

## **AS HARJU ELEKTER**

Interim report 1-9/2013

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
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CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 <sup>st</sup> of January 2013
End of the reporting period:	30 <sup>th</sup> of September 2013

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**EXPLANATORY NOTE*****Group structure and changes on it***

In interim report for 1-9/2013 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic OY, Harju Elekter AB and Rifas UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method. As of 30 September 2013, AS Harju Elekter has substantial holdings as follows:

Company		Country	30.09.13	31.12.12	30.09.12
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	62.7%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	5.4%	6.4%	6.4%

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

***Economic environment***

According to World Economic Survey 3/2013, spring assessments by economic experts from 125 countries predicting that the world economy will improve in Q3 have failed to materialise. European Union Member States currently find themselves in a situation that is above average in terms of difficulty, with caution being the central keyword when planning activities. Regardless of all this, in Q3 of this year the company's business activity increased at the fastest pace in the last 18 months and predictions by experts concerning the economic situation 6 months from now are a bit more optimistic. The situation on the financial markets has been relatively stable this year, interest rates remain low and inflation is at around 2%; the price of oil is still relatively high, but a drop in price is to be expected.

Developments have been uncertain in 2013 for Estonia's largest trading partners, Finland and Sweden. While in Sweden economic growth is supported by the growth of internal market demand, then in Finland economic growth is linked strongly to the country's export sector which has been relatively unstable since the beginning of the economic crisis. Some optimism is in store for Finland, as its larger export markets—Sweden, Germany, China and USA—are all recovering. On a positive note, among our neighbouring markets, Lithuania's export businesses have actually managed to increase product and services exports, and of note is also the fact that as of 2014 Latvia will become a member of the euro zone, which is of great importance to our economic region as a whole.

Today, Estonia's economic growth is mainly based on the internal market and heavily dependent on the larger-than-expected economic decline and slower recovery in the euro zone and among our most important trade partners, as well as on inflation as a result of the rising price of electricity. Still, Estonia's economy has recovered well from the crisis through the support of private consumers, fuelled by both the rise of real wages and improved state of the job market. Despite the deceleration of the world economy, the figures for both export and industrial production have improved, and while the official figure for economic growth in Estonia was just 1%, nominal economic growth was more than 5%.

***Main events***

AS Harju Elekter Elektrotehnika, a subsidiary of Harju Elekter, won the public procurement announced by the subsidiary of Eesti Energia, OÜ Elektrilevi, for purchasing unit substations. As a result of successful negotiations, a two 3+1+1-year delivery contracts was signed. A total estimated

cost of agreements is 17 million euros. Pursuant to the contract, in the following 3 years, Harju Elekter Elektrotehnika will deliver to OÜ Elektrilevi approximately 2000 unit substations with 1 and 2 transformers, which are manufactured in plants. The supplied automated substations are, due to technological developments, becoming an integral part of the “smart grid”, allowing for the remote management of substations and the monitoring of electricity quality. The substations will be installed, and the deliveries are aimed at the Estonian market.

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

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

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

In AS Harju Elekter Teletehnika continued the implementation of the 5S principles. When by the end of 2012, thanks to successful completion of stage I of the lean 5S system, the company managed to free the production of excessive articles and time cost, than this year, the company started with the mapping of work processes, in order to ensure an even more efficient use of the resources.

### ***Operating results***

In the accounting quarter, the Group’s consolidated revenue was 11.55 million euros, which was one-fifth lower compared to the reference period. Operating profit of Q3 2013 was 0.76 million euros, decreasing by 6.7%. The consolidated net profit of the Q3 increased by 1.08 million euros and was 2.41 million euros.

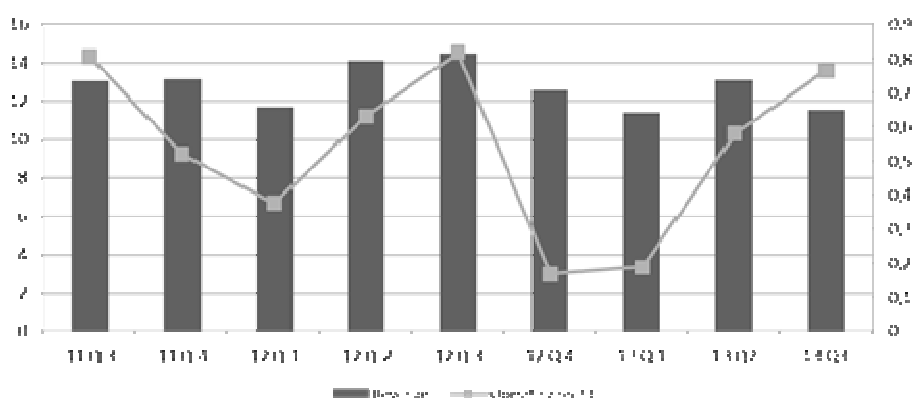
The Group’s nine month sales revenue was 36.0 million euros, which was 10.5% less than in the reference period. The operating profit decreased by 16.0% to 1.53 million euros, but net profit increased by 42% to 4.9 million euros, in 9-months period.

