the Finnish market grew by 9.4 million euros, year on year.

Sales to the Lithuanian market have decreased from year to year. The decline of the Lithuanian market is due a change in the Lithuanian subsidiary's sales strategy, as a result of which the main focus is on export markets. In the reporting year, the share of foreign markets in the subsidiary's sales revenues grew to 93% (2014: 81%). Sales to the Norwegian market in the reporting year have grown 2.3 times or by 2.2 million euros, to 3.9 million euros, as a result of which the share of the Norwegian market in the consolidated revenue has grown by 3.1 percentage points, to 6.3%. The growth of the Norwegian market is related to the materialisation of successful projects for the Lithuanian subsidiary. Of the Lithuanian company's 2015 revenue, 45% (2014: 31%) was earned on the Norwegian market. In addition, the company has grown the volume of its sales to the Finnish market. In 2015, the company sold its Finnish clients outside the Group products worth 1.3 million euros more than in 2014. The United States was added as a new market.

The revenue by business segments:

Segment	Growth %		Q 4			12 months		
	Q/Q	12m/12m	2015	2014	2013	2015	2014	2013
Manufacturing	5.4	21.3	13,608	12,915	10,862	55,556	45,814	42,935
Real estate	3.5	-1.6	626	605	619	2,353	2,392	2,432
Unallocated activities	23.2	14.5	796	646	807	2,747	2,400	2,921
Total	6.1	19.9	15,030	14,166	12,288	60,656	50,606	48,288

91% of revenue of reporting quarter and 92% (2014: 91%) of 12-months period was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 9% and 8% of the consolidated sales volume, respectively. In twelve months, the revenue from electrical equipment comprised 94% of the sales volume for Manufacturing.

OPERATING EXPENSES

	Change %		Q 4			12 months		
	Q/Q	12m/12m	2015	2014	2013	2015	2014	2013
Cost of sales	8.4	21.3	12,951	11,944	10,157	50,357	41,525	39,830
Distribution costs	-6.6	-2.3	696	745	737	2,657	2,720	2,627
Administrative expenses	6.2	7.3	1,249	1,176	1,169	4,337	4,042	4,067
Total expenses	7.4	18.8	14,896	13,865	12,063	57,351	48,287	46,524
incl. depreciation of fixed assets	11.8	2.0	418	374	414	1,543	1,513	1,526
Total labour cost	1.7	4.4	3,263	3,208	2,926	12,555	12,027	11,350
inclusive salary cost	-2.6	5.4	2,439	2,503	2,247	9,695	9,194	8,645

Operating expenses increased 7% in the reporting quarter and 19% in the 12-months period compared to the reference periods. Cost of sales increased by 8% up to 12,951 thousand euros in the reporting quarter and by 21% up to 50,357 thousand euros during 12-months period.

Distribution costs stood stable as a year ago; the rate of distribution costs to revenue accounted for 4.4% (2014: 5.4%). Administrative expenses increased by 73,000 euros up to 1,249 thousand euros in the reporting quarter and during 12-months period by 295,000 euros to 4,337 thousand euros, at the same time the rate of administrative expenses to revenue decreased and accounted for 7.2% (2014: 8.0%).

EARNINGS AND MARGINS

The annual stock-taking assesses and adjusts the costs of receivables, assets and reserves, as a result of which the profitability in the last quarter of the year is lower than usual. In Q4, the growth rate in operating expenses outstripped the growth in revenue, resulting in a decrease in profit margins.

In the fourth quarter the gross profit of the Group was 2,079 (Q4 2014: 2,222) thousand euros. The gross profit margin was 13.8% being 1.9 per cent point lower comparing to the same period a year before. In the 12-months period, the gross profit of the Group was 10,299 (2014: 9,081) thousand euros and the gross profit margin was 17.0% being 0.9 percent point lower comparing to the reference period.

The Group's operating profit in the reporting quarter was 79 (Q4 2014: 282) thousand euros and EBITDA 498 (Q4 2014: 657) thousand euros. Return of sales for the accounting quarter was 0.5% (Q4 2014: 2.0%) and return of sales before depreciation 3.3% (Q4 2014: 4.7%).

