



AS HARJU ELEKTER

Interim report 1-3/2017

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
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CEO:	Andres Allikmäe
Auditor:	KPMG Baltics OÜ
Beginning of the reporting period:	1 st of January 2017
End of the reporting period:	31 st of March 2017

The interim report of Harju Elekter Group on 23 pages

CONTENTS

EXPLANATORY NOTE.....	3
INTERIM FINANCIAL STATEMENTS	11
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	11
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	12
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENT OF CASH FLOWS	14
CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY	15
NOTES TO INTERIM FINANCIAL STATEMENT	16
Note 1 Accounting methods and valuation principles used in the consolidated interim report	16
Note 2 Non-current assets	16
Note 3 Interest-bearing loans and borrowings.....	17
Note 4 Segment reporting.....	18
Note 5 Finance income and costs	20
Note 6 Basic and diluted earnings per share.....	20
Note 7 Further information on line items in the statement of cash flows.....	21
Note 8 Subsidiaries.....	21
Note 9 Transactions with related parties	22
Statement of Management responsibility	23

EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-3/2017 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, Harju Elekter Kiinteistöt Oy, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line.

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 will be 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 31 March 2017, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.3.17	31.12.16	31.3.16
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%
Harju Elekter Kiinteistöt Oy	Subsidiary	Finland	100.0%	100.0%	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%
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	90.0%	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%
PKC Group Oyj	Financial investment	Finland	0.0%	4.5%	4.5%

Motherson Sumi Systems Limited and the management board of PKC Group Oyj signed a merger agreement on 19 January 2017, according to which the wiring systems operations of both companies will be merged. The takeover bid has ended successfully.

Economic environment

The World Economic Survey 1/2017, a publication of the Munich Institute for Economic Research (IFO), indicates that the global economic climate has somewhat improved in the first quarter (Q1). The improvement of the economic climate continued in the United States and the assessment of the current situation in the European Union remained on a favourable level. The economic climate of one of Estonia's largest economic partners – Finland – continued to improve, and experts predict the growth of exports, private consumption and investments. The Swedish economic situation is also very good, as assessed by analysts, and the growth of the volume of exports and imports is expected to further increase in the near future.

Estonian Institute of Economic Research estimates for March show that Estonia's economic situation has improved in recent months and that economic growth has accelerated. This has allowed for national developments, but perhaps even more the economic recovery of Estonia's main trading partner – the European Union. At the same time, the economic growth of Estonia is inhibited by the underinvestment of companies, which is exacerbated by the low level of foreign investment. Economic growth is mainly based on the development of private consumption.

Main events

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, according to which the wiring systems operations of both companies will be merged. To the shareholders of PKC Group Oyj was submitted a takeover bid at the price of EUR 23.55 per share. AS Harju Elekter owned 1,094,641 PKC Group Oyj shares. On 22 March 2017, PKC Group Oyj announced that the takeover bid had been successful. On 30 March 2017, AS Harju Elekter received 25.8 million euros.

AS Harju Elekter Elektrotehnika and the Group's Finnish subsidiaries presented their range of products and solutions from January 23–24, at the Trade Fair for Electricity and Information Networks, in Tampere, Finland. The Harju Elekter Trade Group represented the Group's companies and presented their output from April 5–8, at the international building fair Estbuild, in Tallinn.

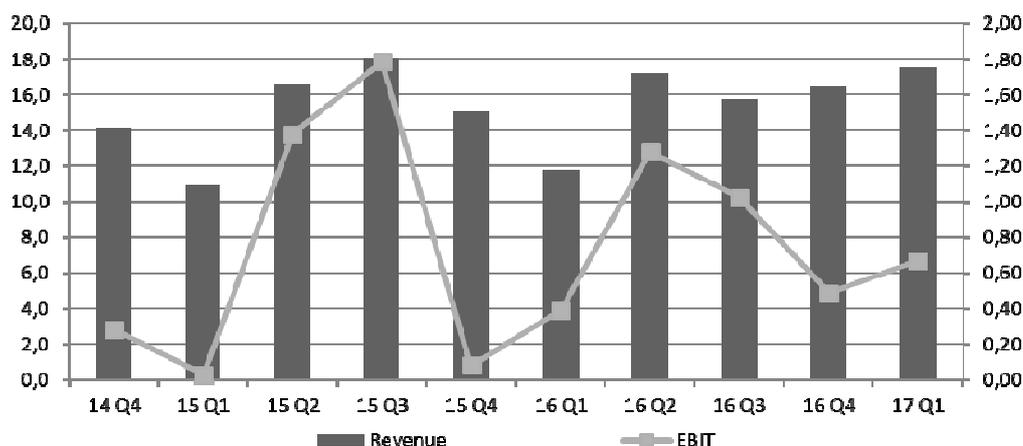
On 2 March, KredEx Credit Insurance presented the traditional Export Deed of the Year award, with the recipient this year being AS Harju Elekter, which had concluded outstanding contracts with foreign partners in 2016 and also increased their export.