### **KEY INDICATORS**

	January - September			Year
	2013	2012	2011	2012
Revenue (EUR'000)	36,000	40,236	33,574	52,801
Gross profit (EUR'000)	6,327	6,694	5,667	8,653
EBITDA (EUR'000)	2,643	2,918	2,543	3,439
EBIT (EUR'000)	1,531	1,822	1,506	1,970
Profit for the period (EUR'000)	4,876	3,431	2,324	3,603
incl attributed to Owners of the Company (EUR'000)	4,835	3,329	2,202	3,517

	January - September			Year
	2013	2012	2011	2012
Revenue growth/decrease (%)	-10.5	19.8	19.9	13.1
Gross profit growth/decrease (%)	-5.5	18.1	30.0	11.1
EBIDTA growth/decrease (%)	-9.4	14.7	15.6	1.8
EBIT growth/decrease (%)	-16.0	20.9	29.2	-2.7
Profit for the period growth/decrease (%) incl attributed to Owners of the Company (%)	42.1	47.6	15.4	22.2
Distribution cost to revenue (%)	5.3	5.3	5.0	5.3
Administrative expenses to revenue (%)	8.0	6.9	7.3	7.3
Labour cost to revenue (%)	23.4	22.1	22.8	22.5
Gross margin (Gross profit/revenue) (%)	17.6	16.6	16.9	16.4
EBITDA margin (EBITDA/revenue) (%)	7.3	7.3	7.6	6.5
Operating margin (EBIT/revenue) (%)	4.2	4.5	4.5	3.7
Net margin (Profit for the period/revenue) (%)	13.5	8.5	6.9	6.8
ROE (Profit for the period/average equity) (%)	8.6	7.6	5.5	7.7

## Seasonality of business (million euros)



## SALES REVENUE

The quarterly sales development by segments:

Segment	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 change
						y-o-y
Manufacturing	13,231	11,135	10,152	11,691	10,231	-22.7%
Real estate	556	618	650	590	573	3.0%
Unallocated activities	699	812	588	779	747	6.9%
<b>Total</b>	<b>14,486</b>	<b>12,565</b>	<b>11,390</b>	<b>13,060</b>	<b>11,551</b>	<b>-20.3%</b>

The Group's nine month sales revenue was 36.0 million euros, which was 10.5% less than in the reference period. In the reporting quarter, the consolidated sales volume dropped by one-fifth compared to the indicator from the same period of last year, mainly as a result of decreased sales revenue from the Production segment. As usual, around 90% of sales revenue came from the Production segment.

The quarterly sales development by business area:

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 change y-o-y
Electrical equipment	12,355	10,226	9,331	10,951	9,531	-22.9%
Sheet metal products and services	307	273	205	228	246	-20.0%
Boxes for telecom sector and services	292	274	261	301	266	-8.8%
Intermediary sale of electrical products and components	773	1,153	855	914	857	10.9%
Rental income	536	556	546	549	549	2.4%
Other services	223	83	192	117	102	-54.3%
<b>Total</b>	<b>14,486</b>	<b>12,565</b>	<b>11,390</b>	<b>13,060</b>	<b>11,551</b>	<b>-20.3%</b>

Around 83% of the sales revenue came from the production and sale of electrical equipment and 7% from the mediation of electrical goods. The rental income came 4.5% and the other services 5.5% of the consolidated sales revenues. In the accounting quarter, both the production and sales volume of electrical devices decreased by 2.8 million euros, reaching 9.5 million euros, and in the period of 9 months, by 4.0 million euros reaching 29.8 million euros. The greatest setbacks in the production volumes of electrical devices occurred in the segments of Finland (-3.0 million euros) and Lithuania (-0.9 million euros). In the Estonian segment, the leading position in 2013 was held by the sales of substations, serial products and medium and low voltage devices. The Estonian segment was somewhat effected in third quarter by the fact that preparations began for the realisation of a large public procurement contract.

The effect of the change in sales volume of other products and services on the consolidated sales revenue was insignificant.

Sales revenue by market:

Markets	Growth		Q3	Q3	9 months		Share	Share
	Q/Q	9m/9m	2013	2012	2013	2012	2013	2012
Estonia	-2.0%	-0.3%	4,984	5,085	14,020	14,062	38.9%	34.9%
Finland	-19.4%	-13.4%	5,405	6,710	16,682	19,254	46.3%	47.9%
Lithuania	-68.6%	6.6%	258	822	2,048	1,922	5.7%	4.8%
Sweden	-15.1%	-41.1%	208	245	595	1,010	1.7%	2.5%
Other EU countries	-89.6%	-74.3%	110	1,065	395	1,538	1.1%	3.8%
Others	4.9%	-7.8%	586	559	2,260	2,450	6.3%	6.1%
<b>Total</b>	<b>-20.3%</b>	<b>-10.5%</b>	<b>11,551</b>	<b>14,486</b>	<b>36,000</b>	<b>40,236</b>	<b>100.0%</b>	<b>100.0%</b>

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

61% of the Group's products and services were sold in foreign markets, outside Estonia (9M 2012: 65%) and 93% revenues received from the Group's companies home markets - Estonia, Finland, Sweden, Lithuania. The consolidated sales revenues of the accounting quarter as well as in the nine months decreased in respect to all markets compared to 2012.

