



AS HARJU ELEKTER

Interim report 1-6/2017

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|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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, holding of investments |
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| CEO: | Andres Allikmäe |
| Auditor: | KPMG Baltics OÜ |
| Beginning of the reporting period: | 1 st of January 2017 |
| End of the reporting period: | 30 th of June 2017 |

The interim report of Harju Elekter Group on 24 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/2017 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Satmatic Oy, Finnkumu Oy, Harju Elekter Kiinteistöt Oy, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line.

In June 2017, AS Harju Elekter purchased all shares in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. The financial indicators of Telesilta Oy will be included in 2017 Q3 consolidated report.

AS Harju Elekter purchased an 80.5% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. The transaction was completed as at 29 March 2017. The financial indicators of Energo Veritas OÜ are included in consolidated reports as of 1 April 2017.

In February 2017, AS Harju Elekter acquired the remaining 10% of shares in Harju Elekter AB, obtaining a 100% ownership after the transaction. The activity of the company has been suspended as of 1 April 2014.

As of 30 June 2017, AS Harju Elekter has substantial holdings as follows:

| Company | | Country | 30.6.17 | 31.12.16 | 30.6.16 |
|---------------------------------|--------------------------|-----------|---------|----------|---------|
| AS Harju Elekter Teletehnika | Subsidiary | Estonia | 100.0% | 100.0% | 100.0% |
| AS Harju Elekter Elektrotehnika | Subsidiary | Estonia | 100.0% | 100.0% | 100.0% |
| Energo Veritas OÜ | Subsidiary | Estonia | 80.5% | 0.0% | 0.0% |
| Satmatic Oy | Subsidiary | Finland | 100.0% | 100.0% | 100.0% |
| Finnkumu Oy | Satmatic Oy`s subsidiary | Finland | 100.0% | 100.0% | 100.0% |
| Telesilta OY | Subsidiary | Finland | 100.0% | 0.0% | 0.0% |
| Harju Elekter Kiinteistöt Oy | Subsidiary | Finland | 100.0% | 100.0% | 0.0% |
| UAB Rifas | Subsidiary | Lithuania | 100.0% | 100.0% | 62.7% |
| UAB Automatikos Iranga | Rifas UAB`s subsidiary | Lithuania | 67.0% | 67.0% | 51.0% |
| Harju Elekter AB | Subsidiary | Sweden | 100.0% | 90.0% | 90.0% |
| Skeleton Tehnologies Group OÜ | Financial investment | Estonia | 9.8% | 9.8% | 10.0% |
| SIA Energokomplekss | Financial investment | Latvia | 14.0% | 14.0% | 14.0% |

Economic environment

The World Economic Survey 2/2017 of the Institute for Economic Research (IFO), Munich reveals that the world economy continues to show a further moderate recovery and in April, the world economic climate was assessed as satisfactory. The current economic situation was assessed to be above average in the European Union and the Euro Area, the economic sentiment of which reached the highest level over the last six years and where the restrained price increase of the Euro Area has contributed to low euro rates. Also, the main partner-countries of Estonia – Sweden, Finland, Latvia and Lithuania have demonstrated progress. As major risk factors, the geopolitical risks and migration crisis were mentioned.

The judgments issued by the experts of the Estonian Institute of Economic Research in June reveal that compared to March, the Estonian economic situation has further improved and economic growth accelerated. At the same time, the economic growth has become more broad-based. Success was ensured by both domestic developments (high employment rate, increased income and good domestic demand) as well as economic recovery and increased export. Growth was also supported by increased investment volumes. As possible hazards, ageing of the population and moderate level of productivity were mentioned.

Main events

On 2 June 2017, AS Harju Elekter signed a contract for the purchase of all shares in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. Telesilta Oy continues to operate under its own name and brand as a wholly-owned subsidiary of the Group. The purchase provides new knowledge and skills in manufacture and installation of the electrical and automation equipment for ships, and opens the door to the promising Finnish shipbuilding sector.

The Group's Lithuanian subsidiary UAB Rifas received a prestigious Rolls-Royce Marine Innovation and Technology Award in June 2017.

In H1, the Group's subsidiaries participated actively in the professional fairs in Estonia, Finland and Sweden: the largest exhibition of electrical energy and power distribution in the Nordic Countries - Elfack in Gothenburg, presenting a substation with concrete enclosure, which has been developed specifically to meet the demands of the local market, the trade fair Verkosto in Tampere, which specialised in energy and distribution networks and the international building fair Estbuild in Estonia.

On 27 April 2017, the AGM of shareholders of AS Harju Elekter was held; it approved the 2016 annual report and distribution of profit as well as the decision to pay the shareholders a dividend of 0.18 euros per share, or a total of 3.2 million euros, for 2016. The shareholders registered in the shareholders' registry on 11 May 2017 at 23.59 entitled to dividend and the dividends were paid to the shareholders on 16 May 2017. The AGM also appointed a new supervisory board of five members for the next five-year term as follows: Mr. Arvi Hamburg, Mr. Aare Kirsme, Mr. Endel Palla, Mrs. Triinu Tombak and Mr. Andres Toome and approved the procedure for remuneration of the Supervisory Board.

AS Harju Elekter purchased an 80.5% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. The transaction was completed as at 29 March 2017. Harju Elekter's Trading Group and business activities of Energo Veritas OÜ was combined. As of 1 June, the united business activities continue in Group's subsidiary, under the name of Energo Veritas OÜ.

On 2 March, KredEx Credit Insurance presented the traditional Export Deed of the Year award, with the recipient this year being AS Harju Elekter, which had concluded outstanding contracts with foreign partners in 2016 and also increased their export.

In January 2017, the subsidiary AS Harju Elekter Elektrotehnika received a large order from Konecranes, for the supply of 86 special substations to the United States. Together with the agreements concluded with Finnish distribution networks companies at the end of 2016, the production of substations in the Estonian and Finnish plants of the Group will increase from the current 1100 substations to 2500 substations annually.