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. After the transaction, the business operations of AS Harju Elekter Trade Group will be merged with Energo Veritas OÜ, who will continue as a subsidiary of the Group.

Operating results**KEY INDICATORS**

	January - March			Year
	2017	2016	2015	2016
Revenue (EUR'000)	17,519	11,757	10,945	61,167
Gross profit (EUR'000)	2,670	2,069	1,698	10,348
EBITDA (EUR'000)	1,050	780	388	4,777
EBIT (EUR'000)	668	390	29	3,181
Profit for the period (EUR'000)	25,366	311	10	3,224
incl attributed to Owners of the Company (EUR'000)	25,374	324	16	3,219
Revenue growth/decrease (%)	49.0	7.4	13.3	0.8
Gross profit growth/decrease (%)	29.0	21.8	-0.2	0.5
EBITDA growth/decrease (%)	34.6	101.0	-12.0	-0.9
EBIT growth/decrease (%)	71.3	1,244.8	-48.2	-2.9
Profit for the period growth/decrease (%)	8 063.2	3,010.0	-97.3	1.2
incl attributed to Owners of the Company (%)	7 726.0	1,925.0	-95.6	0.9
Distribution cost to revenue (%)	4.5	6.1	6.2	5.0
Administrative expenses to revenue (%)	6.7	8.1	9.4	6.8
Labour cost to revenue (%)	21.0	25.1	28.2	22.0
Gross margin (Gross profit/revenue) (%)	15.2	17.6	15.5	16.9
EBITDA margin (EBITDA/revenue) (%)	6.0	6.6	3.5	7.8
Operating margin (EBIT/revenue) (%)	3.8	3.3	0.3	5.2
Net margin (Profit for the period/revenue) (%)	144.8	2.6	0.1	5.3
ROE (Profit for the period/average equity) (%)	39.1	0.5	0.02	5.4

Seasonality of business (million euros)



SALES REVENUE

Consolidated revenue for the reporting quarter was 17.5 (Q1 2016: 11.8) million euros, increasing during the reporting quarter by 49.0% or 5.8 million euros in relation to the comparable period. In the reporting quarter the sale of electric equipment had increased by 5.5 million euros up to 15.3, which was the main reason for the sales growth in the reporting quarter.

The quarterly sales development by business area:

Business area	Change y-o-y	Q1 2017	Q1 2016	Q1 2015	Year 2016
Electrical equipment	56.1%	15,345	9,829	8,894	52,476
Sheet metal products and services	-17.5%	187	227	219	986
Telecom sector products	-0.1%	236	236	239	1,236
Intermediary sale of electrical products	45.7%	1,100	757	865	3,416
Rental income	-19.4%	444	551	513	2,216
Other services	31.8%	207	157	215	837
Total	49.0%	17,519	11,757	10,945	61,167

The quarterly sales development by markets:

Markets	Change y-o-y	Q1 2017	Q1 2016	Q1 2015	Year 2016
Estonia	28.7%	3,966	3,083	3,086	13,371
land	57.3%	11,657	7,410	6,175	41,004
Lithuania	247.5%	116	33	311	592
Sweden	20.6%	954	792	305	2,104
Norway	111.3%	703	332	713	2,863
Others	14.6%	123	107	355	1,233
Total	49.0%	17,519	11,757	10,945	61,167

The Group's sales revenue earned outside Estonia accounted for 77.4% in Q1 2017 (Q1 2016: 73.8%).

Sales on the Estonian market grew by 28.7%, i.e. 0.9 million euros, to 4.0 million euros in the reporting quarter, accounting for 22.6% of the consolidated sales revenues of the reporting quarter.

Finland continues as the largest market of the Group. In the reporting quarter, 66.5% of the Group's products and services (Q1 2016: 63.0%) were sold on the Finnish market, growing over the year by EUR 4.2 million, i.e. 57.3%. The main reason for the growth was the contracts concluded with Finnish network companies at the end of 2016, whose orders already began in Q1 of 2017.