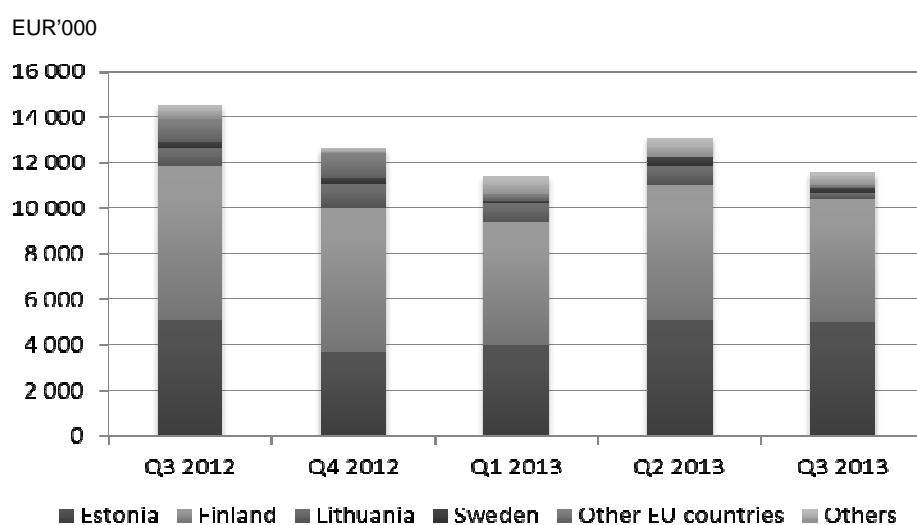
The largest target markets of the Group are Estonia and Finland, which is why the sales volumes of the Group are strongly influenced by the developments there. Finland's economy was unstable during 2013, with exports to Finland having fallen by nearly 10%. The Group's sales on the Finnish market decreased by 13% during the first nine months of the year to 16.7 million euros and by almost one-fifth to 5.4 million euros in the reporting quarter, thus also decreasing the relative importance of the Finnish market in the consolidated sales revenues by 1.6 percentage points to 46.3%. However, sale on the Estonian market was on the same level as in 2012: being 5.0 million euros in Q3 and 14.0 million euros in 9 months 2013, accounting for 39% of the consolidated sales revenues.

Developments on the Lithuanian market have been positive in the first half of the year. Compared to indicators from the same periods of last year, sales volume nearly doubled in Q2. There was a decline in sales volume in the accounting quarter, but in the 9-months period sales to Lithuania increased by a total of 6.6% up to 2.0 million euros. The relative importance of the Lithuanian market in the Group's sales revenue grew by 0.9 percentage points to 5.7%. As a result of decreased exports and infrastructure investments in Sweden, the Group's sales volumes also decreased on that market. However, the influence of the Swedish market is of little significance to the Group's economic indicators.

The enterprises of the Group have mainly long-term contracts with clients on the domestic markets. Operations outside the domestic markets are mainly project and commission-based and therefore constantly changing. Due to the significant decrease of infrastructure-related investments in Germany, the Group's sales volume on that market also decreased by 1.2 million euros. This was also the main reason why sales revenue from other EU countries decreased almost four times to 0.4 million euros in nine months. In the current year, one-off projects in Belgium, Malaysia, Belarus and Switzerland were concluded, but new projects were also started in Portugal and the United States. Deliveries to Denmark, France, Norway and Russia have increased, and in the last couple of years these countries have increasingly joined the Group's other target markets.

All in all, 1.1% (9M 2012: 3.8%) of the Group's products and services were sold in other EU countries and 6.3% (9M 2012: 6.1%) outside the EU.

The quarterly sales development by markets



## OPERATING EXPENSES

	change % y-o-y		quarter 3			9 months			year
	Q3	9m	2013	2012	2011	2013	2012	2011	2012
Cost of sales	-22.9	-11.5	9 289	12,051	10,698	29,673	33,542	27,907	44,148
Distribution costs	-22.7	-10.6	586	759	631	1,890	2,113	1,666	2,801
Administrative expenses	7.0	4.5	913	855	900	2,897	2,773	2,461	3,876
<b>Total expenses</b>	<b>-21.0</b>	<b>-10.3</b>	<b>10 788</b>	<b>13,665</b>	<b>12,229</b>	<b>34,460</b>	<b>38,428</b>	<b>32,034</b>	<b>50,825</b>
incl. depreciation of fixed assets	-0.3	1.5	373	374	339	1,112	1,096	1,037	1,469
Total labour cost	-8.0	-5.2	2 569	2,791	2,694	8,424	8,884	7,670	11,860
inclusive salary cost	-10.0	-6.3	1 985	2,206	2,031	6,398	6,826	5,799	9,139

Decreased production volumes have also resulted in decreased costs. In the reporting quarter, operating costs decreased 21%; with 23% lower costs related to the sale of products and services and 7% lower costs related to administration and distribution. During the first nine months of the year, costs related to sold products decreased by 3.9 million euros to 29.7 million euros, resulting in a gross profit margin of 17.6% with an improvement of 1 percentage point. Changes related to distribution costs and administrative expenses were modest, decreasing 2%. In the 9M 2013, marketing costs were stable on the same level amounted and were 5.3% of sales revenue. General administrative costs grew by 124,000 euros up to 2.9 million euros in nine months, with general administrative costs amounting to 8.0% of sales revenue, which is an increase of 1.1 percentage points. The growth in expenditure was caused by structural changes and employees' movement from the sales department to the development and general management units, in both Finland and Estonia.

In the reporting quarter, labour costs decreased by 8.0% to 2.6 million euros and wage costs even tenth to 2.0 million euros, being in the nine months-period 5.2% and 6.3% respectively. In 9M 2013, labour costs amounted to 23.4% of sales revenue, which is 1.3 percentage points more than in the same period of the previous year.

#### EARNINGS AND MARGINS

In the third quarter the gross profit of the Group was 2.3 (Q3 2012: 2.4) million euros. The gross profit margin was 19.6% being 2.8 per cent point better comparing to the same period figure a year before and even 1.7 per cent point better than in Q3 2011.

Operating profit of Q3 2013 was 763 (Q3 2012: 817) thousand euros and EBITDA 1.14 (Q3 2012: 1.19) million euros. Return of sales for the accounting quarter was 6.6% (Q3 2012: 5.6%) and return of sales before depreciation 9.8% being 1.6 per cent point better comparing to the same period figure a year before.

In Q3, the financial income from selling the shares was 1.22 million euros and the Group consolidated from the associated company a profit of 467,000 (Q3 2012: 561,000) euros.

