AS HARJU ELEKTER

Interim report 1-3/2016

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
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Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2016
End of the reporting period:	31st of March 2016

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-3/2016 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line. AS Harju Elekter still has a holding of 90% in Harju Elekter AB; however, the activity of the company has been suspended as of 01 April 2014.

As of 31 March 2016, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.3.16	31.12.15	31.3.15
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic Oy	Subsidiary	Finland	100.0%	100.0%	100.0%
Finnkumu Oy	Satmatic Oy`s subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	subsidiary	Lithuania	100.0%	100.0%	62.7%
Automatikos Iranga UAB	Rifas UAB`s subsidiary	Lithuania	51.0%	51.0%	31.3%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Skeleton Tehnologies Group OÜ	Financial investment	Estonia	10.0%	10.0%	-
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	4.6%	4.6%

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

Economic environment

In their mid-April economic forecast the International Monetary Fund (IMF) cut the global economic growth prospect for the current year to 3.2%. GDP growth of 1.9% is forecast for the United States this year, with 0.5% and 2.4% for Japan and the Euro Zone, respectively. Economic growth in the United Kingdom is forecast to slow to 1.9%, while the economies of Russia and Brazil will continue to decline. The IMF expects a 6.5% rate of GDP growth from China. The IMF believes the biggest potential risk to be the Brits voting to exit the European Union in the referendum to be held in June, thereby weakening the political consensus and the common European Union market.

According to the assessment made for the month of March by the Estonian Institute of Economic Research, the general state of the Estonian economy has somewhat improved when compared to December, but is still in a state where external demand is weak and companies' investment activity is low. The Estonian economy is small and strongly dependent on the developments of foreign trade. There are many countries among Estonia's important export markets (mainly Russia and Finland) that have displayed unsatisfactory economic results in the past few years. Economic growth in Norway has stopped, and in the sectors, which are related to oil production remains a problematic situation. Sweden, with its 4.1% rate of economic growth, was a small ray of light in the overall picture in 2015. Still, according to the leading economic analysts, the import demand of several of our partner countries is about to improve in 2016, bringing about the reinvigoration of Estonia's foreign trade. At the beginning of April, the Ministry of Finance of Finland announced that they had cut estimated GDP growth from 1.2% to 0.9% and admitted that Finland is still losing its market share in exports. At the same time, Minister of Finance Alexander Stubb noted that after the three years of decline the Finnish economy is picking up again, with growth being driven by consumption and investments.

According to the IMF, the Estonian economy will grow 2.2% this year and 2.8% next year, while the expected economic growth of neighbouring Latvia is 3.2% this year and 3.6% next year, and the growth prospect for the Lithuanian economy is 2.7% this year and 3.1% next year. The IMF expects economic growth of 0.9% this year and 1.1% next year for Finland. According to the Ministry of Finance of Sweden, the country’s economy will grow 3.8% in 2016 and 2.2% in 2017.

Main events and post-balance events

In February, our subsidiary Satmatic Oy participated in the local trade fair Sähkö-Tele-Valo-AV in Jyväskülä. In the beginning of April, AS Harju Elekter Kaubandusgrupp presented its product range in Tallinn at the international building fair Estbuild.

At its 5 April 2016 meeting, the Supervisory Board of AS Harju Elekter decided to merge the metal factories of the Group’s Estonian subsidiaries AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika, consolidating the sheet metal processing resources, capability and know-how of the entire Group into AS Harju Elekter Teletehnika. The outcome of restructuring is significant economy in terms of manufacturing as well as labour costs. After the changes, AS Harju Elekter Teletehnika will focus on the manufacturing of sheet metal products and details for the electrical engineering and telecommunications sector, while also maintaining the production line for telecommunications products and fibre-optic cables. The merging of the factories will be realised over the course of 2016.

The general meeting of the shareholders of PKC Group Oyj, which gathered on 4 April 2016, decided to pay dividends in the amount of EUR 0.70 per share. Dividends were transferred to the shareholders’ bank accounts on 15 April 2016. AS Harju Elekter owns 1,094,641 shares. The dividend income of EUR 766,000 is reflected in the profit of Q2 2016. The 15% income tax withheld from the dividends in Finland comprised EUR 115,000. The dividends of PKC Group add EUR 651,000 to the cash flow from investment activities in Q2.