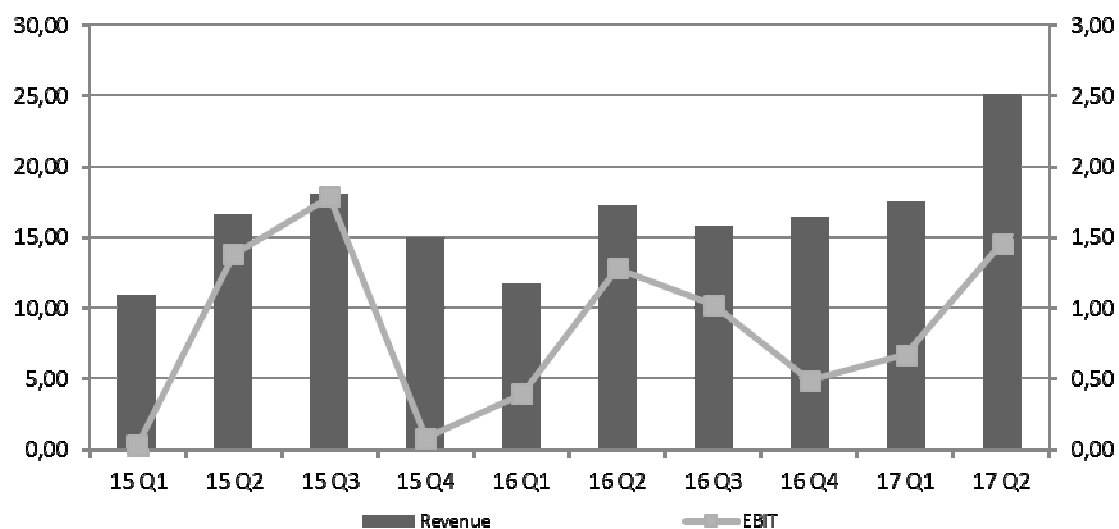
Motherhood Sumi Systems Limited and the management board of PKC Group Oyj signed a merger agreement on 19 January 2017 and to the shareholders of PKC Group Oyj was submitted a takeover bid at the price of EUR 23.55 per share. On 22 March 2017, PKC Group Oyj announced that the takeover bid had been successful. AS Harju Elekter owned 1,094,641 PKC Group Oyj shares, of which AS Harju Elekter, received 25.8 million euros on 30 March 2017.

Operating results

The reporting quarter and first half of the year was successful for the Harju Elekter Group. The large agreements and purchase orders concluded at the end of 2016 increased the sales revenues and operating profit of the Group.

KEY INDICATORS

| | January - June | | | Year |
|----------------------------------------------------|----------------|--------|--------|--------|
| | 2017 | 2016 | 2015 | 2016 |
| Revenue (EUR'000) | 42,622 | 28,965 | 27,535 | 61,167 |
| Gross profit (EUR'000) | 6,476 | 5,222 | 4,779 | 10,348 |
| EBITDA (EUR'000) | 2,894 | 2,486 | 2,139 | 4,777 |
| EBIT (EUR'000) | 2,123 | 1,671 | 1,408 | 3,181 |
| Profit for the period (EUR'000) | 26,389 | 1,979 | 1,583 | 3,224 |
| incl attributed to Owners of the Company (EUR'000) | 26,356 | 1,988 | 1,572 | 3,219 |
| Revenue growth/decrease (%) | 47.2 | 5.2 | 32.7 | 0.8 |
| Gross profit growth/decrease (%) | 24.0 | 9.3 | 32.1 | 0.5 |
| EBITDA growth/decrease (%) | 16.3 | 16.2 | 81.7 | -0.9 |
| EBIT growth/decrease (%) | 26.9 | 18.7 | 236.8 | -2.9 |
| Profit for the period growth/decrease (%) | 1,233.5 | 25.8 | -75.0 | 1.2 |
| incl attributed to Owners of the Company (%) | 1,225.9 | 27.7 | -75.3 | 0.9 |
| Distribution cost to revenue (%) | 4.3 | 5.2 | 4.9 | 5.0 |
| Administrative expenses to revenue (%) | 5.9 | 7.1 | 7.5 | 6.8 |
| Labour cost to revenue (%) | 18.7 | 20.8 | 22.8 | 22.0 |
| Gross margin (Gross profit/revenue) (%) | 15.2 | 18.0 | 17.4 | 16.9 |
| EBITDA margin (EBITDA/revenue) (%) | 6.8 | 8.6 | 7.8 | 7.8 |
| Operating margin (EBIT/revenue) (%) | 5.0 | 5.8 | 5.1 | 5.2 |
| Net margin (Profit for the period/revenue) (%) | 61.9 | 6.8 | 5.7 | 5.3 |
| ROE (Profit for the period/average equity) (%) | 41.4 | 3.3 | 2.6 | 5.4 |

Seasonality of business (million euros)

SALES REVENUE

Consolidated revenue for the reporting quarter was 25.1 (Q2 2016: 17.2) million euros, increasing 45.9% in relation to the comparable period. The Group's revenue for six months was 42.6 (H1 2016: 29.0) million euros, increasing 47.2% in relation to the comparable period. The main reason for the high growth were the contracts concluded at the end of 2016.

The quarterly sales development by business area:

| Business area | Change y-o-y | Q2 2017 | Q2 2016 | Q2 2015 | Year 2016 |
|------------------------------------------|--------------|---------------|---------------|---------------|---------------|
| Electrical equipment | 43.0% | 21,611 | 15,109 | 14,392 | 52,476 |
| Sheet metal products and services | -18.8% | 233 | 287 | 227 | 986 |
| Telecom sector products | -15.6% | 255 | 302 | 321 | 1,236 |
| Intermediary sale of electrical products | 200.0% | 2,367 | 789 | 936 | 3,416 |
| Rental income | -32.8% | 375 | 558 | 501 | 2,216 |
| Other services | 60.1% | 261 | 163 | 213 | 837 |
| Total | 45.9% | 25,102 | 17,208 | 16,590 | 61,167 |

In the reporting quarter the sale of electrical equipment increased by 6.5 million euros up to 21.6 million euros and in six months period by 12.0 up to 37.0 million euros.

The quarterly sales development by markets:

| Markets | Growth % | | Quarter 2 | | 6 months | | Share | |
|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Q/Q | 6m/6m | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Estonia | 46.6% | 37.9% | 4,812 | 3,282 | 8,779 | 6,365 | 20.6% | 22.0% |
| Finland | 38.9% | 45.8% | 17,157 | 12,349 | 28,814 | 19,759 | 67.6% | 68.2% |
| Lithuania | 275.3% | 270.1% | 545 | 146 | 661 | 179 | 1.6% | 0.6% |
| Sweden | 164.8% | 54.3% | 639 | 242 | 1,594 | 1,034 | 3.7% | 3.6% |
| Norway | 1076.8% | 395.8% | 1,635 | 139 | 2,337 | 471 | 1.0% | 1.6% |
| Others | -70.1% | -62.2% | 314 | 1,050 | 437 | 1,157 | 5.5% | 4.0% |
| Total | 45.9% | 47.2% | 25,102 | 17,208 | 42,622 | 28,965 | 100.0% | 100.0% |

Sales on the Estonian market grew by 46.6%, i.e. 1.5 million euros, to 4.8 million euros in the reporting quarter, accounting for 19.2% of the consolidated sales revenues of the reporting quarter. In H1 2017, sales on the Estonian market grew by 37.9%, i.e. 2.4 million euros, up to 8.8 million euros, accounting for 20.6% of the consolidated sales revenues.