The purposeful work of the Group and AS Harju Elekter Elektrotehnika continued for growing sales volume on the Swedish market, which resulted in growth of sales to the Swedish market in the reporting quarter – compared to the same period last year – by a fifth, to EUR 1.0 million.

The quarterly sales development by segments:

Segment	Change y-o-y	1. January – 31. March			Year 2016
		2017	2016	2015	
Manufacturing	54.0%	16,107	10,461	9,815	55,790
Real estate	-18.5%	524	642	598	2,480
Unallocated activities	35.8%	888	654	532	2,897
Total	49.0%	17,519	11,757	10,945	61,167

During the reporting quarter 92% (Q1 2016: 89%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 8% (Q1 2016: 11%) of the consolidated sales volume. The sale of electrical equipment provides more than 95% of the sales volume of the Manufacturing segment.

OPERATING EXPENSES

	Change y-o-y	1. January – 31. March			Year 2016
		2017	2016	2015	
Cost of sales	53.3%	14,849	9,688	9,247	50,819
Distribution costs	10.0%	796	723	684	3,034
Administrative expenses	24.8%	1,182	947	1,025	4,138
Total expenses	48.1%	16,827	11,358	10 956	57,991
incl. depreciation of fixed assets	-2.0%	382	390	359	1,596
Total labour cost	24.7%	3,680	2,950	3,089	13,464
inclusive salary cost	10.2%	2,616	2,374	2,388	10,597

Operating expenses increased 48.1% or 5.5 million euros in the reporting quarter compared to the reference period. The main reason for the upsurge in costs was the increase in the cost of sales. Cost of sales increased by 5.2 million euros, i.e. 53.3% compared to Q1 2016. The cost of goods and services sold has grown faster than revenue growth, mainly due to the rise of metal prices on the world markets, while the salaries of the manufacturing staff of the Group's Estonian companies have also grown.

The continued focus of the Group towards increasing exports has led to a rise in distribution costs, growing by 10% in the reporting quarter in respect to the comparable period. The rate of distribution costs accounted for 4.5% of the sales revenue (Q1 2016: 6.1%). Administrative expenses increased by 24.8%, i.e. 235 thousand euros in the reporting quarter. More than half of the increase was due to growth in development expenses related to new orders and thereby development of new products. The rate of administrative expenses to revenue accounted for 6.7%, having decreased by 1.4 percentage points.

EARNINGS AND MARGINS

In the reporting quarter the gross profit of the Group was 2,670 (Q1 2016: 2,069) thousand euros. The gross profit margin was 15.2% (Q1 2016: 17.6%).

The Group's operating profit in the reporting quarter was 668 (Q1 2016: 390) thousand euros and EBITDA 1,050 (Q1 2016: 780) thousand euros. Return of sales for the accounting quarter was 3.8% (Q1 2016: 3.3%) and return of sales before depreciation 6.0% (Q1 2016: 6.6%).

The profit before taxes for the reporting quarter was EUR 25,505 (2016 Q1: 385) thousand euros. The calculated income tax expense of three months was EUR 139 (2016 IQ: 74) thousand euros.

In the reporting quarter, the consolidated net profit was 25,366 (Q1 2016: 311) thousand euros, of which the share of the owners of the Company was 25,374 (Q1 2016: 324) thousand euros. EPS in the Q1 2017 was 1.43 euros (Q1 2016: 0.02 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 the reporting quarter, the employees were paid as salaries and fees 2,616 (Q1 2016: 2,374) thousand euros, which was 10.2% higher than in the reference period. The growth of wages was due to hiring new employees in connection with the significant increase in production volumes. The average monthly salary for an employee of the Group was 1,780 (Q1 2016: 1,747) euros.

	Average number of employees			Number of employees			As at 31.12.2016
	Growth	Q1 2017	Q1 2016	Growth	Q1 2017	Q1 2016	
Estonia	48	305	257	60	334	274	295
Finland	-1	90	91	-3	90	93	94
Lithuania	-10	95	105	-12	93	105	91
Total	37	490	453	45	517	472	480

In Q1 of 2017, an average of 490 employees worked in the Group, which was 37 people more than in the comparable period. As at the balance date on 31 March, there were 517 people working in the Group, which was 45 persons more than a year ago. From the beginning of the year, the number of employees increased by 37.