On 6 April, AS Harju Elekter sent out an invitation to the shareholders on the calling together the annual general meeting of shareholders at Keila Kultuurikeskus on 28 April 2016. The Management Board will make a proposition to the general meeting to pay dividends for 2015 in the amount of EUR 0.05 per share (2014: 0.15), in the total sum of EUR 877,000 (2015: EUR 2,610,000). The Management Board also supports the Supervisory Board’s proposals for the introduction of no par value shares and the new version of the articles of association and the reduction of share capital to EUR 11.2 million, involving a disbursement of EUR 0.07 per share to the shareholders.

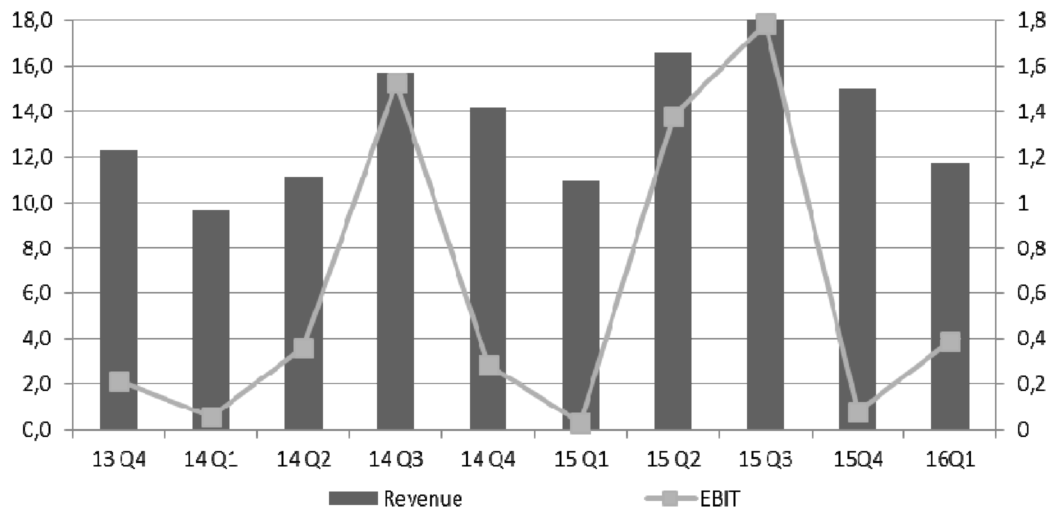
In April 2016, a preliminary contract was concluded with Stera Technologies Oy for the construction and subsequent rental of production facilities in Allika Industrial Park, which belongs to the Group. The total size of the production facilities is 8400 m^2 and they will be delivered to the lessee in two stages, in April 2017 and October 2018.

Operating results

KEY INDICATORS

	January - March			Year
	2016	**2015**	**2014**	**2015**
Revenue (EUR'000)	11,757	10,945	9,661	60,656
Gross profit (EUR'000)	2,069	1,698	1,701	10,299
EBITDA (EUR'000)	780	388	441	4,819
EBIT (EUR'000)	390	29	56	3,276
Profit for the period (EUR'000)	311	10	371	3,186
incl attributed to Owners of the Company (EUR'000)	324	16	391	3,190
Revenue growth/decrease (%)	7.4	13.3	-15.2	19.9
Gross profit growth/decrease (%)	21.8	-0.2	-1.2	13.4
EBIDTA growth/decrease (%)	101.0	-12.0	-20.5	28.8
EBIT growth/decrease (%)	1,244.8	-48.2	-69.9	47.0
Profit for the period growth/decrease (%)	3,010.0	-97.3	-48.3	-67.4
incl attributed to Owners of the Company (%)	1,925.0	-95.6	-44.0	-67.1
Distribution cost to revenue (%)	6.1	6.2	6.7	4.4
Administrative expenses to revenue (%)	8.1	9.4	10.1	7.2
Labour cost to revenue (%)	25.1	28.2	29.1	20.7
Gross margin (Gross profit/revenue) (%)	17.6	15.5	17.6	17.0
EBITDA margin (EBITDA/revenue) (%)	6.6	3.5	4.6	7.9
Operating margin (EBIT/revenue) (%)	3.3	0.3	0.6	5.4
Net margin (Profit for the period/revenue) (%)	2.6	0.1	3.8	5.3
ROE (Profit for the period/average equity) (%)	0.5	0.02	0.6	5.4

Seasonality of business (million euros)



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SALES REVENUE

In the accounting quarter, the Group's consolidated revenue was 11.8 (2015 Q1: 10.9) million euros. During the reporting quarter, sales revenue increased 7% or 0.8 million euros in relation to the comparison period.