The Group's sales revenue earned outside Estonia accounted for 80.8% in Q2 2017 (Q2 2016: 80.9%) and 79.4% in H1 2017 (H1 2016: 78.0%).

Finland continues as the largest market of the Group. In the reporting quarter, 68.3% of the Group's products and services (Q2 2016: 71.8%) were sold on the Finnish market, growing over the year by 4.8 million euros, i.e. 38.9%. Comparing the reporting half years, the increase was 45.8%, i.e. 9.1 million euros up to 28.8 million euros, accounting for 67.6% (H1 2016: 68.2%) of the consolidated sales revenue. The main reason for the growth were the contracts concluded with Finnish network companies at the end of 2016, whose orders already began in Q1 of 2017.

Growing the sales volume on the Swedish market is a continuous priority of the Group and AS Harju Elekter Elektrotehnika. The growth of sales to the Swedish market in the reporting quarter was 0.4 million euros and in H1 0.6 million euros, compared to the same periods last year.

The Group has also increased the sales on the Norwegian market. The growth of sales to the Norwegian market in the reporting quarter was 1.5 million euros and in H1 1.8 million euros, compared to reference periods.

The quarterly sales development by segments:

| Markets | Growth % | | Quarter 2 | | 6 months | | Year |
|------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | Q/Q | 6m/6m | 2017 | 2016 | 2017 | 2016 | 2016 |
| Manufacturing | 40.4% | 45.8% | 22,412 | 15,958 | 38,519 | 26,419 | 55,790 |
| Real estate | -30.2% | -24.1% | 423 | 606 | 947 | 1,248 | 2,480 |
| Unallocated activities | 252.4% | 143.2% | 2,267 | 644 | 3,156 | 1,298 | 2,897 |
| Total | 45.9% | 47.2% | 25,102 | 17,208 | 42,622 | 28,965 | 61,167 |

During the reporting quarter 89% (Q2 2016: 93%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 11% (Q2 2016: 7%) of the consolidated sales volume. The sale of electrical equipment provides more than 96% of the sales volume of the Manufacturing segment.

The decrease in Real estate segment sales was caused by PKC Group Oyj ceasing its production activities in Estonia and leaving from the Group's rental premises. The rental premises will be taken into use by AS Harju Elekter Elektrotehnika. Rental segment sales will increase in Q3 when new production premises and warehouses will be rented out in Allika Industrial Park.

OPERATING EXPENSES

| | Growth % | | Quarter 2 | | 6 months | | Year |
|------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | Q/Q | 6m/6m | 2017 | 2016 | 2017 | 2016 | 2016 |
| Cost of sales | 51.5% | 52.2% | 21,298 | 14,055 | 36,147 | 23,743 | 50,819 |
| Distribution costs | 30.3% | 20.6% | 1,028 | 789 | 1,824 | 1,512 | 3,034 |
| Administrative expenses | 19.6% | 22.1% | 1,322 | 1,104 | 2,504 | 2,051 | 4,138 |
| Total expenses | 48.3% | 48.2% | 23,648 | 15,948 | 40,475 | 27,306 | 57,991 |
| incl. depreciation of fixed assets | -8.4% | -5.4% | 389 | 425 | 771 | 815 | 1,596 |
| Total labour cost | 16.5% | 20.2% | 4,307 | 3,697 | 7,987 | 6,021 | 13,464 |
| inclusive salary cost | 19.0% | 14.9% | 3,308 | 2,781 | 5,925 | 4,709 | 10,597 |

Operating expenses increased 48.3% or 7.7 million euros in the reporting quarter compared to the reference period. The increase in H1 2017 was 48.2% or 13.2 million euros compared to H1 2016. The main reason for the upsurge in costs was the increase in the cost of sales. Cost of sales increased by 7.2 million euros, i.e. 51.5% in Q2 2017, compared to Q2 2016; and 12.4 million euros, i.e. 52.2% in H1 2017, compared to H1 2016. The cost of sales has grown faster than revenue growth. The increase in global commodity prices continued, also the European sheet metal producers continued to raise their prices, affecting the cost of sales of the Group.

The continued focus of the Group towards increasing exports has led to a rise in distribution costs, growing by 30.3% in the reporting quarter and by 20.6% in H1 2017, in respect to the comparable periods. The rate of distribution costs is in decline and accounted for 4.1% of the sales revenue in reporting quarter (Q2 2016: 4.6%), and 4.3% in H1 2017 (H1 2016: 5.2%).

Administrative expenses increased by 19.6%, i.e. 218 thousand euros in the reporting quarter and 22.1%, i.e. 453 thousand euros in H1 2017, compared to reference periods. The increase has occurred mainly due to growth in development expenses, including hiring new employees, related to new orders and development of new products. The rate of administrative expenses to revenue is also in decline and accounted for 5.3% in Q2 2017 and 5.9% in H1 2017, having decreased by 1.1 and 1.2 percentage points, respectively, in both reference periods.

EARNINGS AND MARGINS

In the reporting quarter the gross profit of the Group was 3,805 (Q2 2016: 3,153) thousand euros. The gross profit margin was 15.2% (Q2 2016: 18.3%). In H1 the gross profit of the Group was 6,476 (H1 2016: 5,222) thousand euros. The gross profit margin was 15.2% (H1 2016: 18.0%).

The Group's operating profit in the reporting quarter was 1,455 (Q2 2016: 1,281) thousand euros and EBITDA 1,844 (Q2 2016: 1,706) thousand euros. Return of sales for the reporting quarter was 5.8% (Q2 2016: 7.4%) and return of sales before depreciation 7.3% (Q2 2016: 9.9%).

The operating profit of the Group in the first half year was 2,123 (H1 2016: 1,671) thousand euros and the EBITDA was 2,894 (H1 2016: 2,486) thousand euros. Return of sales for the reporting period was 5.0% (H1 2016: 5.8%) and return of sales before depreciation was 6.8% (H1 2016: 8.6%). Return of sales has decreased due to less rental income as PKC Group Oyj moved out from the Group's rental premises in the beginning of 2017. Also, the non-recurrent expenses occurred in AS Harju Elekter Elektrotehnika, resulting from moving to new production facilities, had effect on return of sales.

In the reporting quarter, the consolidated net profit was 1,023 (Q2 2016: 1,668) thousand euros, of which the share of the owners of the Company was 982 (Q2 2016: 1,664) thousand euros. EPS in the Q2 2017 was 0.06 euros (Q2 2016: 0.09 euros). The decrease in net profit is related to PKC Group Oyj dividends of 766 thousand euros received in Q2 2016.