Financial position and cash flows

	Growth		31.03 2017	31.03. 2016	31.03. 2015	31.12. 2016
	y-o-y	3 months 2017				
Current assets	28,735	28,490	50,755	22,020	26,355	22,265
Non-current assets	-9,929	-15,949	35,754	45,683	48,687	51,703
TOTAL ASSETS	18,806	12,541	86,509	67,703	75,042	73,968
Current liabilities	5,115	1,695	14,103	8,988	10,252	12,408
Non-current liabilities	2,102	1,847	3,014	912	1,560	1,167
Equity incl. attributable to owners of the Company	11,589	9,000	69,392	57,803	63,230	60,392
	11,613	9,004	69,311	57,698	61,872	60,307
Equity ratio (%) (Equity/total assets)*100 (%)	-5.2	-1.4	80.2	85.4	84.3	81.6
Current ratio (Average current assets/ Average current liabilities)	0.3	0.7	2.8	2.5	2.8	2.1
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.3	0.6	1.9	1.6	1.8	1.3

During 3 months, the amount of the Group's assets increased by 12.5 million euros and compared to the reference period by 18.8 million euros up to 86.5 million euros.

The current assets increased by 28.7 million euros in a year to 50.8 million euros. The inventories increased by 3.8 million euros up to 11.9 million euros and trade receivables and other receivables by 3.5 million euros up to 11.5 million euros. Increase of stock and receivables is related to the increase of sales orders and volumes. As at the report date, the Group's cash and bank balance was EUR 26.5 million, which was EUR 21.0 million more than the year before. The increase was related to money 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 EUR 15.9 million in 3 months, and with respect to the comparable period by EUR 9.9 million to EUR 35.8 million. 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 EUR 15.56 on the Helsinki Stock Exchange as at 31.3.2016 and EUR 15.81 as at 31.12.2016. In total, the cost of financial investments decreased by EUR 14.8 million to EUR 4.7 million in 12 months.

In three months period, the Group has made a total of 1.7 million (Q1 2016: 49 thousand) euros worth of investments to property, plant and equipment and investment properties. Investment growth is related to the ongoing developments of Allika Industrial Park.

As at the reporting date, the Group's liabilities totaled 17.1 million euros, of which short-term liabilities made up 14.1 million euros or 82.4%. Short-term liabilities increased by EUR 5.1 million, incl. trade and other payables increased by EUR 2.8 million to EUR 10.5 million.

In Q1 2017, the current ratio of the Group was 2.8 (Q1 2016: 2.5) and the quick ratio was 1.9 (Q1 2016: 1.6).

As at 31 March 2017, interest-bearing debt obligations made up 21.8% of the Group's liabilities and 4.3% of the cost of its assets; 11.5% and 1.7%, respectively, as at 31 March 2016. The Group had interest-bearing debt obligations totaling 3.7 (31.03.2016: 1.1) million euros, with the short-term obligations making up 0.7 (31.03.2016: 0.2) million euros. Over a period of 3 months, short-term liabilities decreased by EUR 0.7 million euros; long-term debt obligations increased by EUR 2.0 million, to EUR 2.4 million.

<i>Consolidated Statement of Cash Flows</i>	3 months			Year
	2017	2016	2015	2016
Cash flows from operating activities	-851	-78	-507	2,686
Cash flows from investing activities	23,569	-46	-1,112	-4,580
Cash flows from financing activities	521	-74	-73	-539
Net cash flow	23,239	-198	-1,692	-2,433

Cash flows from operating activities were -851 (Q1 2016: -78) thousand euros in three months. Cash flows from investing activities yielded money in the amount of EUR 23.6 (Q1 2016: -0.05) million, which was most affected by money received from the sale of the PKC Group Oyj shares.

Cash and cash equivalents increased in the reporting year by 23.2 million euros up to 26.5 million euros, and decreased in the period of comparison by 0.2 million euros to 5.5 million euros.

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 (Managing director of Priileib OÜ, legal consultant), Mr. Aare Kirsme (Chairman of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant, managing Director of OÜ 30pluss).

The Management Board of AS Harju Elekter has three members: Mr. Andres Allikmäe (Chairman), Mr. Tiit Atso (CFO of the Group) and Aron Kuhi-Thalfeldt (Head of real estate and energy services).