In 12-months period, EBITDA increased by 1,078 thousand euros to 4,819 thousand euros and operating profit by 1,048 thousand euros to 3,276 thousand euros. Return of sales before depreciation was 7.9% (2014: 7.4%) and return of sales 5.4% (2014: 4.4%).

On balance, the profit for the reporting quarter before tax was 118,000 (Q4 2014: 304,000) euros. The income tax assessed for the reporting quarter was 134,000 (Q4 2014: 51,000) euros. The consolidated net loss for the reporting quarter was 16,000 euros, of which the share of the owners of the Company was 8000 euros. During the comparative period, the net profit was 253,000 euros, of which the share of the owners of the Company was 232,000 euros.

In April, PKC Group Oyj paid dividends to the shareholders 0.70 euros per share. Dividend income from the shares was 766 (2014: 906) thousand euros. In total, financial investments yielded a profit of 835 thousand euros during twelve months, which was 4,826 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.

AS Harju Elekter sold its holding in associated company AS Draka Keila Cables on 9 July 2014. The transaction earned 1,785 thousand euros of financial income and an additional profit of 817,000 euros was consolidated from the company. In total, a revenue of 2,602 thousand euros was made by the associated company in last year.

The consolidated net profit of the year 2015 was 3,186 (2014: 9,778) thousand euros. The share of the owners of the Company was 3,190 (2014: 9,697) thousand euros. The net profit margin was established at 5.3% (2014: 19.3%). EPS was 0.18 (2014: 0.56) euros.

Employees and remuneration

In Q4 2015, the average 463 people worked in the Group and in 12-months period, the average number of employees was 472.

The average number of employees in the Group increased by 2 in the reporting quarter and by 13 during 12-months period. Labour costs increased by 1.7% to 3,263 thousand euros in the reporting quarter and by 4.4% up to 12,555 thousand euros in twelve months. The rate of labour costs to revenue accounted for 20.7% (2014: 23.8%).

In the fourth quarter, employee wages and salaries totalled 2,439 (Q4 2014: 2,503) thousand euros and during the year 9,695 (2014: 9,194) thousand euros. The average wages per employee per month amounted to 1,712 (2014: 1,669) euros.

	Average number of employees				Number of employees at 31.12.		
	Q4 2015	Q4 2014	12m 2015	12m 2014	Growth	2015	2014
Estonia	263	293	283	292	-38	273	311
Finland	94	93	94	87	-2	90	92
Lithuania	106	79	95	80	27	107	80
Total	463	465	472	459	-13	470	483

As at the reporting date on 31 December, there were 470 people working in the Group, which were 13 employees less than a year before. Due to the optimisation of their production and a decrease in their production volumes, the Estonian companies had reduced the number of their staff by 38 as at the end of the reporting year.

Financial position and cash flows

	Growth y-o-y	31.12. 2015	31.12. 2014	31.12. 2013
Current assets	-5,298	19,843	25,141	15,899
Non-current assets	2,085	46,736	44,651	55,172
TOTAL ASSETS	-3,213	66,579	69,792	71,071
Current liabilities	-927	7,463	8,390	6,111
Non-current liabilities	-648	912	1,560	1,141
Equity incl attributable to owners of the Company	-1,638	58,204	59,842	63,819
	-389	58,086	58,475	62,479
Equity ratio (%) (equity/total assets)*100	1.7	87.4	85.7	89.8
Current ratio (average current assets/ average current liabilities)	0.0	2.8	2.8	2.3
Quick ratio (average liquid assets (current assets–inventories) / average current liabilities)	0.0	1.9	1.9	1.4

During 12 months, the amount of the consolidated statement of financial position decreased by 3,213 thousand euros to 66,579 thousand euros.

Current assets decreased during a year by 5,298 thousand euros to 19,843 thousand euros. Trade receivables and other receivables increased during a year by 194,000 euros to 6,678 thousand euros. Inventories decreased during a year by 956,000 euros to 7,148 thousand euros. In 12 months, cash decreased by 4,273 thousand euros, to 5,711 thousand euros.

Cost of non-current assets increased during a year by 2,085 thousand euros up to 46,736 thousand euros. Most of the changes in the non-current assets derived from value adjustment of other long-term financial investments. 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 increased in accounting quarter by 0.5 eurocents and decreased during twelve months by 1.24 euros; the share price in Helsinki Stock Exchange in last trading day of December was 16.23 (Dec 31 2014: 17.47) euros. The cost of investment in assets and reserves in equity decreased by the loss of 1,357 (2014: 7,407) thousand euros, by which amount decreased the cost of investment in assets and reserves in equity. In total, the cost of financial investments increased during a year by 1,043 thousand euros up to 20,188 thousand euros.