The consolidated net profit of the Q3 2013 was 2.41 (Q3 2012: 1.33) million euros, of which the share of the owners of the company was 2.43 (Q3 2012: 1.26) million euros. EPS in the Q3 was 0.14 (Q3 2012: 0.07) euros.

In 9M 2013, the gross profit of the Group was 6.33 (9M 2012: 6.69) million euros. The gross profit margin was 17.6% being 1.0 per cent point better comparing to the same period figure a year before. The operating profit before depreciation decreased by 9.4% up to 2.64 million euros and the operating profit by 16.0% to 1.53 million euros, in 9-months period. The decrease in operating profit was the result of the decrease of share of value-added products in Group's portfolio. In the accounting period, EBITDA was 7.3% (9M 2012: 7.3%) and EBIT 4.2% (9M 2012: 4.5%).

In the first quarter, also 30,000 (Q1 2012: 15,400) and in the third quarter additional 60,000 PKC Group Oyj shares were sold. The total financial income from selling the shares was 1.68 (9M 2012: 0.18) million euros. Totally, the net financial expenses have increased by 1.61 million euros to 2.62 million euros. During the first nine months, the Group consolidated from the associated company a profit of 1.15 (9M 2012: 1.01) million euros.

Overall, the consolidated net profit of the 9M 2013 was 4.88 million euros, increasing by 42.1%. The share of the owners of the company was 4.84 million euros. EPS in 9 months was 0.28 (9M 2012: 0.20) euros.

#### *Employees and remuneration*

In Q3 2013, the average 457 people worked in the Group – on the average by 10 persons less than in the reference period. During the first 9 months, the average number of employees decreased by 10 persons up to 461 employees. In the third quarter, employee wages and salaries totalled 1,985 (Q3



2012: 2,206) thousand euros and during the first 9 months 6,398 (9M 2012: 6,826) thousand euros. The average wages per employee per month amounted 1,538 (9M 2012: 1,683) euros.

	Average number of employees				Number of employees at 30.9.			At
	Q3 2013	Q3 2012	9m 2013	9m 2012	Change	2013	2012	31.12.2012
Estonia	289	295	284	285	-12	293	305	299
Finland	86	86	89	87	-4	83	87	88
Lithuania	80	84	86	77	-9	76	85	89
Sweden	2	2	2	2	0	2	2	2
<b>Total</b>	<b>457</b>	<b>467</b>	<b>461</b>	<b>451</b>	<b>-25</b>	<b>454</b>	<b>479</b>	<b>478</b>

As at the balance day on 30 September, there were 454 people working in the Group, which were 25 employees less than a year before and 24 employees more than in the beginning of January.

### *Financial position and cash flows*

	Growth		30.9.	30.9.	30.9.	31.12.
	y-o-y	9m 2013	2013	2012	2011	2012
Current assets	266	1,454	17,926	17,660	15,171	16,472
Non-current assets	13,435	11,661	54,798	41,363	35,305	43,137
<b>TOTAL ASSETS</b>	<b>13,701</b>	<b>13,115</b>	<b>72,724</b>	<b>59,023</b>	<b>50,476</b>	<b>59,609</b>
Current liabilities	-802	62	8,186	8,988	8,725	8,124
Non-current liabilities	-281	0	1,349	1,630	1,869	1,349
Equity	14,784	13,053	63,189	48,405	39,882	50,136
incl attributable to owners of the Company	15,188	13,038	61,820	46,632	38,214	48,782
Equity ratio (%) (Equity/total assets)*100 (%)	4.9	2.8	86.9	82.0	79.0	84.1
Current ratio (Average current assets/ Average current liabilities)	0.3	0.1	2.1	1.8	1.8	2.0
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.3	0.1	1.3	1.0	1.0	1.2

During 9 months, the amount of the consolidated balance sheet increased by 13.1 million euros and compared to the period under review by 13.7 million euros, and as of 30 September 2013, was 72.7 million euros.

During 9 months, the cost of non-current assets increased by 11.7 million euros and compared to the reference period by 13.4 million euros up to 54.8 million euros. Most of the growth derived from value adjustment of long-term financial investments. The market price of PKC Group Oyj shares increased in accounting quarter by 5.75 (Q3 2012: 1.90) euros and the share price in Helsinki Stock Exchange in last trading day of September was 23.95 (a year before: 14.03) euros. During nine months, the market price of PKC Group Oyj shares increased by 8.52 (9M 2012: 2.60) euros. The cost of investment in assets and reserves in equity capital increased by the profit of 11.4 (9M 2012: 3.6) million euros, received from stock revaluation. During the reporting period, the Group sold 90,000 (9M 2012: 15,362) shares with the accounting value of 1.7 (9M 2012: 0.2) million euros. In total, the cost of financial assets increased by 9.6 million euros to 31.0 million euros in 9 months; within the comparable period by 3.4 million euros to 19.4 million euros.

During the 9-months period, the Group's investments to real estate, tangible fixed assets and intangible fixed assets totalling 1.98 (9M 2012: 0.53) million euros. At the balance date 30 September 2013, fixed assets amounted 75.4% (30 September 2012: 70.1%) of the cost of assets.

During 9 months, the business claims and prepayments grew by 0.37 million euros to 6.9 million euros and inventory by 0.79 million euros, to 7.2 million euros. During 9 months, the business debts

increased marginally, and total short-term liabilities of the Group by 62,000 euros, to 8.2 million euros.

The Group's 9-month current ratio and the quick ratio improved both by 0.3, compared to the reference period, being 2.1 and 1.3.