The quarterly sales development by business area:

Business area	Q1change y-o-y	Q1 2016	2015	2014	Year 2015
Electrical equipment	10.5%	9,829	8,894	7,787	52,135
Sheet metal products and services	3.8%	227	219	209	843
Boxes for telecom sector and services	-1.4%	236	239	226	1,108
Intermediary sale of electrical products and components	-12.5%	757	865	733	3,686
Rental income	7.5%	551	513	550	2,073
Other services	-27.1%	157	215	156	811
Total	**7.4%**	**11,757**	**10,945**	**9,661**	**60,656**

The increase of rent revenue is mainly due to the completion of the production building in Allika Industrial Village in June 2015, due to which rental revenues have increased 8% in Q1 2016, which is EUR 38,000 in relation to the comparison period. The sale of electrical equipment is up by 11% or EUR 935,000.

The quarterly sales development by markets:

Markets	Q1 change y-o-y	Q1 2015	2014	2013	Year 2015
Estonia	-0.1%	3,083	3,086	3,477	14,198
Finland	20.0%	7,410	6,175	4,296	38,875
Lithuania	-89.4%	33	311	92	610
Sweden	159.7%	792	305	857	1,428
Norway	-53.4%	332	713	183	3,873
Other	-69.9%	107	355	756	1,672
Total	**7.4%**	**11,757**	**10,945**	**9,661**	**60,656**

The Finnish market, which is the Group's largest, has grown by 20% or EUR 1,235,000 year-on-year. In the reporting quarter, 63% of the Group's products and services were sold on the Finnish market (Q1 2015: 56%). Most of the Group's enterprises have managed to grow their sales volumes on the Finnish market. According to the estimates made by the Group's management, the share of the Finnish market is set to increase even further in 2016.

Sales to the Swedish market have grown by 160% or EUR 487,000 year-on-year. While the operations of the Swedish company Harju Elekter AB have been suspended, AS Harju Elekter Elektrotehnika has been working towards increasing its sales volumes on the Swedish markets.

During the reporting quarter 26% (Q1 2015: 28%) of the Group's products and services were sold on the Estonian market.

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The quarterly sales development by segments:

Segment	Q1 change y-o-y	Q1 2016	2015	2014	Year 2015
Manufacturing	6.6%	10,461	9,815	8,504	55,556
Real estate	7.5%	642	598	631	2,353
Unallocated activities	23.0%	654	532	526	2,747
Total	**7.4%**	**11,757**	**10,945**	**9,661**	**60,656**

89% of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 11% of the consolidated sales volume. The sales of electrical equipment accounted for 94% (Q1 2015: 91%) of the sales revenue of the Production segment and 84% (Q1 2015: 81%) of the sales revenue of the whole Group.

OPERATING EXPENSES

Operating expenses	Growth Q1 (%) y-o-y	3 months 2016	2015	2014	year 2015
Cost of sales	4.8%	9,688	9,247	7,960	50,357
Distribution costs	5.7%	723	684	651	2,657
Administrative expenses	-7.6%	947	1,025	976	4,337
Total expenses	3.7%	**11,358**	**10 956**	**9,587**	**57,351**
incl. depreciation of fixed assets	8.6%	390	359	385	1,543
total labour cost	-4.5%	2,950	3,089	2,815	12,555
inclusive salary cost	-0.6%	2,374	2,388	2,170	9,695

In the reporting quarter, the operating expenses increased by 4%. The cost of sales increased by 5% up to 9,688,000 euros.

In the reporting quarter, the distribution costs increased by 39,000 euros to 723,000 euros, the rate of distribution costs to revenue accounted for 6.1% (Q1 2015: 6.2%). Administrative expenses were 79,000 euros lower than the indicator for the comparable period, and the rate of administrative expenses to revenue accounted for 8.1%, having decreased by 1.3 percentage points.

EARNINGS AND MARGINS

The optimisation of production, which began in the second half of the past year and is continuing in 2016, has improved the profit of the reporting quarter and the profit margins when compared to the reference period.