Overall, the consolidated net profit of the H1 2017 was 26,389 (H1 2016: 1,979) thousand euros. The share of the owners of the Company was 26,356 (H1 2016: 1,988) thousand euros. In H1, EPS was 1.49 (H1 2016: 0.11) euros. Large net profit was the result of Motherson Sumi Systems Limited acquiring the shares of PKC Group Oyj at the price of EUR 23.55 per share. AS Harju Elekter owned 1,094,641 shares of PKC Group Oyj. Financial income from the sale of shares was EUR 24,839 thousand euros.

Employees and remuneration

In Q2 2017, an average of 542 employees worked in the Group, which was 88 people more than in the comparable period. In H1 2017, an average of 516 employees worked in the Group, which was 62 people more than in the reference period.

In the reporting quarter, the employees were paid as salaries and fees 3,308 (Q2 2016: 2,781) thousand euros, which was 19,0% higher than in the reference period. The H1 2017, the employees were paid 5,925 (2016 H1: 5,155) thousand euros, being 14,9% more than in the reference period. The growth of wages was due to hiring new employees related to the significant increase in production volumes. The average monthly salary for an employee of the Group was 1,914 (H1 2016: 1,894) euros, having increased by 1.1%.

| | Average number of employees | | | | Number of employees 30.6. | | | As at 1.1.2017 |
|--------------|-----------------------------|------------|------------|------------|---------------------------|------------|------------|-------------------|
| | Q2 2017 | Q2 2016 | 6m 2017 | 6m 2016 | Growth | 2017 | 2016 | |
| Estonia | 352 | 262 | 328 | 260 | 107 | 388 | 281 | 295 |
| Finland | 92 | 91 | 91 | 91 | 1 | 92 | 91 | 94 |
| Lithuania | 98 | 101 | 97 | 103 | 4 | 102 | 98 | 91 |
| Total | 542 | 454 | 516 | 454 | 112 | 582 | 470 | 480 |

At the end of the reporting period, there were 585 people working in the Group, which was 112 persons more than a year earlier. From the beginning of the year, the number of employees increased by 102 people.

Financial position and cash flows

| | Growth | | 30.6. 2017 | 30.6. 2016 | 30.6. 2015 | 31.12. 2016 |
|------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | y-o-y | 6m 2017 | | | | |
| Current assets | 26,240 | 27,662 | 49,927 | 23,687 | 23,055 | 22,265 |
| Non-current assets | -9,140 | -13,628 | 38,075 | 47,215 | 51,035 | 51,703 |
| TOTAL ASSETS | 17,100 | 14,034 | 88,002 | 70,902 | 74,090 | 73,968 |
| Current liabilities | 6,631 | 5,393 | 17,801 | 11,170 | 11,592 | 12,408 |
| Non-current liabilities | 2,102 | 1,847 | 3,014 | 912 | 1,956 | 1,167 |
| Equity | 8,368 | 6,796 | 67,188 | 58,820 | 60,542 | 60,392 |
| incl. attributable to owners of the Company | 8,388 | 6,792 | 67,099 | 58,711 | 60,398 | 60,307 |
| Equity ratio (%) (Equity/total assets) *100 (%) | -6.7 | -5.3 | 76.3 | 83.0 | 81.7 | 81.6 |
| Current ratio (Average current assets/ Average current liabilities) | 0.1 | 0.3 | 2.4 | 2.3 | 2.4 | 2.1 |
| Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities) | 0.2 | 0.3 | 1.6 | 1.4 | 1.4 | 1.3 |

During 6 months, the amount of the Group's assets increased by 14.0 million euros and compared to the reference period by 17.1 million euros up to 88.0 million euros.

The current assets increased by 26.2 million euros in a year to 49.9 million euros. The inventories increased by 5.0 million euros up to 14.8 million euros and trade receivables and other receivables by 7.6 million euros up to 16.1 million euros. Increase of stock and receivables is related to the increase of sales orders and volumes. As at the reporting date, the Group's cash and bank balance was 17.6 million euros, which was 13.1 million euros more than the year before. The increase was related to cash received from the sale of shares of PKC Group Oyj.

The cost of the non-current assets in the statement of financial position decreased by 13.6 million euros in 6 months, and with respect to the comparable period by 9.1 million euros to 38.1 million euros. The majority of the changes in the non-current assets were due to sale of long-term financial investments. PKC Group Oyj share was recognised at the market price for financial investments, which was 16.93 euros on the Helsinki Stock Exchange as at 30.6.2016 and 15.81 euros as at 31.12.2016. In total, the cost of financial investments decreased by 17.3 million euros to 4.7 million euros in 12 months.

In six months' period, the Group has made a total of 4.5 (Q2 2016: 0,5) million euros worth of investments to non-current assets. Investment growth is related to the ongoing developments of Allika Industrial Park.

As at the reporting date, the Group's liabilities totaled 20.8 million euros, of which short-term liabilities made up 85.6%. Short-term liabilities increased by 6.6 million euros, incl. trade and other payables increased by 5.6 million euros to 13.4 million euros.

In H1 2017, the current ratio of the Group was 2.4 (H1 2016: 2.3) and the quick ratio was 1.6 (H1 2016: 1.4).

As at 30 June 2017, interest-bearing debt obligations made up 15.3% of the Group's liabilities and 3.6% of the cost of its assets; 8.8% and 1.5%, respectively, as at 30 June 2016. The Group had interest-bearing debt obligations totaling 3.2 (30.6.2016: 1.1) million euros, with the short-term obligations making up 0.2 (30.6.2016: 0.1) million euros. Over a period of 6 months, short-term loans decreased by EUR 0.6 million euros; long-term debt obligations increased by EUR 1.8 million, to EUR 3.2 million.

| <i>Consolidated Statement of Cash Flows</i> | 6 months | | | Year |
|---------------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2015 | 2016 |
| Cash flows from operating activities | -2,102 | 675 | -,1,231 | 2,686 |
| Cash flows from investing activities | 19,890 | -875 | -,4,287 | -4,580 |
| Cash flows from financing activities | -3,468 | -1,035 | -2,203 | -539 |
| Net cash flow | 14,320 | -1,235 | -7,721 | -2,433 |

Cash flows from operating activities were -2.1 (H1 2016: 0.7) million euros in six months. Cash flows from operating activities is mainly affected by increase in trade receivables and inventories, related to increase in orders in hand. Cash flows from investing activities yielded money in the amount of 19.9 (H1 2016: -0.9) million euros, which was most affected by money received from the sale of the PKC Group Oyj shares in Q1 2017. Cash flows from financing activities in H1 2017 were -3.5 (H1 2016: 1.0) million euros. The dividends in the amount of 3,2 million euros was paid in 2017 for financial year 2016, which were 3.6 times more than a year before.