The Group's liabilities ratio to assets was 13.1%. As at the balance date, interest-bearing liabilities accounted for 25.8% of the Group's liabilities and 3.4% of the cost of assets; as at 30.09.2012 being 16.3% and 2.9%, respectively. The Group had a total of interest-bearing debt obligations of 2.5 (30.9.2012: 1.7) million euros, of which current portion amounted 1.16 (30.9.2012: 0.15) million euros. During 9 months, short-term liabilities were increased by 289,000 euros to 1.1 million euros and 209,000 euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities were reduced by 1.9 million euros and 205,000 euros worth of principal amounts of the financial lease were paid.

<i>Consolidated statement of cash flows</i>	9 months			Year
	2013	2012	2011	2012
Cash flows from operating activities	730	3,140	894	4,574
Cash flows from investing activities	755	488	-1,113	-58
Cash flows from financing activities	-1,513	-2,631	-1,382	-1,983
<b>Net cash flow</b>	<b>-28</b>	<b>997</b>	<b>-1,601</b>	<b>2,533</b>

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

1.75 (9M 2012: 0.2) million euros was received as sales proceeds of financial assets in the first 9-months period and fixed asset invoices were paid in the amount of 1.98 (9M 2012: 0.56) million euros. During first nine months, cash and cash equivalents decreased by 28,000 euros to 3.32 million euros; within the comparable period, cash and cash equivalents increased by 1.0 million euros to 1.81 million euros.

### **AGM**

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

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

### **Supervisory and management boards**

The Supervisory Board of AS Harju Elekter has 5 members with the following membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Mr. Ain Kabal (Virus Keemia Grupp AS, Head of Legal Department), Mr. Madis Talgre (Chairman of the Management Board, AS Harju KEK), Mrs. Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant). The Management Board of AS Harju Elekter has one member and the Managing Director/CEO is Mr. Andres Allikmäe. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. During the year 2013, there were no changes either in in Supervisory or Management Boards of AS Harju Elekter.

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](http://www.harjuelekter.ee)

**Shares of Harju Elekter and shareholders**

Security trading history:

<b>Price</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>9m 2013</b>
Open	0.99	2.05	3.10	2.30	2.64
High	2.99	3.14	3.54	2.80	2.92
Low	0.67	2.02	2.19	2.30	2.46
Last	2.07	3.02	2.28	2.64	2.76
Traded volume	1,559,830	2,039,910	663,917	759,869	769,478
Turnover, million	2.14	5.40	1.88	1.88	2.01
Capitalisation, million	34.78	50.74	38.30	45.94	48.02
Overage number of the shares	16,800,000	16,800,000	16,800,000	17,093,443	17,400,000
EPS	0.07	0.13	0.17	0.21	0.28

Share price in Tallinn Stock growth/decrease, 1.1.2013 - 30.9.2013



As at September 30 2013 AS Harju Elekter had 1,481 shareholders. The number of shareholders decreased during the accounting period by 41 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32.0 % of AS Harju Elekter's share capital. Members of the supervisory and management boards and their close family members hold 8.2% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities ([www.e-register.ee](http://www.e-register.ee)).

Shareholders structure by size of holding at 30 September 2013

<b>Holding</b>	<b>No of shareholders</b>	<b>% of all shareholders</b>	<b>% of votes held</b>
> 10%	2	0.13	42.92
1.0 – 10.0%	8	0.54	27.32
0.1 – 1.0 %	54	3.65	12.98
< 0.1%	1,417	95.68	16.78
<b>Total</b>	<b>1,481</b>	<b>100.0</b>	<b>100.0</b>