In the first quarter the gross profit of the Group was 2,069,000 (Q1 2015: 1,698,000) euros. The gross profit margin was 17.6% (Q1 2015: 15.5%).

The Group’s operating profit of Q1 2016 was 390,000 (Q1 2015:29,000) euros and EBITDA 780,000 (Q1 2015: 388,000) euros. Return of sales for the accounting quarter was 3.3% (Q1 2015: 0.3%) and return of sales before depreciation 6.6% (Q1 2015: 3.5%).

On balance, the profit for the reporting quarter before tax was 385,000 (Q1 2015: 36,000) euros. The income tax assessed for the reporting quarter was 74,000 (Q1 2015: 26,000) euros.

Overall, the consolidated net profit of the Q1 2016 was 311,000 (Q1 2015: 10,000) euros, of which the share of the owners of the Company was 324,000 (Q1 2015: 16,000) euros. EPS in the Q1 was 0.02 euros.

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Employees and remuneration

The optimisation of production, which started in the second half of 2015 in the Group's Estonian enterprises, involved staff reductions; regardless of which it has been possible to increase sales revenues and to reduce the share of labour costs in sales revenue, which was 25% in the reporting quarter (Q1 2015: 28%).

In Q1 2016, the average 453 people worked in the Group − on the average by 14 persons less than in the reference period. The labor costs decreased by 4,5% to 2,950,000 euros.

In the first quarter, employee wages and salaries totalled 2,374,000 (Q1 2015: 2,388,000) euros. The average wages per employee per month amounted 1,747 (Q1 2015: 1,705) euros.

	Average number of employees			**Number of employees**			As at
	Growth	Q1 2016	Q1 2015	Growth	Q1 2016	Q1 2015	31.12.2015
Estonia	-33	257	290	-29	274	303	273
Finland	-1	91	92	1	93	92	90
Lithuania	20	105	85	17	105	88	107
Total	**-14**	**453**	**467**	**-11**	**472**	**483**	**470**

As at the balance day on 31 March, there were 472 people working in the Group, which were 11 employees less than a year before. As at the beginning of the year the number of employees has increased by 2 persons.

Financial position and cash flows

During 3 months, the amount of the consolidated balance sheet increased by 1,124,000 euros and compered to the period under review decreased by 7,339,000 euros to 67,703,000 euros, as of 31 March 2016.

	Growth y-o-y	Q1 2016	31.3. 2016	31.3. 2015	31.3. 2014	31.12. 2015
Current assets	-4,335	2,177	22,020	26,355	17,343	19,843
Non-current assets	-3,004	-1,053	45,683	48,687	53,487	46,736
TOTAL ASSETS	**-7,339**	**1,124**	**67,703**	**75,042**	**70,830**	**66,579**
Current liabilities	-1,264	1,525	8,988	10,252	7,541	7,463
Non-current liabilities	-648	0	912	1,560	1,141	912
Equity	-5,427	-401	57,803	63,230	62,148	58,204
incl. attributable to owners of the Company	-4,174	-388	57,698	61,872	60,858	58,086
Equity ratio (%) (Equity/total assets)*100 (%)	1.1	-2.0	85.4	84.3	87.7	87.4
Current ratio (Average current assets/ Average current liabilities)	-0.3	-0.3	2.5	2.8	2.4	2.8
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	-0.2	-0.3	1.6	1.8	1.5	1.9

Current assets decreased during a year by 4,335,000 euros to 22,020,000 euros. Inventories decreased during a year by 2,180,000 euros to 8,094,000 euros. In 12 months, cash decreased by 2,779,000 euros to 5,513,000 euros. Trade receivables and other receivables increased during a year by 1,135,000 euros to 7,982,000 euros.

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During 3 months, the non-current assets decreased by 1,053,000 euros and 3,005,000 euros to 45,683,000 euros, compared to the reference period. Most of the changes in the non-current assets derived from value adjustment of long-term financial investments in Nasdaq Helsinki Stock Exchange. The market price of PKC Group Oyj shares decreased in accounting quarter by 0.65 (Q1 2015: increased by 3.07) euros and the share price in Helsinki Stock Exchange in last trading day of March was 15.58 (Q1 2015: 20.54) euros. The cost of investment in assets and reserves in equity capital decreased by the loss of 712,000 euros; within the comparable period increased by the profit of 3,360,000 million euros. In total, the cost of financial investments decreased during a year by 3,029,000 euros to 19,476,000 euros.