The carrying value of real estate investments and property, plant and equipment increased 871,000 euros and 52,000 euros, respectively, in 12-months period. Real estate investments were made in the amount of 1,356 (2014: 886) thousand euros, which includes an investment of 1,272 thousand in the production building of Allika Industrial park. During twelve months, property, plant and equipment were acquired in the sum of 970,000 (2014: 770,000) euros, out of which 593,000 euros were comprised of production equipment.

As at the reporting date, the Group's liabilities totalling 8,375 thousand euros, of which short-term liabilities made up 89% or 7,463 thousand euros. Short-term liabilities decreased during a year by 927,000 euros. Trade payables and other payables decreased by 796,000 euros in 12-months period.

The Group's current ratio for the 12-months period stood stable compare to the reference period, being 2.8 and 1.9 respectively.

As at 31 December 2015, interest-bearing loans and borrowings amounted to 14.4% (Dec 31 2014: 11.0%) of the Group's liabilities and 1.8% (Dec 31 2014: 1.1%) of the total assets. The Group had interest-bearing loans and borrowings totalling 1,208 (Dec 31 2014: 1,096) thousand euros, with the short-term obligations making up 296,000 (Dec 31 2014: 278,000) euros.

<i>Consolidated cash flow statement</i>	12 months		
	2015	2014	2013
Cash flows from operating activities	4,293	2,760	2,547
Cash flows from investing activities	-6,328	5,580	539
Cash flows from financing activities	-2,235	-2,451	-2,324
Net cash flow	-4,270	5,889	762

The cash flows from operating activities were positive. In 12 months, business operations generated 4,293 (2014: 2,760) thousand euros in cash. This was affected most by a decrease in the inventories and growth in the operating profit.

During 12-months period, cash-flow out from investing activities was 6,328 thousand euros; within the comparable period cash-flow from investment activities was 5,580 thousand euros. Financial investments were made in the amount of 4,907 thousand euros during 12-months period. A 10% holding was acquired in Skeleton Technologies Group OÜ, a company developing and manufacturing ultracapacitors, a 37% in the subsidiary UAB Rifas and an additional payment was made for the shares of Finnkumu Oy (see Note 8). During the comparative period, 4,847

thousand euros was paid for the subsidiaries' shares, and 11,133 thousand euros was received from the sale of financial assets. In 12 months, 1,565 (2014: 672) thousand euros was paid for real estate investments and a total of 730 (2014: 1,022) thousand euros was paid for tangible and intangible assets.

Cash-flow out from financing activities was 2,235 (2014: 2,451) thousand euros. In the accounting year, the Group paid dividends to the shareholders in the amount of 2,654 thousand euros; in the comparable period of 1,795 thousand euros. Income from the issuing of shares amounted to 766,000 euros in June. 347,000 (2014: 298,000) euros worth of principal amounts of the financial lease were paid during a year.

During twelve months, cash and cash equivalents decreased by 4,273 thousand euros to 5,711 thousand euros; within the comparable period cash and cash equivalents increased by 5,882 thousand euros to 9,984 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 2.61 million 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

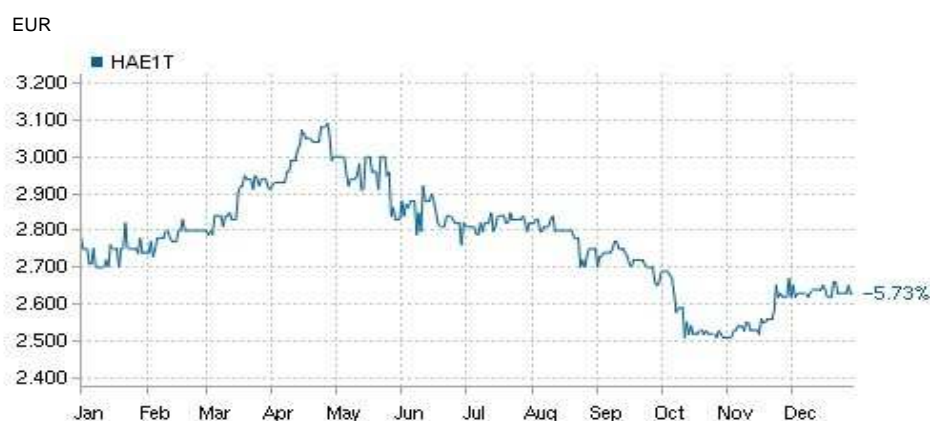
Shares of Harju Elekter and shareholders