Cash and cash equivalents increased in the reporting 6 months by 14.3 million euros to 17.6 million euros, and decreased in the period of comparison by 1.2 million euros to 4.5 million euros.

AGM

On 27th of April 2017 the AGM was held where attended by 97 shareholders and their authorised representatives who represented the total 12,980,332 votes, being 73.17% of the total votes.

The general meeting approved the 2016 annual report and profit distribution and decided to pay dividends amounting to 0.18 euros per share, totally 3.2 million euros. The shareholders registered in the shareholders' registry on 11.5.2017 at 23.59 entitled to dividend. The dividends transferred to the shareholders' bank accounts on 16.5.2017.

The AGM also appointed a new supervisory board of five members for the next five-year term as follows: Mr. Endel Palla, Mr. Arvi Hamburg, Mr. Aare Kirsme, Mrs. Triinu Tombak and Mr. Andres Toome and approved the procedure for remuneration of the Supervisory Board.

Supervisory and management boards

Due to the expiry of authorisation of the Supervisory Board, on 27 April 2017 the General Meeting of Shareholders elected a new Supervisory Board of five members for the next five years: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (Tallinn University of Technology, Member of Board of Governors and Visiting Professor), Mr. Aare Kirsme (Chairman of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ) and Mr. Andres Toome (consultant, Managing Director OÜ Tradematic).

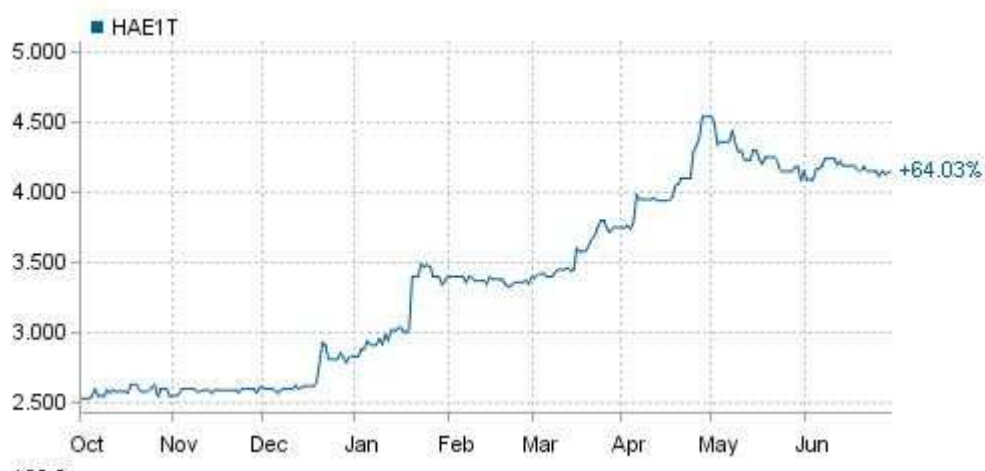
There were no changes in the Management Board of AS Harju Elekter. The Management Board of AS Harju Elekter continues with three members: Mr. Andres Allikmäe (Chairman and CEO of the Group), Mr. Tiit Atso (CFO of the Group) and Aron Kuhi-Thalfeldt (Head of real estate and energy services). The competence 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: | 2013 | 2014 | 2015 | 2016 | 6m 2017 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Opening price | 2.64 | 2.77 | 2.79 | 2.62 | 2.85 |
| Highest price | 2.92 | 2.85 | 3.14 | 2.94 | 4.57 |
| Lowest price | 2.46 | 2.52 | 2.49 | 2.43 | 2.80 |
| Closing price | 2.70 | 2.79 | 2.63 | 2.83 | 4.15 |
| Traded shares (pc) | 936,162 | 800,823 | 1,086,451 | 974,294 | 871,618 |
| Turnover (in million euros) | 2.48 | 2.17 | 2.98 | 2.45 | 3.28 |
| Capitalisation (in million euros) | 46.98 | 48.55 | 46.16 | 50.20 | 73.62 |
| Overage number of the shares | 17,400,000 | 17,400,000 | 17,550,851 | 17,739,880 | 17,739,880 |
| EPS | 0.30 | 0.56 | 0.18 | 0.18 | 1.49 |

Share price (in euros) in Tallinn Stock growth/decrease, 1 October 2016 - 30 June 2017
(Nasdaq Tallinn, www.nasdaqbaltic.com)



As at 30 June 2017 AS Harju Elekter had 2,226 shareholders. The number of shareholders increased during the accounting quarter by 120 persons. And during the 6 months' period by 301 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.4% of AS Harju Elekter's share capital. At 30 June 2017, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.7% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Estonian Central Securities Register (www.e-register.ee).

Shareholders structure by size of holding at 30 June 2017:

| Holding | No of shareholders | % of all shareholders | % of votes held |
|-------------|--------------------|-----------------------|-----------------|
| > 10% | 2 | 0.09 | 42.10 |
| 1.0 – 10.0% | 8 | 0.36 | 22.15 |
| 0.1 – 1.0 % | 61 | 2.74 | 18.75 |
| < 0.1% | 2,155 | 96.81 | 17.00 |
| Total | 2,226 | 100.0 | 100.0 |

Shareholders (above 5%) at 30 June 2017:

| Shareholder | Holding (%) |
|-------------------------------|-------------|
| HARJU KEK AS | 31.39 |
| ING LUXEMBOURG S.A. | 10.71 |
| Endel Palla | 6.90 |
| Shareholders holding under 5% | 51.00 |

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 30.6.2017 | 31.12.2016 | 30.6.2016 |
|------------------------------------------------------------------|------|---------------|---------------|---------------|
| Current assets | | | | |
| Cash and cash equivalents | | 17,598 | 3,278 | 4,476 |
| Trade receivables and other receivables | | 16,113 | 8,480 | 9,007 |
| Prepayments | | 1,372 | 771 | 372 |
| Income tax prepayments | | 73 | 24 | 25 |
| Inventories | | 14,771 | 9,712 | 9,807 |
| Total current assets | | 49,927 | 22,265 | 23,687 |
| Non-current assets | | | | |
| Deferred income tax asset | | 37 | 37 | 57 |
| Other long-term financial investments | 2 | 4,684 | 21,990 | 20,954 |
| Investment property | 2 | 15,934 | 13,273 | 12,912 |
| Property, plant and equipment | 2 | 11,301 | 10,972 | 7,850 |
| Intangible assets | 2 | 6,119 | 5,431 | 5,442 |
| Total non-current assets | | 38,075 | 51,703 | 47,215 |
| TOTAL ASSETS | | 88,002 | 73,968 | 70,902 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Interest-bearing loans and borrowings | 3 | 178 | 804 | 148 |
| Advances from customers | | 1,402 | 857 | 484 |
| Trade payables and other payables | | 13,379 | 8,283 | 7,776 |
| Payables to shareholders | | 0 | 1,242 | 1,242 |
| Tax liabilities | | 2,567 | 1,075 | 1,413 |
| Income tax liabilities | | 193 | 133 | 103 |
| Short-term provision | | 81 | 15 | 4 |
| Total current liabilities | | 17,800 | 12,409 | 11,170 |
| Interest-bearing loans and borrowings | 3 | 3,014 | 1,167 | 912 |
| Non-current liabilities | | 3,014 | 1,167 | 912 |
| Total liabilities | | 20,814 | 13,576 | 12,082 |
| Equity | | | | |
| Share capital | | 11,176 | 11,176 | 12,418 |
| Unregistered share capital | | 0 | 0 | -1,242 |
| Share premium | | 804 | 804 | 804 |
| Reserves | | 2,847 | 19,214 | 18,836 |
| Retained earnings | | 52,272 | 29,113 | 27,895 |
| Total equity attributable to equity holders of the parent | | 67,099 | 60,307 | 58,711 |
| Non-controlling interests | | 89 | 85 | 109 |
| Total equity | | 67,188 | 60,392 | 58,820 |
| TOTAL LIABILITIES AND EQUITY | | 88,002 | 73,968 | 70,902 |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