Shareholders (above 5%) at 30 September 2013

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

## INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>	Note	<b>30.9.2013</b>	<b>31.12.2012</b>	<b>30.9.2012</b>
<b>Current assets</b>				
Cash and cash equivalents		3,320	3,352	1,814
Trade receivables and other receivables		6,867	6,493	8,089
Prepayments		507	232	188
Income tax prepayments		46	0	0
Inventories		7,186	6,395	7,569
<b>Total current assets</b>		<b>17,926</b>	<b>16,472</b>	<b>17,660</b>
<b>Non-current assets</b>				
Deferred income tax asset		4	5	49
Investments in associate	2	3,445	2,295	2,191
Other long-term financial investments	2	31,028	21,386	19,448
Investment property	2	10,135	10,454	10,552
Property, plant and equipment	2	9,789	8,546	8,698
Intangible assets	2	397	451	425
<b>Total non-current assets</b>		<b>54,798</b>	<b>43,137</b>	<b>41,363</b>
<b>TOTAL ASSETS</b>		<b>72,724</b>	<b>59,609</b>	<b>59,023</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Interest-bearing loans and borrowings	3	1,155	1,075	147
Trade payables and other payables		5,926	5,902	7,521
Tax liabilities		1,077	1,049	1,225
Income tax liabilities		0	75	83
Short-term provision		28	23	12
<b>Total current liabilities</b>		<b>8,186</b>	<b>8,124</b>	<b>8,988</b>
Interest-bearing loans and borrowings	3	1,306	1,306	1,585
Other non-current liabilities		43	43	45
<b>Non-current liabilities</b>		<b>1,349</b>	<b>1,349</b>	<b>1,630</b>
<b>Total liabilities</b>		<b>9,535</b>	<b>9,473</b>	<b>10,618</b>
<b>Equity</b>				
Share capital		12,180	12,180	12,180
Share premium		240	240	240
Reserves	4	31,111	21,354	19,422
Retained earnings		18,289	15,008	14,790
<b>Total equity attributable to equity holders of the parent</b>		<b>61,820</b>	<b>48,782</b>	<b>46,632</b>
Non-controlling interests		1,369	1,354	1,773
<b>Total equity</b>		<b>63,189</b>	<b>50,136</b>	<b>48,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>72,724</b>	<b>59,609</b>	<b>59,023</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	1 July – 30 September		1 January - 30 September	
		2013	2012	2013	2012
Revenue	5	11,551	14,486	36,000	40,236
Cost of sales		-9,289	-12,051	-29,673	-33,542
<b>Gross profit</b>		<b>2,262</b>	<b>2,435</b>	<b>6,327</b>	<b>6,694</b>
Distribution costs		-586	-759	-1,890	-2,113
Administrative expenses		-913	-855	-2,897	-2,773
Other income		13	8	32	48
Other expenses		-13	-12	-41	-34
<b>Operating profit</b>	5	<b>763</b>	<b>817</b>	<b>1,531</b>	<b>1,822</b>
Net financing income/costs	6	1,221	9	2,615	1,003
Share of profit of equity-accounted investees	2	467	561	1,150	1,014
<b>Profit before tax</b>		<b>2,451</b>	<b>1,387</b>	<b>5,296</b>	<b>3,839</b>
Income tax expense		-44	-61	-420	-408
<b>Profit for the period</b>		<b>2,407</b>	<b>1,326</b>	<b>4,876</b>	<b>3,431</b>
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets		7,627	2,631	11,379	3,600
Realised gain from sale of financial assets (-)		-1,223	0	-1,660	-162
Currency translation differences		0	3	-3	0
<b>Other comprehensive income for year, net of tax</b>		<b>6,404</b>	<b>2,634</b>	<b>9,716</b>	<b>3,438</b>
<b>Total comprehensive income for the period</b>		<b>8,811</b>	<b>3,960</b>	<b>14,592</b>	<b>6,869</b>
<b>Profit attributable to:</b>					
Owners of the Company		2,432	1,256	4,835	3,329
Non-controlling interests		-25	70	41	102
<b>Profit for the period</b>		<b>2,407</b>	<b>1,326</b>	<b>4,876</b>	<b>3,431</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		8,836	3,890	14,550	6,767
Non-controlling interests		-25	70	42	102
<b>Total comprehensive income for the period</b>		<b>8,811</b>	<b>3,960</b>	<b>14,592</b>	<b>6,869</b>
<b>Earnings per share</b>					
Basic earnings per share (EUR)	7	0.14	0.07	0.28	0.20
Diluted earnings per share (EUR)	7	0.14	0.07	0.28	0.20

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period 1 January - 30 September	Note	2013	2012
<b>Cash flows from operating activities</b>			
Operating profit	5	1,531	1,822
<u>Adjustments for:</u>			
Depreciation and amortisation	2	1,112	1,096
Gain on sale of property, plant and equipment	8	-15	-4
Share-based payment transactions		54	68
Growth/decrease in receivables related to operating activity		-650	-325
Growth/decrease in inventories		-791	-911
Growth/decrease in payables related to operating activity		52	1,778
Corporate income tax paid	8	-540	-347
Interest paid	8	-23	-37
<b>Net cash from operating activities</b>		<b>730</b>	<b>3,140</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment property	8	-13	-92
Acquisition of property, plant and equipment	8	-1,929	-372
Acquisition of intangible assets	8	-39	-103
Proceeds from sale of property, plant and equipment	8	14	5
Proceeds from sale of other financial investments		1,753	189
Interest received	6	21	7
Dividends received	6	948	854
<b>Net cash used in investing activities</b>		<b>755</b>	<b>488</b>
<b>Cash flows from financing activities</b>			
Growth/decreases in short-term loans	3	289	-1,905
Other long-term liabilities		0	45
Receipts from contribution into share capital		0	660
Payment of finance lease principal	3	-209	-205
Dividends paid		-1,593	-1,226
<b>Net cash used in financing activities</b>		<b>-1,513</b>	<b>-2,631</b>
<b>Net cash flows</b>		<b>-28</b>	<b>997</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>3,352</b>	<b>815</b>
Net increase / decrease		-28	997
Effect of growth/decrease rate fluctuations on cash held		-4	2
<b>Cash and cash equivalents at end of period</b>		<b>3,320</b>	<b>1,814</b>

**CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY**

	Attributable to equity holders of the parent					Non- control- ling interests	TOTAL
	Share capital	Share premium	Reserves	Retained earnings	Total		
<b>At 31.12.2011</b>	<b>11,760</b>	<b>0</b>	<b>15,881</b>	<b>12,672</b>	<b>40,313</b>	<b>1,721</b>	<b>42,034</b>
Profit for the period	0	0	0	3,329	3,329	102	<b>3,431</b>
Other comprehensive income	0	0	3,438	0	3,438	0	<b>3,438</b>
Comprehensive income for the period	0	0	3,438	3,329	6,767	102	<b>6,869</b>
Unregistered share capital	420	240	0	0	660	0	<b>660</b>
Share-based payment transactions	0	0	0	68	68	0	<b>68</b>
Increase in reserves	0	0	103	-103	0	0	<b>0</b>
Dividends	0	0	0	-1,176	-1,176	-50	<b>-1,226</b>
<b>At 30.9.2012</b>	<b>12,180</b>	<b>240</b>	<b>19,422</b>	<b>14,790</b>	<b>46,632</b>	<b>1,773</b>	<b>48,405</b>
<b>At 31.12.2012</b>	<b>12,180</b>	<b>240</b>	<b>21,354</b>	<b>15,008</b>	<b>48,782</b>	<b>1,354</b>	<b>50,136</b>
Profit for the period	0	0	0	4,835	4,835	41	<b>4,876</b>
Other comprehensive income	0	0	9,715	0	9,715	1	<b>9,716</b>
Comprehensive income for the period	0	0	9,715	4,835	14,550	42	<b>14,592</b>
Share-based payment transactions	0	0	0	54	54	0	<b>54</b>
Increase in reserves	0	0	42	-42	0	0	<b>0</b>
Dividends	0	0	0	-1,566	-1,566	-27	<b>-1,593</b>
<b>At 30.9.2013</b>	<b>12,180</b>	<b>240</b>	<b>31,111</b>	<b>18,289</b>	<b>61,820</b>	<b>1,369</b>	<b>63,189</b>

Further information on equity can be found in Note 4.