Security trading history:

Price:	2011	2012	2013	2014	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	2.49
Last	2.28	2.64	2.70	2.79	2.63
Traded volume	663,917	759,869	936,162	800,823	1,086,451
Turnover, in million euros	1.88	1.88	2.48	2.17	2.98
Capitalisation, in million euros	38.30	45.94	46.98	48.55	46.66
Average number of the shares	16,800,000	17,093,443	17,400,000	17,400,000	17,550,851
EPS, in euros	0.17	0.21	0.30	0.56	0.18

Due to the share option programme initiated, starting from 22 July 2015 the number of ordinary shares of AS Harju Elekter is 17,739,880.

Share price in Tallinn Stock growth/decrease, 1.1.2015 - 31.12.2015



As at December 31 2015 AS Harju Elekter had 1,777 shareholders. The number of shareholders increased during a year by 304 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31% of AS Harju Elekter's share capital. Foreign equity participation is 17%. Members of the supervisory and management boards hold 10.34% 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 2015

Holding	No of shareholders	% of all shareholders	% of votes held
>10%	2	0.11	42.10
1.0 - 10.0%	10	0.56	24.42
0.1 - 1.0%	69	3.89	18.19
<0.1%	1,696	95.44	15.29
Total	1,777	100.0	100.0

Shareholders (above 5%) at 31 December 2015

Shareholder	Holding (%)
HARJU KEK AS	31.39
ING LUXEMBOURG S.A.	10.71
Endel Palla	6.39
Other	51.51

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

ASSETS	Note	31.12.2015	31.12.2014
Current assets			
Cash and cash equivalents		5,711	9,984
Available-for-sale financial assets		0	35
Trade receivables and other receivables		6,678	6,484
Prepayments		278	455
Income tax prepayments		28	79
Inventories		7,148	8,104
Total current assets		19,843	25,141
Non-current assets			
Deferred income tax asset		57	0
Other long-term financial investments	2	20,188	19,145
Investment property	2	12,980	12,109
Property, plant and equipment	2	8,020	7,968
Intangible assets	2	5,491	5,429
Total non-current assets		46,736	44,651
TOTAL ASSETS		66,579	69,792
LIABILITIES AND EQUITY			
Liabilities			
Interest-bearing loans and borrowings	3	296	278
Trade payables and other payables		5,350	6,989
Liabilities in fair value	8	713	843
Tax liabilities		944	1,072
Income tax liabilities		146	12
Short-term provision		14	39
Total current liabilities		7,463	8,390
Interest-bearing loans and borrowings	3	912	818
Non-current liabilities in fair value	8	0	742
Non-current liabilities		912	1,560
Total liabilities		8,375	9,950
Equity			
Share capital	4	12,418	12,180
Share premium	4	804	240
Reserves		18,047	19,393
Retained earnings		26,817	26,664
Total equity attributable to equity holders of the parent		58,086	58,477
Non-controlling interests		118	1,365
Total equity		58,204	59,842
TOTAL LIABILITIES AND EQUITY		66,579	69,792