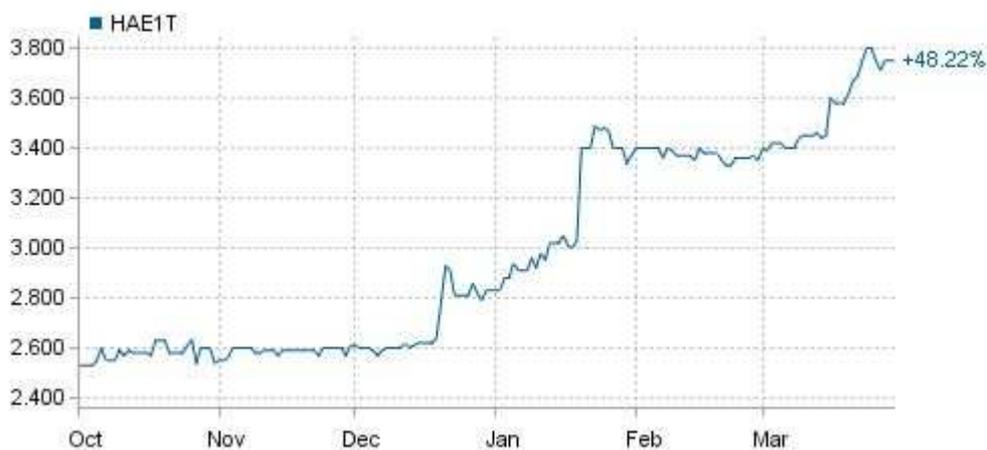
Information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

Shares of Harju Elekter and shareholders

Security trading history:

	2013	2014	2015	2016	Q1 2017
Opening price	2.64	2.77	2.79	2.62	2.85
Highest price	2.92	2.85	3.14	2.94	3.80
Lowest price	2.46	2.52	2.49	2.43	2.80
Closing price	2.70	2.79	2.63	2.83	3.75
Traded shares (pc)	936,162	800,823	1,086,451	974,294	450,788
Turnover (in million)	2.48	2.17	2.98	2.45	1.53
Capitalisation (in million)	46.98	48.55	46.16	50.20	66.52
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	1.43

Share price (in euros) in Tallinn Stock growth/decrease, 1 October 2016 - 31 March 2017
(Nasdaq Tallinn, www.nasdaqbaltic.com)



As at 31 March 2017 AS Harju Elekter had 2,106 shareholders. The number of shareholders increased during the accounting period by 181 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 2017, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.5% 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 31 March 2017:

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.10	42.10
1.0 – 10.0%	9	0.43	23.10
0.1 – 1.0 %	62	2.94	18.23
< 0.1%	2,033	96.53	16.57
Total	2,106	100.0	100.0

Shareholders (above 5%) at 31 March 2017

Shareholder	Holding (%)
HARJU KEK AS	31.39
ING LUXEMBOURG S.A.	10.71
Endel Palla	6.56
Shareholders holding under 5%	51.34

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

ASSETS	Note	31.3.2017	31.12.2016	31.3.2016
Current assets				
Cash and cash equivalents		26,517	3,278	5,513
Trade receivables and other receivables		11,458	8,480	7,982
Prepayments		793	771	375
Income tax prepayments		70	24	56
Inventories		11,917	9,712	8,094
Total current assets		50,755	22,265	22,020
Non-current assets				
Deferred income tax asset		37	37	57
Other long-term financial investments	2	4,684	21,990	19,476
Investment property	2	14,181	13,273	12,868
Property, plant and equipment	2	11,004	10,972	7,816
Intangible assets	2	5,848	5,431	5,466
Total non-current assets		35,754	51,703	45,683
TOTAL ASSETS		86,509	73,968	67,703
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	720	804	222
Advances from customers		1,104	857	0
Trade payables and other payables		10,528	8,283	7,725
Payables to shareholders		0	1,242	0
Tax liabilities		1,675	1,075	886
Income tax liabilities		61	133	146
Short-term provision		15	15	9
Total current liabilities		14,103	12,409	8,988
Interest-bearing loans and borrowings	3	3,014	1,167	912
Non-current liabilities		3,014	1,167	912
Total liabilities		17,117	13,576	9,900
Equity				
Share capital		11,176	11,176	12,418
Share premium		804	804	804
Reserves		2,844	19,214	17,335
Retained earnings		54,487	29,113	27,141
Total equity attributable to equity holders of the parent		69,311	60,307	57,698
Non-controlling interests		81	85	105
Total equity		69,392	60,392	57,803
TOTAL LIABILITIES AND EQUITY		86,509	73,968	67,703