**NOTES TO INTERIM FINANCIAL STATEMENT****Note 1 Accounting methods and valuation principles used in the consolidated interim report**

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.9.2013 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group's interest in associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease since 30 September 1997; 32.0% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 "Interim Financial Reporting" on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2012. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2012 annual report.

According to the assessment of the management board, the interim report for 1-9/2013 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

The presentation currency is Euro. The consolidated interim financial statement has been drawn up in thousands of Euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

**Note 2 Non-current assets**

For the period 1 January – 30 September	2013	2012
<b>Investments in associate</b>		
At 1 January	2,295	1,177
Profit under the equity method	1,150	1,014
<b>At the end of the period</b>	<b>3,445</b>	<b>2,191</b>
<b>Other long-term financial investments</b>		
At 1 January	21,386	16,023
Sale of shares	-1,737	-175
Growth/decreases in the fair value reserve	11,379	3,600
<b>At the end of the period</b>	<b>31,028</b>	<b>19,448</b>
<b>Investment property</b>		
At 1 January	10,454	10,833
Additions	6	48
Reclassification	6	0
Depreciation charge	-331	-329
<b>At the end of the period</b>	<b>10,135</b>	<b>10,552</b>



For the period 1 January – 30 September	2013	2012
<b>Property, plant and equipment</b>		
At 1 January	8,546	8,985
Additions	1,935	399
Disposals	0	-5
Reclassification	-6	0
Depreciation charge	-686	-681
<b>At the end of the period</b>	<b>9,789</b>	<b>8,698</b>
<b>Intangible assets</b>		
At 1 January	451	422
Additions	42	87
Depreciation charge	-95	-86
Currency translation differences <sup>1</sup>	-1	2
<b>At the end of the period</b>	<b>397</b>	<b>425</b>
<b>Total non-current assets</b>	<b>54,794</b>	<b>41,314</b>

<sup>1</sup>Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

### Note 3 Interest-bearing loans and borrowings

	30.9.2013	31.12.2012	30.9.2012
<b>Liabilities</b>			
Short-term bank loans	1,085	796	70
Current portion of lease liabilities	70	279	77
<b>Total current liabilities</b>	<b>1,155</b>	<b>1,075</b>	<b>147</b>
<b>Non-current liabilities</b>			
Lease liabilities	1,306	1,306	1,585
<b>Total non-current liabilities</b>	<b>1,306</b>	<b>1,306</b>	<b>1,585</b>
<b>TOTAL</b>	<b>2,461</b>	<b>2,381</b>	<b>1,732</b>

Growth/decreases during the period 1 January – 30 September

	2013	2012
<b>Loans and borrowings at the beginning of the year</b>	<b>2,381</b>	<b>3,814</b>
Growth/decreases in short-term loans	289	-1,905
New finance lease	0	28
Payment of finance lease principal	-209	-205
<b>Loans and borrowings at the end of the current period</b>	<b>2,461</b>	<b>1,732</b>

**Note 4 Reserves**

	<b>Capital reserve</b>	<b>Fair value reserve</b>	<b>Translation reserve</b>	<b>TOTAL</b>
At 31.12.2011	1,073	14,800	8	15,881
Increase in capital reserve	103	0	0	103
Other comprehensive income	0	3,438	0	3,438
<b>At 30.9.2012</b>	<b>1,176</b>	<b>18,238</b>	<b>8</b>	<b>19,422</b>
At 31.12.2012	1,176	20,176	2	21,354
Increase in capital reserve	42	0	0	42
Other comprehensive income	0	9,719	-4	9,715
<b>At 30.9.2013</b>	<b>1,218</b>	<b>29,895</b>	<b>-2</b>	<b>31,111</b>

**Note 5 Segment reporting**

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

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

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

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

For the period 1 January – 30 September	<b>Manu- facturing</b>	<b>Real estate</b>	<b>Un- allocated activities</b>	<b>Elimi- nations</b>	<b>Consoli- dated</b>
<b>2013</b>					
Revenue from external customers	32,073	1,813	2,114	0	36,000
Inter-segment revenue	504	751	274	-1,529	0
<b>Total revenue</b>	<b>32,577</b>	<b>2,564</b>	<b>2,388</b>	<b>-1,529</b>	<b>36,000</b>
Operating profit	930	932	-276	-55	1,531
Segment assets	27,838	10,543	4,064	-877	41,568
Indivisible assets					31,156
<b>Total assets</b>					<b>72,724</b>
<b>2012</b>					
Revenue from external customers	36,593	1,778	1,865	0	40,236
Inter-segment revenue	254	725	222	-1,201	0
<b>Total revenue</b>	<b>36,847</b>	<b>2,503</b>	<b>2,087</b>	<b>-1,201</b>	<b>40,236</b>
Operating profit	1,227	879	-217	-67	1,822
Segment assets	26,057	10,954	3,334	-825	39,520
Indivisible assets					19,503
<b>Total assets</b>					<b>59,023</b>