| | Note | 1 April – 30 June | | 1 January – 30 June | |
|----------------------------------|------|-------------------|--------------|---------------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Revenue | 4 | 25,102 | 17,208 | 42,622 | 28,965 |
| Cost of sales | | -21,297 | -14,055 | -36,146 | -23,743 |
| Gross profit | | 3,805 | 3,153 | 6,476 | 5,222 |
| Distribution costs | | -1,028 | -789 | -1,824 | -1,512 |
| Administrative expenses | | -1,322 | -1,104 | -2,504 | -2,051 |
| Other income | | 28 | 42 | 30 | 52 |
| Other expenses | | -28 | -21 | -55 | -40 |
| Operating profit | 4 | 1,455 | 1,281 | 2,123 | 1,671 |
| Finance income | 5 | 0 | 766 | 24,846 | 767 |
| Finance costs | 5 | -7 | -5 | -16 | -11 |
| Profit before tax | | 1,448 | 2,042 | 26,953 | 2,427 |
| Income tax expense | 7 | -425 | -374 | -564 | -448 |
| Profit for the period | | 1,023 | 1,668 | 26,389 | 1,979 |
| Profit attributable to: | | | | | |
| Owners of the Company | 6 | 982 | 1,664 | 26,356 | 1,988 |
| Non-controlling interests | | 41 | 4 | 33 | -9 |
| Profit for the period | | 1,023 | 1,668 | 26,389 | 1,979 |
| Earnings per share | | | | | |
| Basic earnings per share (EUR) | 6 | 0.06 | 0.09 | 1.49 | 0.11 |
| Diluted earnings per share (EUR) | 6 | 0.06 | 0.09 | 1.49 | 0.11 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the period 1 January –30 June | Note | 1 April – 30 June | | 1 January –30 June | |
|--------------------------------------------------------------------------|------|-------------------|--------------|--------------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Profit for the period | | 1,023 | 1,668 | 26,388 | 1,979 |
| Other comprehensive income | | | | | |
| Net growth/decrease in fair value of available-for-sale financial assets | 2 | 0 | 1,478 | 0 | 766 |
| Gain/loss on sale of financial assets (-) | | 0 | 0 | -16,367 | 0 |
| Other comprehensive income for the period, net of tax | | 0 | 1,478 | -16,367 | 766 |
| Total comprehensive income for the period | | 1,023 | 3,146 | 10,021 | 2,745 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 982 | 3,142 | 9,988 | 2,754 |
| Non-controlling interests | | 41 | 4 | 33 | -9 |
| Total comprehensive income for the period | | 1,023 | 3,146 | 10,021 | 2,745 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| For the period 1 January - 30 June | Note | 2017 | 2016 |
|--------------------------------------------------------------|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Profit for the period | 4 | 26,388 | 1,979 |
| <u>Adjustments for:</u> | | | |
| Depreciation and amortisation | 2 | 771 | 815 |
| Gain on sale of property, plant and equipment | 7 | -3 | -3 |
| Finance income | | -24,846 | -767 |
| Finance costs | | 16 | 11 |
| Income tax expense | | 564 | 448 |
| <u>Changes in:</u> | | | |
| Growth/decrease in receivables related to operating activity | | -6,166 | -2,097 |
| Growth/decrease in inventories | | -4,201 | -2,659 |
| Growth/decrease in payables related to operating activity | | 5,769 | 3,332 |
| Corporate income tax paid | 7 | -378 | -373 |
| Interest paid | 5 | -16 | -11 |
| Net cash from operating activities | | -2,102 | 675 |
| Cash flows from investing activities | | | |
| Acquisition of investment property | 7 | -3,109 | -139 |
| Acquisition of property, plant and equipment | 7 | -809 | -308 |
| Acquisition of intangible assets | 7, | -93 | -43 |
| Acquisition of subsidiaries, net of cash acquired | | -1,920 | 3 |
| Proceeds from sale of property, plant and equipment | 7 | 35 | -713 |
| Proceeds from sale of other financial investments | | 25,779 | 0 |
| Loan granted | | 0 | -330 |
| Interest received | 7 | 7 | 4 |
| Dividends received | | 0 | 651 |
| Net cash used in investing activities | | 19,890 | -875 |
| Cash flows from financing activities | | | |
| Growth/decreases in short-term loans | | -642 | 0 |
| Proceeds from borrowings | | 2,037 | 0 |
| Repayment of borrowings | | -25 | 0 |
| Payment of finance lease principal | 3 | -149 | -148 |
| Reduction of share capital | | -1,241 | 0 |
| Acquisition of non-controlling interests | | -5 | 0 |
| Dividends paid | | -3,226 | -887 |
| Dividends income tax paid | | -218 | 0 |
| Net cash used in financing activities | | -3,468 | -1,035 |
| Net cash flows | | 14,320 | -1,235 |
| Cash and cash equivalents at beginning of period | | 3,278 | 5,711 |
| Net increase / decrease | | 14,320 | -1,235 |
| Cash and cash equivalents at end of period | | 17,598 | 4,476 |