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 October – 31 December		1 January – 31 December	
		2015	2014	2015	2014
Revenue	5	15,030	14,166	60,656	50,606
Cost of sales		-12,951	-11,944	-50,357	-41,525
Gross profit		2,079	2,222	10,299	9,081
Distribution costs		-696	-745	-2,657	-2,720
Administrative expenses		-1,249	-1,176	-4,337	-4,042
Other income		4	11	70	27
Other expenses		-59	-30	-99	-118
Operating profit	5	79	282	3,276	2,228
Finance income	6	48	34	835	5,661
Finance costs	6	-9	-12	-49	-38
Profit from associate	2	0	0	0	2,602
Profit before tax		118	304	4,062	10,453
Income tax expense		-134	-51	-876	-675
Profit for the period		-16	253	3,186	9,778
Profit attributable to:					
Owners of the Company		-8	232	3,190	9,697
Non-controlling interests		-8	21	-4	81
Profit for the period		-16	253	3,186	9,778
Earnings per share					
Basic earnings per share (EUR)	7	0.00	0.01	0.18	0.56
Diluted earnings per share (EUR)	7	0.00	0.01	0.18	0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 October – 31 December		1 January – 31 December	
		2015	2014	2015	2014
Profit for the period		-16	253	3,186	9,778
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	55	1,598	-1,357	-7,406
Realised gain from sale of financial assets (-)		0	0	0	-4,616
Currency translation differences		1	2	0	-10
Other comprehensive income for the period, net of tax		56	1,600	-1,357	-12,032
Total comprehensive income for the period		40	1,853	1,829	-2,254
Total comprehensive income attributable to:					
Owners of the Company		59	1,832	1,844	-2,334
Non-controlling interests		-19	21	-15	80
Total comprehensive income for the period		40	1,853	1,829	-2,254

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	2015	2014
Cash flows from operating activities			
Operating profit	5	3,276	2,228
<u>Adjustments for:</u>			
Depreciation and amortisation	2	1,543	1,513
Gain on sale of property, plant and equipment	9	-25	-10
Share-based payment transactions	10	36	72
Growth/decrease in receivables related to operating activity		-20	301
Growth/decrease in inventories		956	-673
Growth/decrease in payables related to operating activity		-692	205
Corporate income tax paid	9	-748	-845
Interest paid	6	-33	-31
Net cash from operating activities		4,293	2,760
Cash flows from investing activities			
Acquisition of investment property	9	-1,565	-672
Acquisition of property, plant and equipment	9	-523	-765
Acquisition of intangible assets	9	-207	-257
Acquisition of subsidiaries, net of cash acquired	8	-856	-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	30	27
Proceeds from sale of other financial investments		36	11,133
Interest received	9	42	54
Dividends received		766	907
Net cash used in investing activities		-6,328	5,580
Cash flows from financing activities			
Growth/decreases in short-term loans	3	0	-358
Payment of finance lease principal	3	-347	-298
Receipts from contribution into share capital	4	766	0
Dividends paid		-2,654	-1,795
Net cash used in financing activities		-2,235	-2,451
Net cash flows		-4,270	5,889
Cash and cash equivalents at beginning of period		9,984	4,102
Net increase / decrease		-4,270	5,889
Effect of growth/decrease rate fluctuations on cash held		-3	-7
Cash and cash equivalents at end of period		5,711	9,984

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

For the period 1 January – 30 September	Attributable to owners of the Company							Non- Controlling interests	TOTAL
	Share capital	Share premium	Capital reserve	Fair value reserve	Trans- lation reserve	Retained earnings	TOTAL		
At 31 December 2013	12,180	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	9,697	9,697	81	9,778
Other comprehensive income the period	0	0	0	-12,022	-9	0	-12,031	-1	-12,032
Total comprehensive income	0	0	0	-12,022	-9	9,697	-2,334	80	-2,254
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	72	72	0	72
Dividends	0	0	0	0	0	-1,740	-1,740	-55	-1,795
Total transaction with the owners of the Company	0	0	0	0	0	-1,668	-1,668	-55	-1,723
At 31 December 2014	12,180	240	1,218	18,184	-9	26,664	58,477	1,365	59,842

For the period 1 January – 31 December	Attributable to owners of the Company							Non-Controlling interests	TOTAL
	Share capital	Share premium	Capital reserve	Fair value reserve	Trans-lation reserve	Retained earnings	TOTAL		
31 December 2014	12,180	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	3,190	3,190	-4	3,186
Other comprehensive income	0	0	0	-1,357	11	0	-1,346	-11	-1,357
Total comprehensive income	0	0	0	-1,357	11	3,190	1,844	-15	1,829
Transaction with the owners of the Company, recognised directly in equity									
Increase of share capital	238	564	0	0	0	0	802	0	802
Share-based payments	0	0	0	0	0	36	36	0	36
Dividends	0	0	0	0	0	-2,610	-2,610	-44	-2,654
Acquisition of non-controlling interest	0	0	0	0	0	-463	-463	-1,188	-1,651
Total transaction with the owners of the Company	238	564	0	0	0	-3,037	-2,235	-1,232	-3,467
At 31 December 2015	12,418	804	1,218	16,827	2	26,817	58,086	118	58,204