During the 3-months period, the Group's investments to non-current assets totalled 49,000 (Q1 2015: 1,037,000) euros. In the first quarter of 2015, the Group invested 364,000 euros to Allika Industrial Park. After the conclusion of the preliminary agreement in 2016, the construction of the next production building will start at Allika Industrial Park in the second half of the reporting year.

As at the reporting date, the Group's liabilities totalling 9,900,000 euros, of which short-term liabilities made up 91% or 8,988,000 euros. Short-term liabilities decreased during a year by 1,264,000 euros. Trade payables and other payables decreased by 1,210,000 euros to 7,725,000 euros in 12-months period.

The Group's 3-month current ratio was 2.5 (Q1 2015: 2.8) and the quick ratio was 1.6 (Q1 2015: 1.8).

As at the balance date, interest-bearing liabilities accounted for 11.4% of the Group's liabilities and 1.7% of the cost of assets; as at 31.03.2015 –8.7% and 1.4%, respectively. The Group had a total of interest-bearing debt obligations of 1,134,000 (31.3.2015: 1,023,000) euros, of which current portion amounted 222,000 (31.3.2015: 205,000) euros. During 3 months, short-term interest-bearing debt obligations were reduced by 74,000 euros.

	3 months			Year
	2016	**2015**	**2014**	**2015**
Cash flows from operating activities	-78	-507	523	4,293
Cash flows from investing activities	-46	-1,112	-368	-6,328
Cash flows from financing activities	-74	-73	-72	-2,235
Net cash flow	**-198**	**-1,692**	**83**	**-4,270**

The total amount of money having flowed out of the business activity over the course of three months is 78,000 (Q1 2015: 507,000) euros. During 3-months period, cash-flow out from investing activities was 46,000 (Q1 2015: 1,122,000) euros. The Group has planned its biggest investments for the second part of 2016.

During the accounting quarter, cash and cash equivalents decreased by 198,000 euros to 5,513,000 euros; within the comparable period decreased by 1,692,000 euros to 8,292,000 euros.

Supervisory and management boards

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

The Managing Director/CEO is Mr. Andres Allikmäe. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise.

Information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

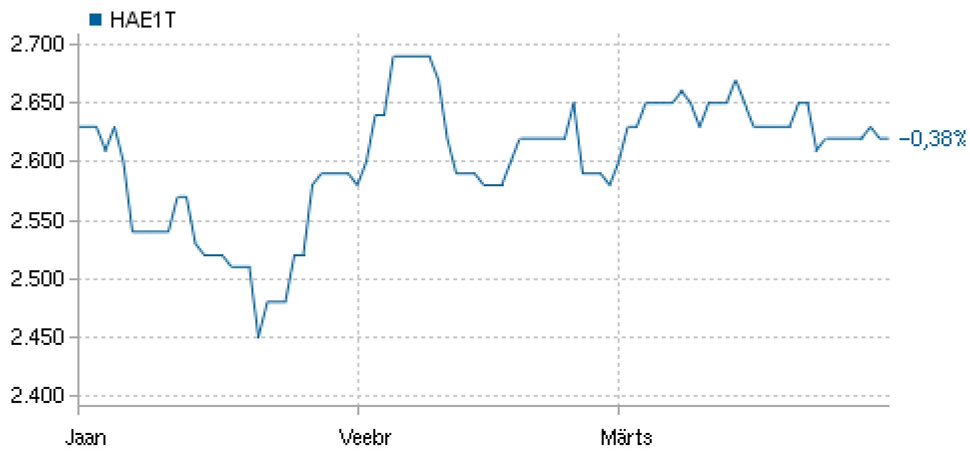
Shares of Harju Elekter and shareholders

Security trading history:

	2012	2013	2014	2015	3M 2016
Opening price	2.30	2.64	2.77	2.79	2.62
Highest price	2.80	2.92	2.85	3.14	2.70
Lowest price	2.30	2.46	2.52	2.49	2.43
Closing price	2.64	2.70	2.79	2.63	2.64
Traded shares (pc)	759,869	936,162	800,823	1,086,451	393,324
Turnover (in million)	1.88	2.48	2.17	2.98	1.01
Capitalisation (in million)	45.94	46.98	48.55	46.66	46.83
Overage number of the shares	17,093,443	17,400,000	17,400,000	17,550,851	17,739,880
EPS	0.21	0.30	0.56	0.18	0.02

As at March 31 2016 AS Harju Elekter had 1,844 shareholders. The number of shareholders increased during the accounting period by 67 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 31 March 2016, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.3% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of Securities (www.e-register.ee).