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 | Translation reserve | Retained earnings | | | |
| At 31.December 2016 | 11,176 | 0 | 804 | 1,242 | 17,969 | 3 | 29,113 | 60,307 | 85 | 60,392 |
| Comprehensive income 2017 | | | | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 26,356 | 26,356 | 33 | 26,388 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | -16,367 | 0 | 0 | -16,367 | 0 | -16,367 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -16,367 | 0 | 26,356 | 9,989 | 33 | 10,022 |
| Transaction with the owners of the Company, recognised directly in equity | | | | | | | | | | |
| Acquisition of non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 | -4 | -4 | 4 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | -3,193 | -3,193 | -33 | -3,226 |
| Total transaction with the owners of the Company | 0 | 0 | 0 | 0 | 0 | 0 | -3,197 | -3,197 | -29 | -3,226 |
| At 30 June 2017 | 11,176 | 0 | 804 | 1,242 | 1,602 | 3 | 52,272 | 67,099 | 89 | 67,188 |

| For the period 1 January – 30 June | Attributable to owners of the Company | | | | | | | | Non- controlling interests | TOTAL |
|------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------|------------------|--------------------|--------------------------|------------------------|----------------------|---------------|----------------------------------|---------------|
| | Share capital | Unregis- -tered share capital | Share premium | Capital reserve | Fair value reserve | Translation reserve | Retained earnings | TOTAL | | |
| At 31. December 2015 | 12,418 | 0 | 804 | 1,218 | 16,827 | 2 | 26,817 | 58,086 | 118 | 58,204 |
| Comprehensive income 2016 | | | | | | | | | | |
| Profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 1,988 | 1,988 | -9 | 1,979 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | 766 | 0 | 0 | 766 | 0 | 766 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 766 | 0 | 1,988 | 2,754 | -9 | 2,745 |
| Transaction with the owners of the Company, recognised directly in equity | | | | | | | | | | |
| Increase of capital reserve | 0 | 0 | 0 | 23 | 0 | 0 | -23 | 0 | 0 | 0 |
| Reduction of unregistered share capital | 0 | -1,242 | 0 | 0 | 0 | 0 | -1,242 | -1,242 | 0 | -1,242 |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | -887 | -887 | 0 | -887 |
| Total transaction with the owners of the Company | 0 | -1,242 | 0 | 23 | 0 | 0 | -2,152 | -2,129 | 0 | -2,129 |
| At 30 June 2016 | 12,418 | -1,242 | 804 | 1,241 | 17,593 | 2 | 26,653 | 58,711 | 109 | 58,820 |

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 30.6.2016 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy (subsidiary of Satmatic Oy), Rifas UAB and Automatikos Iranga UAB (subsidiary of Rifas UAB) (together referred to as the Group). AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 31.4% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 “Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31 December 2016. The interim report should be read in conjunction with the Group’s annual report of 2016, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the management board, the interim report for 1-6/2017 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 | 2017 | 2016 |
|----------------------------------------------|---------------|---------------|
| Other long-term financial investments | | |
| At 1 January | 21,990 | 20,188 |
| Growth/decreases in the fair value reserve | 0 | -712 |
| Sale of shares | -17,306 | 0 |
| At the end of the period | 4,684 | 19,476 |
| Investment property | | |
| At 1 January | 13,273 | 12,990 |
| Additions | 2,860 | 1 |
| Reclassification | 0 | 3 |
| Depreciation charge | -199 | -126 |
| At the end of the period | 15,934 | 12,868 |

Note 2 Non-current assets (continued)

| For the period 1 January – 30 June | 2017 | 2016 |
|--------------------------------------------|---------------|--------------|
| Property, plant and equipment | | |
| At 1 January | 10,972 | 8,010 |
| Additions | 796 | 27 |
| Acquisitions through business combinations | 34 | 0 |
| Disposals | -32 | 0 |
| Reclassification | 0 | -3 |
| Depreciation charge | -469 | -218 |
| At the end of the period | 11,301 | 7,816 |
| Intangible assets | | |
| At 1 January | 5,431 | 5,491 |
| Additions | 88 | 21 |
| Acquisitions through business combinations | 703 | 0 |
| Depreciation charge | -103 | -46 |
| At the end of the period | 6,119 | 5,466 |

Note 3 Interest-bearing loans and borrowings

| | 30.6.2017 | 31.12.2016 | 30.6.2016 |
|-----------------------------------------|--------------|--------------|--------------|
| Liabilities | | | |
| Short-term bank loans | 0 | 642 | 0 |
| Current portion of long-term bank loans | 29 | 54 | 0 |
| Current portion of lease liabilities | 149 | 108 | 222 |
| Total current liabilities | 178 | 804 | 222 |
| Non-current liabilities | | | |
| Long-term bank loans | 2,400 | 363 | 0 |
| Lease liabilities | 614 | 804 | 912 |
| Total non-current liabilities | 3,014 | 1,167 | 912 |
| TOTAL | 3,192 | 1,971 | 1,134 |

Growth/decreases during the period 1 January – 30 June

| | 2017 | 2016 |
|--------------------------------------------------------------|--------------|--------------|
| Loans and borrowings at the beginning of the year | 1,971 | 1,208 |
| Growth/decreases in short-term loans | -642 | 0 |
| Received long-term loans | 2,037 | 0 |
| Long-term loan repaid | -25 | 0 |
| Payment of finance lease principal | -149 | -74 |
| Loans and borrowings at the end of the current period | 3,192 | 1,134 |

Note 4 Segment reporting

Three segments- manufacturing, real estate and other activities 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, Harju Elekter Kiinteistöt Oy, Rifas UAB and Automatikos Iranga UAB.

Real estate – Real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

Other activities p– The segment is involved in selling products of the Group and companies related to the Group as well as other goods necessary for electrical installation works mainly to retail customers and small- and medium-sized electrical installation companies and in providing management services. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

The Group assesses the performance of its operating segments on the basis of revenue and operating profit. Based on the assessment of the Parent company's management board, inter-segment transactions are carried out on ordinary market terms that do not differ substantially from the terms agreed in transactions conducted with third parties.

Unallocated assets comprise the Parent company's cash, other receivables, prepayments and other financial investments.

Unallocated liabilities consist of the Parent company's (Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