*Revenue by markets:*

For the period 1 January – 30 September	2013	2012
Estonia	14,020	14,062
Finland	16,682	19,254
Lithuania	2,048	1,922
Sweden	595	1,010
Other EU countries	395	1,538
Non-EU countries	2,260	2,450
<b>Total</b>	<b>36,000</b>	<b>40,236</b>

*Revenue by business area:*

For the period 1 January – 30 September	2013	2012
Electrical equipment	29,812	33,853
Sheet metal products and services	679	870
Boxes for telecom sector and services	829	783
Intermediary sale of electrical products and components	2,625	2,433
Commerce and mediation of services	192	317
Rental income	1,644	1,624
Other services	219	356
<b>Total</b>	<b>36,000</b>	<b>40,236</b>

**Note 6 Net financing income/costs**

For the period 1 January – 30 September	2013	2012
Interest income	21	7
Interest expense	-23	-35
Dividend income	948	854
Net loss from foreign exgrowth/decrease differences	-7	2
<i>Marketable investments:</i>		
Income from sale of investments	1,676	175
<b>TOTAL</b>	<b>2,615</b>	<b>1,003</b>

**Note 7 Basic and diluted earnings per share**

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

*Diluted earnings per share* are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 30.9.2013 the Group had 434.96 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 3 may 2012 the price of a share was established at the level of 2.36 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.50 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 2.86 (2.36+0.50) euros and the potential shares become dilutive only after their average market price of the period exceed 2.86 euros.

The average market price of the share of 1-9/2013 was 2.62 euros and of 1.7.-30.9.2013 was it 2.62 euros. Hence, the potential shares did not have any diluting effect.

For the period

1 January – 30 September	Unit	2013	2012
Profit attributable to equity holders of the parent	EUR'000	4,835	3,329
Average number of shares outstanding	Pc'000	17,400	16,991
Basic and diluted earnings per share	EUR	0.28	0.20

1 July – 30 September

Profit attributable to equity holders of the parent	EUR'000	2,432	1,256
Average number of shares outstanding	Pc'000	17,400	17,367
Basic and diluted earnings per share	EUR	0.14	0.07

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

For the period 1 January – 30 September	Note	2013	2012
<b>Corporate income tax paid</b>			
Income tax expense		-420	-408
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-120	74
Deferred income tax (income -)		0	-13
<b>Corporate income tax paid</b>		<b>-540</b>	<b>-347</b>
<b>Interest paid</b>			
Interest expense	6	-23	-35
Liability decrease incurred by purchase		0	-2
<b>Interest paid</b>		<b>-23</b>	<b>-37</b>
<b>Paid for investment property</b>			
Additions of investment property	2	-6	-48
Liability decrease (-)/ increase (+) incurred by purchase		-7	-44
<b>Acquisition of investment property</b>		<b>-13</b>	<b>-92</b>
<b>Paid for property, plant and equipment</b>			
Additions of property, plant and equipment	2	-1,935	-399
Acquired with finance lease		0	28
Liability decrease (-)/ increase (+) incurred by purchase		6	-1
<b>Acquisition of property, plant and equipment</b>		<b>-1,929</b>	<b>-372</b>
<b>Paid for intangible assets</b>			
Additions of intangible assets	2	-42	-87
Liability decrease (-)/ increase (+) incurred by purchase		3	-16
<b>Acquisition of intangible assets</b>		<b>-39</b>	<b>-103</b>
<b>Proceeds from sale of property, plant and equipment</b>			
Book value of disposed property, plant and equipment	2	0	5
Profit on disposal of property, plant and equipment		15	4
Growth of sales-related claims		-1	-4
<b>Proceeds from sale of property, plant and equipment</b>		<b>14</b>	<b>5</b>

**Note 9 Transactions with related parties**

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

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

For the period 1 January – 30 September	2013	2012
<b>Purchase of goods and services from related parties:</b>		
- from associates	138	398
- from Harju KEK	1,686	51
<b>TOTAL</b>	<b>1,824</b>	<b>449</b>
<i>Inclusive:</i>		
- goods and materials for manufacturing	138	398
- lease of property, plant and equipment	47	49
- other	1	2
- purchase of property, plant and equipment	1,638	0
<b>Sale of goods and services to related parties:</b>		
- to associates	585	542
- to Harju KEK	18	4
<b>TOTAL</b>	<b>603</b>	<b>546</b>
<i>Inclusive:</i>		
- goods and materials for manufacturing	18	11
- lease of property, plant and equipment	515	511
- other	70	24
<b>Balances with related parties at 30 September</b>		
Receivables with associates: goods and services	220	212
Payables with associates: goods and services	47	83

**Remuneration of the management and supervisory boards**

- salaries, bonuses, additional remuneration	139	143
- social security and other taxes on salaries	47	49
<b>TOTAL</b>	<b>186</b>	<b>192</b>

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

**Share-based payments**

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

During the conclusion period of preliminary contracts, from 18 June to 29 June 2012, the subscription rights for a total of 434,960 shares were registered. The issue price of the shares was determined to be

the average price of the share of AS Harju Elekter in euros on the Tallinn Stock Exchange during the trading days of 01.06.-15.06.2012. Thus, the issue price of the share amounted to 2.36 euros.

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

In nine months 2013, the Group recorded 54,000 (68,000 y-o-y) euros as labour costs and share-based benefits under shareholder's equity and retained earnings.

## Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/2013 as set out on pages 3 to 22 and confirms that to the best of its knowledge, information and belief that:

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

/signature/  
Andres Allikmäe  
Managing director/ CEO  
„6<sup>th</sup>“ November 2013