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the period 1 January –31 March	Note	2017	2016
Revenue	4	17,519	11,757
Cost of sales		-14,849	-9,688
Gross profit		2,670	2,069
Distribution costs		-796	-723
Administrative expenses		-1,182	-947
Other income		2	10
Other expenses		-26	-19
Operating profit	4	668	390
Finance income	5	24,846	1
Finance costs	5	-9	-6
Profit before tax		25,505	385
Income tax expense	7	-139	-74
Profit for the period		25,366	311
Profit attributable to:			
Owners of the Company	6	25,374	324
Non-controlling interests		-8	-13
Profit for the period		25,366	311
Earnings per share			
Basic earnings per share (EUR)	6	1.43	0.02
Diluted earnings per share (EUR)	6	1.43	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January –31 March	Note	2017	2016
Profit for the period		25,366	311
Other comprehensive income			
Net growth/decrease in fair value of available-for-sale financial assets	2	0	-712
Gain/loss on sale of financial assets (-)		-16,367	0
Foreign currency translation differences – foreign operations		-3	0
Other comprehensive income for the period, net of tax		-16,370	-712
Total comprehensive income for the period		8,996	-401
Total comprehensive income attributable to:			
Owners of the Company		9,004	388
Non-controlling interests		-8	-13
Total comprehensive income for the period		8,996	-401

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	2017	2016
Cash flows from operating activities			
Profit for the period	4	25,366	311
<u>Adjustments for:</u>			
Depreciation and amortisation	2	382	390
Gain on sale of property, plant and equipment	7	0	-2
Finance income		-24,846	-1
Finance costs		9	6
Income tax expense		139	74
<u>Changes in:</u>			
Growth/decrease in receivables related to operating activity		-2,432	-1,405
Growth/decrease in inventories		-1,900	-946
Growth/decrease in payables related to operating activity		2,696	1,603
Corporate income tax paid	7	-257	-102
Interest paid	5	-8	-6
Net cash from operating activities		-853	-78
Cash flows from investing activities			
Acquisition of investment property	7	-1,548	-6
Acquisition of property, plant and equipment	7	-250	-25
Acquisition of intangible assets	7,	-60	-21
Proceeds from sale of property, plant and equipment	7	0	2
Acquisition of subsidiaries, net of cash acquired		-359	0
Proceeds from sale of other financial investments		25,779	0
Interest received	7	7	4
Net cash used in investing activities		23,569	-46
Cash flows from financing activities			
Growth/decreases in short-term loans		-187	0
Proceeds from borrowings		2,037	0
Repayment of borrowings		-13	0
Payment of finance lease principal	3	-74	-74
Reduction of share capital		-1,242	0
Net cash used in financing activities		521	-74
Net cash flows		23,239	-198
Cash and cash equivalents at beginning of period		3,278	5,711
Net increase / decrease		23,239	-198
Cash and cash equivalents at end of period		26,517	5,513

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to owners of the Company							Non- Control- ling interests	TOTAL EQUITY
	Share capital	Share pre- mium	Capital reserve	Fair value reserve	Trans- lation reserve	Retained earnings	TOTAL		
At 31 December 2016	11,176	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	25,374	25,374	-8	25,366
Other comprehensive income the period	0	0	0	-16,367	-3	0	-16,370	0	-16,370
Total comprehensive income	0	0	0	-16,367	-3	25,374	9,004	-8	8,996
Acquisition of non- controlling interest	0	0	0	0	0	0	0	4	4
At 31 March 2017	11,176	804	1,242	1,602	0	54,487	69,311	81	69,392
At 31 December 2015	12,418	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	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 of Satmatic Oy), Harju Elekter Kiinteistöt 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 1-3/2017 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 – 31 March	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	1,007	1
Reclassification	0	3
Depreciation charge	-99	-126
At the end of the period	14,181	12,868

Note 2 Non-current assets (continued)

For the period 1 January – 31 March	2017	2016
Property, plant and equipment		
At 1 January	10,972	8,010
Additions	251	27
Acquisitions through business combinations	13	0
Reclassification	0	-3
Depreciation charge	-232	-218
At the end of the period	11,004	7,816
Intangible assets		
At 1 January	5,431	5,491
Additions	55	21
Acquisitions through business combinations	413	0
Depreciation charge	-51	-46
At the end of the period	5,848	5,466