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 31.12.2015 comprises AS Harju Elekter (the 'Parent company' or the '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 Nasdaq Tallinn Stock Exgrowth/decrease since 30 September 1997; 31% 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 1-12/2015 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 December	2015	2014
Investments in associate¹		
At 1 January	0	3,598
Profit under the equity method	0	817
Sale of shares at sales price	0	-6,200
Sales gain	0	1,785
At the end of the period	0	0
Other long-term financial investments		
At 1 January	19,145	31,339
Sale of shares	0	-4,788
Additions	2,400	0
Growth/decreases in the fair value reserve	-1,357	-7,406
At the end of the period	20,188	19,145
Investment property		
At 1 January	12,109	11,663
Additions	1,356	886
Reclassification	-13	0
Depreciation charge	-472	-440
At the end of the period	12,980	12,109

For the period 1 January – 31 December	2015	2014
Property, plant and equipment		
At 1 January	7,968	8,129
Additions	970	770
Acquisitions through business combinations	0	39
Disposals	-5	-17
Reclassification	13	0
Depreciation charge	-926	-953
At the end of the period	8,020	7,968
Intangible assets		
At 1 January	5,429	436
Additions	207	253
Acquisitions through business combinations	0	4,860
Depreciation charge	-145	-120
At the end of the period	5,491	5,429

¹ AS Harju Elekter sold its holding in the associate company on 9 July 2014.

Note 3 Interest-bearing loans and borrowings

	31.12.2015	31.12.2014
Liabilities		
Current portion of lease liabilities	296	278
Total current liabilities	296	278
Non-current liabilities		
Lease liabilities	912	818
Total non-current liabilities	912	818
TOTAL	1,208	1,096

Growth/decreases during the period 1 January – 31 December	2015	2014
Loans and borrowings at the beginning of the year	1,096	1,752
Growth/decreases in short-term loans	0	-358
New finance lease	459	0
Payment of finance lease principal	-347	-298
Loans and borrowings at the end of the current period	1,208	1,096

Note 4 Owner's equity

	Unit	31.12.2015	31.12.2014
Share capital	EUR'000	12,418	12,180
Number of shares	PC	17,739,880	17,400,000
Par value of a share	EUR	0.70	0.70

AGM held on 14 May 2015 decided to implement the option programme approved by the AGM held on 3 April 2012.

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. When options were subscribed for in 2012, 0.10 euros was paid for every share, or 36,000 euros in total, recognised as a liability in the statement of financial position. Thus, an additional 2.26 euros was paid for every share by 30 June 2015. In 2015, a total of 766,000 euros was received for the share issue, of which the issue premium made up 564,000 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 assets are more than 10% of the total assets of the Group.

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. 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
2015					
Revenue from external customers	55,555	2,353	2,748	0	60,656
Inter-segment revenue	252	961	345	-1,558	
Total revenue	55,807	3,314	3,093	-1,558	60,656
Operating profit	2,651	954	-297	-32	3,276
Segment assets	33,440	13,304	4,678	-7,432	43,990
Indivisible assets					22,589
Total assets					66,579
2014					
Revenue from external customers	45,814	2,392	2,400	0	50,606
Inter-segment revenue	237	980	413	-1,630	0
Total revenue	46,051	3,372	2,813	-1,630	50,606
Operating profit	1,469	1,137	-306	-72	2,228
Segment assets	34,118	12,516	8,491	-7,473	47,652
Indivisible assets					22,140
Total assets					69,792

Revenue by markets:

For the period 1 January – 31 December	2015	2014
Estonia	14,198	15,183
Finland	38,875	29,480
Lithuania	610	1,037
Sweden	1,428	1,596
Norway	3,873	1,658
Other countries	1,672	1,652
Total	60,656	50,606

Revenue by business area:

For the period 1 January – 31 December	2015	2014
Electrical equipment	52,135	42,867
Sheet metal products and services	843	881
Boxes for telecom sector and services	1,108	1,039
Intermediary sale of electrical products and components	3,686	3,109
Commerce and mediation of services	242	298
Rental income	2,073	2,153
Other services	569	259
Total	60,656	50,606