Share price (in euros) in Tallinn Stock growth/decrease, 1.01.2016 - 31.3.2016



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Shareholders structure by size of holding at 31 March 2016

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.11	42.10
1.0 – 10.0%	9	0.49	22.80
0.1 – 1.0 %	73	3.96	19.61
< 0.1%	1,760	95.44	15.49
Total	1,844	100.0	100.0

Shareholders (above 5%) at 31 March 2015

Shareholder	Holding (%)
HARJU KEK AS	31.39
ING LUXEMBOURG S.A.	10.71
Endel Palla	6.39
Shareholders holding under 5%	51.51

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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	**31.3.2016**	**31.12.2015**	**31.3.2015**
Current assets				
Cash and cash equivalents		5,513	5,711	8,292
Trade receivables and other receivables		7,982	6,678	6,847
Prepayments		375	278	842
Income tax prepayments		56	28	99
Inventories		8,094	7,148	10,274
Total current assets		**22,020**	**19,843**	**26,354**
Non-current assets				
Deferred income tax asset		57	57	0
Other long-term financial investments	2	19,476	20,188	22,505
Investment property	2	12,868	12,990	12,364
Property, plant and equipment	2	7,816	8,010	8,390
Intangible assets	2	5,466	5,491	5,429
Total non-current assets		**45,683**	**46,736**	**48,688**
TOTAL ASSETS		**67,703**	**66,579**	**75,042**

LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	222	296	205
Trade payables and other payables		7,725	6,043	8,935
Tax liabilities		886	944	1,080
Income tax liabilities		146	146	12
Short-term provision		9	34	20
Total current liabilities		**8,988**	**7,463**	**10,252**
Interest-bearing loans and borrowings	3	912	912	818
Other non-current liabilities		0	0	742
Non-current liabilities		**912**	**912**	**1,560**
Total liabilities		**9,900**	**8,375**	**11,812**
Equity				
Share capital		12,418	12,418	12,180
Share premium		804	804	240
Reserves		17,335	18,047	22,754
Retained earnings		27,141	26,817	26,698
Total equity attributable to equity holders of the parent		**57,698**	**58,086**	**61,872**
Non-controlling interests		105	118	1,358
Total equity		**57,803**	**58,204**	**63,230**
TOTAL LIABILITIES AND EQUITY		**67,703**	**66,579**	**75,042**

AS Harju Elekter Interim report 1-3/2016, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the period 1 January –31 March	Note	**2016**	**2015**
Revenue	4	11,757	10,945
Cost of sales		-9,688	-9,247
Gross profit		**2,069**	**1,698**
Distribution costs		-723	-684
Administrative expenses		-947	-1,025
Other income		10	54
Other expenses		-19	-14
Operating profit	4	**390**	**29**
Finance income	5	1	14
Finance costs	5	-6	-7
Profit before tax		**385**	**36**
Income tax expense	7	-74	-26
Profit for the period		**311**	**10**
Profit attributable to:			
Owners of the Company	6	324	16
Non-controlling interests		-13	-6
Profit for the period		**311**	**10**
Earnings per share			
Basic earnings per share (EUR)	6	0.02	0.00
Diluted earnings per share (EUR)	6	0.02	0.00

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January –31 March	Note	**2016**	**2015**
Profit for the period		**311**	**10**
Other comprehensive income			
Net growth/decrease in fair value of available-for-sale financial assets	2	-712	3,360
Other comprehensive income for the period, net of tax		**-712**	**3,360**
Total comprehensive income for the period		**-401**	**3,370**
Total comprehensive income attributable to:			
Owners of the Company		388	3,376
Non-controlling interests		-13	-6
Total comprehensive income for the period		**-401**	**3,370**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 March	Note	**2016**	**2015**
Cash flows from operating activities			
Operating profit	4	390	29
Adjustments for:			
Depreciation and amortisation	2	390	359
Gain on sale of property, plant and equipment	7	-2	-16
Share-based payment transactions		0	18
Growth/decrease in receivables related to operating activity		-1,405	-742
Growth/decrease in inventories		-946	-2,170
Growth/decrease in payables related to operating activity		1,603	2,068
Corporate income tax paid	7	-102	-46
Interest paid	5	-6	-7
Net cash from operating activities		**-78**	**-507**
Cash flows from investing activities			
Acquisition of investment property	7	-6	-489
Acquisition of property, plant and equipment	7	-25	-649
Acquisition of intangible assets	7	-21	-32
Proceeds from sale of property, plant and equipment	7	2	18
Proceeds from sale of other financial investments		0	35
Interest received	7	4	5
Net cash used in investing activities		**-46**	**-1,112**
Cash flows from financing activities			
Payment of finance lease principal	3	-74	-73
Net cash used in financing activities		**-74**	**-73**
Net cash flows		**-198**	**-1,692**
Cash and cash equivalents at beginning of period		**5,711**	**9,984**
Net increase / decrease		-198	-1,692
Cash and cash equivalents at end of period		**5,513**	**8,292**