Note 3 Interest-bearing loans and borrowings

	31.03.2017	31.12.2016	31.03.2016
Liabilities			
Short-term bank loans	455	642	0
Current portion of long-term bank loans	41	54	0
Current portion of lease liabilities	224	108	222
Total current liabilities	720	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	3,734	1,971	1,134

Growth/decreases during the period 1 January – 31 March

	2017	2016
Loans and borrowings at the beginning of the year	1,971	1,208
Growth/decreases in short-term loans	-187	0
Received long-term loans	2,037	0
Long-term loan repaid	-13	0
Payment of finance lease principal	-74	-74
Loans and borrowings at the end of the current period	3,734	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 – 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 – 31 March	Note	Manu- facturing	Real estate	Other activities	Elimi- nations	Consoli- dated
2017						
Revenue from external customers		16,107	524	888	0	17,519
Inter-segment revenue		76	277	98	-451	0
Total revenue		16,183	801	986	-451	17,519
Operating profit		655	141	-137	9	668
Finance income						24,846
Finance costs						-9
Profit before tax						25,505
Income tax						-139
Profit for the period						25,366
Segment assets		43,539	14,513	28,129	-7,742	78,438
Indivisible assets						8,071
Total assets						86,509
Capital expenditure	2	236	1,007	496	0	1,739
Depreciation charge for the year	2	226	99	62	-5	382
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 a period						311
Segment assets		34,768	13,204	5,075	-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

Revenue by markets:

For the period 1 January – 31 March	2017	2016
Estonia	3,966	3,083
Finland	11,657	7,410
Lithuania	116	33
Sweden	954	792
Norway	703	332
Other countries	123	107
Total	17,519	11,757

Revenue by business area:

For the period 1 January – 31 March	2017	2016
Electrical equipment	15,345	9,829
Sheet metal products and services	187	227
Telecom sector products and services	236	236
Intermediary sale of electrical products	1,100	757
Commerce and mediation of services	71	88
Rental income	444	551
Other services	136	69
Total	17,519	11,757

Note 5 Finance income and costs

For the period 1 January – 31 March	2017	2016
Interest income	7	1
Finance income from sale of PKC Group Oyj's shares	24,839	0
Total finance income	24,846	1
Interest expense	-8	-6
Total finance costs	-8	-6

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 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 – 31 March	Unit	2017	2016
Profit attributable to equity holders of the parent	EUR'000	25,374	324
Average number of shares outstanding	Pc'000	17,740	17,740
Basic earnings per share	EUR	1.43	0.02
Adjusted number of shares during the period	Pc'000	17,740	17,740
Diluted earnings per share	EUR	1.43	0.02

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

For the period 1 January – 31 March	Note	2017	2016
Corporate income tax paid			
Income tax expense		-139	-74
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-118	-28
Corporate income tax paid		-257	-102
Interest received			
Interest income	5	7	1
Receivable increase (-)		0	3
Interest received		7	4
Paid for investment property			
Additions of investment property	2	-1,007	-1
Liability decrease (-)/ increase (+) incurred by purchase		-541	-5
Acquisition of investment property		-1,548	-6
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-251	-27
Liability decrease (-)/ increase (+) incurred by purchase		1	2
Acquisition of property, plant and equipment		-250	-25
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	-55	-21
Profit on disposal of property, plant and equipment		-5	0
Proceeds from sale of property, plant and equipment		-60	-21

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 410 thousand euros was acquired during business combination. After the transaction, the business operations of AS Harju Elekter's Trade Group will be merged with Energo Veritas OÜ. With the purchase of Energo Veritas OÜ and establishment of a trade unit operating as a subsidiary of the Group, the Group increases its market share in Estonia, notably expands its offered product range, and creates prerequisites for boosting the sale of the Group's products in Estonia and the Baltic states. The company focuses primarily on project-based trading activity.

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. The management board has three members and the supervisory board has five members.

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

For the period 1 January – 31 March	2017	2016
Purchase of goods and services from related parties:		
- from Harju KEK	26	26
<i>Inclusive:</i>		
- lease of property, plant and equipment	26	26
- purchase of property, plant and equipment	0	0
Sale of goods and services to related parties:		
- to Harju KEK	1	1
<i>Inclusive:</i>		
- other services	1	1
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	96	59
- social security and other taxes on salaries	32	19
TOTAL	128	78

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 4 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. 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 1-3/2016 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
„26th“ April 2017