Note 5 Finance income and costs

1 January – 31 December	Note	2015	2014
Interest income		39	58
Other finance income		0	11
Income from sale of investments		1	4,673
Dividend income		766	907
Income from sale of marketable investments (current assets)		0	12
Financial income from subsidiary	8	29	0
Total finance income		835	5,661
Interest expense		-33	-31
Net loss from foreign exchange differences		-3	-7
Financial expense from subsidiary	8	-13	0
Total finance costs		-49	-38

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 Company 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 31 December 2015, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

For the period	Unit	2015	2014
1 January – 31 December			
Profit attributable to equity holders of the Company	EUR'000	3,190	9,697
Average number of shares outstanding	Pc'000	17,551	17,400
Basic and diluted earnings per share	EUR	0.18	0.56
1 October– 31 December			
Profit attributable to equity holders of the Company	EUR'000	-8	232
Adjusted number of shares during the period	Pc'000	17,740	17,400
Basic and diluted earnings per share	EUR	0.00	0.01

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 carrying 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. The acquisition cost of the shares worked out to be 8,300,000 euros, of which 6,716,000 euros was paid in 2014. Under the contract, the rest of the amount had to be paid in two instalments: in 2015, 50% of the company's 2014 operating profit, estimated at 842,000 euros, and in 2016, 40% of the company's 2015 operating profit, estimated at 742,000 euros. On 31 December 2014, the short-term liability was estimated at 843,000 euros. In 2015, Satmatic Oy paid an additional 13,000 euros in the first instalment, or a total of 856,000 euros. The additional 13,000 euros paid was recognised as a financial expense for the reporting period. On 31 December 2015, the fair value of the second instalment was estimated at 713,000 euros, 29,000 euros less than the estimate from the year before. This reduction in liability was recognised as financial income for the reporting period. (Note 6).

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

For the period 1 January – 31 December	Note	2015	2014
Corporate income tax paid			
Income tax expense		-876	-675
Prepayment decrease (+)/ increase (-), liability decrease (-)/ increase (+)		185	-41
Acquired liability through business combinations		0	-136
Deferred income tax expense (+)/income (-)		-57	7
Corporate income tax paid		-748	-845
Interest received			
Interest income	6	39	58
Receivable decrease (+)/increase (-)		3	-4
Interest received		42	54
Paid for investment property			
Additions of investment property	2	-1,356	-886
Liability decrease (-)/ increase (+) incurred by purchase		-209	214
Acquisition of investment property		-1,565	-672
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-970	-770
Acquired with finance lease	3	459	0
Liability decrease (-)/ increase (+) incurred by purchase		-12	5
Acquisition of property, plant and equipment		-523	-765
Paid for intangible assets			
Additions of intangible assets	2	-207	-253
Liability decrease (-)/ increase (+) incurred by purchase		0	-4
Acquisition of intangible assets		-207	-257
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	5	17
Profit on disposal of property, plant and equipment		25	10
Proceeds from sale of property, plant and equipment		30	27

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 31% of the shares of AS Harju Elekter and until 30.6.2014 associated company AS Draka Keila Cables (Note 2). 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	2015	2014
Purchase of goods and services from related parties:		
- from associates	0	248
- from Harju KEK	93	192
TOTAL	93	440
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	248
- lease of property, plant and equipment	80	65
- purchase of property, plant and equipment	13	126
- other	0	1
Sale of goods and services to related parties:		
- to associates	0	378
- to Harju KEK	5	3
TOTAL	5	381
<i>Inclusive:</i>		
- goods and materials for manufacturing	0	17
- lease of property, plant and equipment	0	339
- other	5	25
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	213	215
- social security and other taxes on salaries	71	71
TOTAL	284	286

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 year 2015, 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 (72,000 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 Post-balance events

In stock release on 11 February 2016, PKC Group Oyj announced that it would terminate its production operations at Keila after Q1 2017. AS PKC Eesti has been a long-standing tenant of AS Harju Elekter. In the estimation of the Management Board, the above decision will have a short-term effect on rental income for the Group.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2015 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 of the remaining financial year 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

„25th“ February 2016