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CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to owners of the Company								
	Share capital	**Share pre-mium**	**Capital reserve**	**Fair value reserve**	**Trans-lation reserve**	**Retained earnings**	**TOTAL**	**Non-Control-ling interests**	**TOTAL EQUITY**
At 31 December 2014	**12,180**	**240**	**1,218**	**18,184**	**-9**	**26,664**	**58,477**	**1,365**	**59,842**
Comprehensive income									
Profit for the period	0	0	0	0	0	16	**16**	-6	**10**
Other comprehensive income the period	0	0	0	3,360	0	0	**3,360**	0	**3,360**
Total comprehensive income	0	0	0	3,360	0	16	**3,376**	-6	**3,370**
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	18	18	0	18
At 31 March 2015	**12,180**	**240**	**1,218**	**21,544**	**-9**	**26,698**	**61,871**	**1,359**	**63,230**
At 31 December 2015	**12,418**	**804**	**1,218**	**16,827**	**2**	**26,817**	**58,086**	**118**	**58,204**
Comprehensive income									
Profit for the period	0	0	0	0	0	324	324	-13	311
Other comprehensive income for the period	0	0	0	-712	0	0	-712	0	-712
Total comprehensive income	0	0	0	-712	0	324	-388	-13	-401
At 31 March 2016	**12,418**	**804**	**1,218**	**16,115**	**2**	**27,141**	**57,698**	**105**	**57,803**

NOTES TO INTERIM FINANCIAL STATEMENT

Note 1 Accounting methods and valuation principles used in the consolidated interim report

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31.3.2016 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Finnkumu Oy (subsidiary Satmatic Oy) Rifas UAB and Automatikos Iranga UAB (subsidiary Rifas UAB) (together referred to as the Group).

AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease 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 31.12.2015. The interim report should be read in conjunction with the Group's annual report of 2015, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the management board, the interim report for 1-3/2016 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

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

Note 2 Non-current assets

For the period 1 January – 31 March	**2016**	**2015**
Other long-term financial investments		
At 1 January	20,188	19,145
Growth/decreases in the fair value reserve	-712	3,360
At the end of the period	**19,476**	**22,505**
Investment property		
At 1 January	12,990	12,110
Additions	1	364
Reclassification	3	
Depreciation charge	-126	-110
At the end of the period	**12,868**	**12,364**

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Note 2 Non-current assets (continued)

For the period 1 January – 31 March	**2016**	**2015**
Property, plant and equipment		
At 1 January	8,010	7,968
Additions	27	639
Disposals	0	-2
Reclassification	-3	
Depreciation charge	-218	-215
At the end of the period	**7,816**	**8,390**
Intangible assets		
At 1 January	5,491	5,429
Additions	21	34
Depreciation charge	-46	-34
At the end of the period	**5,466**	**5,429**

Note 3 Interest-bearing loans and borrowings

	31.03.2016	**31.12.2015**	**31.03.2015**
Liabilities			
Current portion of lease liabilities	222	296	205
Total current liabilities	**222**	**296**	**205**
Non-current liabilities			
Lease liabilities	912	912	818
Total non-current liabilities	**912**	**912**	**818**
TOTAL	**1,134**	**1,208**	**1,023**

Growth/decreases during the period 1 January – 31 March

	2016	**2015**
Loans and borrowings at the beginning of the year	**1,208**	**1,096**
Payment of finance lease principal	-74	-73
Loans and borrowings at the end of the current period	**1,134**	**1,023**

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, 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 – 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.