| For the period 1 January – 30 June | Note | Manu- facturing | Real estate | Other activities | Elimi- nations | Consoli- dated |
|------------------------------------|------|--------------------|----------------|---------------------|-------------------|-------------------|
| 2017 | | | | | | |
| Revenue from external customers | | 38,519 | 947 | 3,156 | 0 | 42,622 |
| Inter-segment revenue | | 208 | 569 | 270 | -1,047 | |
| Total revenue | | 38,727 | 1,516 | 3,426 | -1,047 | 42,622 |
| Operating profit | | 2,144 | 350 | -382 | 11 | 2,123 |
| Finance income | | | | | | 24,846 |
| Finance costs | | | | | | -16 |
| Profit before tax | | | | | | 26,952 |
| Income tax | | | | | | -564 |
| Profit for the period | | | | | | 26,388 |
| Segment assets | | 53,453 | 16,253 | 21,463 | -9,993 | 81,176 |
| Indivisible assets | | | | | | 6,826 |
| Total assets | | | | | | 88,002 |
| Capital expenditure | 2 | 1,039 | 2,860 | 582 | 0 | 4,481 |
| Depreciation charge for the year | 2 | 489 | 199 | 117 | -14 | 791 |
| 2016 | | | | | | |
| Revenue from external customers | | 26,419 | 1,248 | 1,298 | 0 | 28,965 |
| Inter-segment revenue | | 74 | 489 | 177 | -740 | |
| Total revenue | | 26,493 | 1,737 | 1,475 | -740 | 28,965 |
| Operating profit | | 1,518 | 492 | -146 | -193 | 1,671 |
| Finance income | | | | | | 767 |
| Finance costs | | | | | | -11 |
| Profit before tax | | | | | | 2,427 |
| Income tax | | | | | | -448 |
| Profit for a period | | | | | | 1,979 |
| Segment assets | | 38,198 | 13,069 | 5,138 | -8,162 | 48,243 |
| Indivisible assets | | | | | | 22,659 |
| Total assets | | | | | | 70,902 |
| Capital expenditure | 2 | 94 | 170 | 264 | 0 | 528 |
| Depreciation charge for the year | 2 | 453 | 251 | 113 | -2 | 815 |

Revenue by markets:

| For the period 1 January – 30 June | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| Estonia | 8,779 | 6,365 |
| Finland | 28,814 | 19,759 |
| Lithuania | 661 | 179 |
| Sweden | 1,594 | 1,034 |
| Norway | 2,337 | 471 |
| Other countries | 437 | 1,157 |
| Total | 42,622 | 28,965 |

Revenue by business area:

| For the period 1 January – 30 June | 2017 | 2016 |
|------------------------------------------|---------------|---------------|
| Electrical equipment | 36,956 | 24,938 |
| Sheet metal products and services | 420 | 514 |
| Telecom sector products and services | 491 | 538 |
| Intermediary sale of electrical products | 3,468 | 1,546 |
| Commerce and mediation of services | 138 | 170 |
| Rental income | 819 | 1,109 |
| Other services | 330 | 150 |
| Total | 42,622 | 28,965 |

Note 5 Finance income and costs

| For the period 1 January – 30 June | 2017 | 2016 |
|----------------------------------------------------|---------------|------------|
| Interest income | 7 | 1 |
| Finance income from sale of PKC Group Oyj's shares | 24,839 | 0 |
| Dividend income | 0 | 767 |
| Total finance income | 24,846 | 1 |
| Interest expense | -16 | -11 |
| Total finance costs | -16 | -11 |

Note 6 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. At 30 June 2017, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

| For the period 1 January – 30 June | Unit | 2017 | 2016 |
|-----------------------------------------------------|---------|--------|--------|
| Profit attributable to equity holders of the parent | EUR'000 | 26,355 | 1,988 |
| Average number of shares outstanding | Pc'000 | 17,740 | 17,740 |
| Basic and diluted earnings per share | EUR | 1.49 | 0.11 |
| 1 April – 30 June | | | |
| Profit attributable to equity holders of the parent | EUR'000 | 982 | 1,664 |
| Adjusted number of shares during the period | Pc'000 | 17,740 | 17,740 |
| Basic and diluted earnings per share | EUR | 0.06 | 0.09 |

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

| For the period 1 January – 30 June | Note | 2017 | 2016 |
|----------------------------------------------------------------------------|------|---------------|-------------|
| Corporate income tax paid | | | |
| Income tax expense | | -564 | -448 |
| Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+) | | 11 | -40 |
| Acquired liability through acquisition of subsidiaries | | -43 | 0 |
| Income tax expense on dividends | | 218 | 115 |
| Corporate income tax paid | | -378 | -373 |
| Interest received | | | |
| Interest income | 5 | 7 | 1 |
| Receivable increase (-) | | 0 | 3 |
| Interest received | | 7 | 4 |
| Paid for investment property | | | |
| Additions of investment property | 2 | -2,860 | -170 |
| Liability decrease (-)/ increase (+) incurred by purchase | | -249 | 31 |
| Acquisition of investment property | | -3,109 | -139 |
| Paid for property, plant and equipment | | | |
| Additions of property, plant and equipment | 2 | -796 | -308 |
| Liability decrease (-)/ increase (+) incurred by purchase | | -13 | 0 |
| Acquisition of property, plant and equipment | | -809 | -308 |
| Proceeds from sale of property, plant and equipment | | | |
| Book value of disposed property, plant and equipment | 2 | 32 | 0 |
| Profit on disposal of property, plant and equipment | | 3 | 3 |
| Proceeds from sale of property, plant and equipment | | 35 | 3 |
| Paid for intangible assets | | | |
| Additions of intangible assets | 2 | -88 | -50 |
| Liability decrease (-)/ increase (+) incurred by purchase | | -5 | 6 |
| Acquisition of intangible assets | | -93 | -43 |

Note 8 Subsidiaries

In February 2017, AS Harju Elekter acquired the remaining 10% of shares in Harju Elekter AB, obtaining a 100% ownership after the transaction.

AS Harju Elekter purchased an 80.5% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. The transaction was completed as at 29 March 2017, when monetary settlements were also made. Energo Veritas OÜ will be included in consolidated reports as of 1 April 2017. Goodwill in amount of 0.4 million euros was acquired during business combination.

AS Harju Elekter purchased a 100% holding in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. The transaction was completed as at 2 June 2017. Telesilta Oy will be included in consolidated reports as of 1 July 2017. Goodwill in amount of 0.3 million euros was acquired during business combination.

Note 9 Transactions with related parties

The related party of AS Harju Elekter includes, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 31.4% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's supervisory and management boards. Since 1st November 2016 the management board has three members. 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 | 2017 | 2016 |
|--------------------------------------------------------------|------|------|
| Purchase of goods and services from related parties: | | |
| - from Harju KEK | 44 | 53 |
| <i>Inclusive:</i> | | |
| - lease of property, plant and equipment | 44 | 53 |
| Sale of goods and services to related parties: | | |
| - to Harju KEK | 1 | 2 |
| <i>Inclusive:</i> | | |
| - other services | 1 | 2 |
| Remuneration of the management and supervisory boards | | |
| - salaries, bonuses, additional remuneration | 193 | 110 |
| - social security and other taxes on salaries | 64 | 37 |
| TOTAL | 257 | 147 |

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: Chairman in the amount of 10 months' and other members 8 months' remuneration of a member of the management board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthlies remuneration of a development manager. Members of the Management Board have no rights related to pension. During the quarter, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/2017 as set out on pages 3 to 24 and confirms that to the best of its knowledge, information and belief that:

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

/signature/
Andres Allikmäe
Managing director/ CEO
26th July 2017