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For the period 1 January – 31 March	Note	Manu-facturing	Real estate	Other activities	Elimi-nations	Consoli-dated
2016						
Revenue from external customers		10,461	641	655	0	11,757
Inter-segment revenue		33	262	86	-381	0
Total revenue		**10,494**	**903**	**741**	**-381**	**11,757**
Operating profit		**165**	**279**	**-54**	**0**	**390**
Finance income						1
Finance costs						-6
Profit before tax						**385**
Income tax						-74
Profit for the period						**311**
Segment assets		34,768	13,204	5,082	-7,288	45,759
Indivisible assets						21,944
Total assets						**67,703**
Capital expenditure	2	24	1	24	0	**49**
Depreciation charge for the year	2	208	126	56	0	**390**
2015						
Revenue from external customers		9,815	598	532	0	10,945
Inter-segment revenue		53	271	87	-411	0
Total revenue		**9,868**	**869**	**619**	**-411**	**10,945**
Operating profit		**-195**	**252**	**-29**	**1**	**29**
Finance income						14
Finance costs						-7
Profit before tax						**36**
Income tax						-26
Profit for a period						**10**
Segment assets		35,614	12,702	8,499	-7,350	49,465
Indivisible assets						25,577
Total assets						**75,042**
Capital expenditure	2	520	364	153	0	**1,037**
Depreciation charge for the year	2	207	110	42	0	**359**

Revenue by markets:

For the period 1 January – 31 March	2016	2015
Estonia	3,083	3,086
Finland	7,410	6,175
Lithuania	33	311
Sweden	792	305
Norway	332	713
Other countries	107	355
Total	**11,757**	**10,945**

Revenue by business area:

For the period 1 January – 31 March	**2016**	**2015**
Electrical equipment	9,829	8,894
Sheet metal products and services	227	219
Boxes for telecom sector and services	236	239
Intermediary sale of electrical products and components	757	865
Commerce and mediation of services	88	90
Rental income	551	513
Other services	69	125
Total	**11,757**	**10,945**

Note 5 Finance income and costs

For the period 1 January – 31 March	**2016**	**2015**
Interest income	1	13
Other finance income	0	1
Total finance income	**1**	**14**
Interest expense	-6	-7
Total finance costs	**-6**	**-7**

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 31 March 2016, 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 – 31 March	Unit	**2016**	**2015**
Profit attributable to equity holders of the parent	EUR'000	324	16
Average number of shares outstanding	Pc'000	17,740	17,400
Basic earnings per share	EUR	0.02	0.00
Adjusted number of shares during the period	Pc'000	17,740	17,400
Diluted earnings per share	EUR	0.02	0.00

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

For the period 1 January – 31 March	Note	**2016**	**2015**
Corporate income tax paid			
Income tax expense		-74	-26
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-28	-20
Corporate income tax paid		**-102**	**-46**
Interest received			
Interest income	5	1	13
Receivable increase (-)		3	-8
Interest received		**4**	**5**
Paid for investment property			
Additions of investment property	2	-1	-364
Liability decrease (-)/ increase (+) incurred by purchase		-5	-125
Acquisition of investment property		**-6**	**-489**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-27	-639
Liability decrease (-)/ increase (+) incurred by purchase		2	-10
Acquisition of property, plant and equipment		**-25**	**-649**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	0	2
Profit on disposal of property, plant and equipment		2	16
Proceeds from sale of property, plant and equipment		**2**	**18**
Paid for intangible assets			
Additions of intangible assets	2	-21	-34
Liability decrease (-)/ increase (+) incurred by purchase		0	2
Acquisition of intangible assets		**-21**	**-32**

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Note 8 Transactions with related parties

The related party of AS Harju Elekter includes, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 31.4% of the shares of AS Harju Elekter.

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

For the period 1 January – 31 March	**2016**	**2015**
Purchase of goods and services from related parties:		
- from Harju KEK	26	20
Inclusive:		
- lease of property, plant and equipment	26	16
- purchase of property, plant and equipment	0	4
Sale of goods and services to related parties:		
- to Harju KEK	1	1
Inclusive:		
- other services	1	1
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	59	46
- social security and other taxes on salaries	19	15
TOTAL	61	61

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 Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthly remuneration of a development manager. 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.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/2016 as set out on pages 3 to 23 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
„27th“April 2016