AS HARJU ELEKTER
Interim report 1-3/2012

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
Address:	Paldiski mnt.31, 76 606 Keila
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2012
End of the reporting period:	31st of March 2012

The interim report of Harju Elekter Groupon 19 pages

Contents

EXPLANATORY NOTE

Group structure and changes on it

In interim report for Q1 2012 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic OY and Rifas UAB - are consolidated line-by-line and the results of affiliated company – AS Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 March 2012, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.03.12	31.12.11	31.03.11
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%	0.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%	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	6.5%	6.6%	7.2%

Economic environment

Since the autumn of 2011, the European economy has experienced a certain degree of cooling. Due to a low level of confidence among undertakings and consumers, stricter fiscal policy and toughening of financing conditions, mostly the economies of southern countries have shrunk. However, long-term loans provided to commercial banks by the European Central Bank have noticeably decreased tensions in the financial system at the beginning of this year. Restlessness and insecurity on financial markets has left its mark on the exporting industrial sector of Estonia, having nevertheless not been transferred to the sectors aimed at the domestic market. Growth continued in the last quarter in the sectors of the Estonian economy. The main risk factor in the development of the Estonian economy continues to be the weak outlook of the European economy, giving reason to expect a further decrease in the export of goods and services. Another factor that has a negative influence on undertakings and consumers is the pressure of inflation caused by a rise in energy prices and housing costs. On a positive note, the continuation of the growth rate in private consumption, so far, can be noted. The increase in consumption is supported by increased employment, growth in real wages and a rise in consumer confidence. In addition, the Estonian economic sentiment indicator – which had been in a downward trend for while – has risen, again this year, and currently indicates that undertakings are expecting a growth in economic activity. The main contributors to economic growth this year are the branches of activity aimed at the domestic market. Hopefully, recovery of the domestic market will balance out the slowing down of export growth, ensuring the continuation of moderate growth by the Estonian economy in 2012.

Main events

Satmatic Oy, a subsidiary of AS Harju Elekter, participated in speciality fairs in Finland: in February, at the fair Sähkö, Tele, Valo and AV in Jyväskylä, and in March, at the Pori construction fair.

To increase its productivity, AS Harju Elekter Teletehnika implemented the well-known principles of 5S from Lean production. 5S is, in a way, a tool that helps to see the value of a product from the customer’s point of view and helps to reduce the wasting of resources. As of today, 5S teams have been formed, 5S standards developed, 5S audits are taking place and information boards have been mounted. The production process has been freed from excessive items and expenditure of time. The implementation of cost-efficient processes is continuing and the first major summary will be made in June.

Operating results

The financial indicators of the Group in the accounting year demonstrated significant improvements. Sales revenue increased by 23.8%, gross profit by 35.3% and operating profit 2.3 times.

SALES REVENUE

Sales revenue by segment:

1st quarter	Growth	EUR'000		Structure	
Segment	**Q/Q**	**2012**	**2011**	**2012**	**2011**
Manufacturing	25.6%	10,412	8,293	89.2%	88.0%
Real estate	-2.6%	661	678	5.7%	7.2%
Unallocated activities	31.4%	598	455	5.1%	4.8%
Total	**23.8%**	**11,671**	**9,426**	**100.0%**	**100.0%**

The largest share of sales revenue, 89.2% (88.0%), was provided by production. The sales revenue on production received from customers outside of the Group increased by 25.6% to 10.41 million euros. The economic recovery has brought about a growth in the sales volumes of trade, which is why the sales volume of other non-segmented activities has increased the most (31.4%) in total. From the 143,000 euros sales revenue growth of other non-segmented activities, 100,000 euros was provided by the Swedish subsidiary.

Sales revenue by market:

1st quarter	Growth	EUR'000		Share	
Markets	**Q/Q**	**2012**	**2011**	**2012**	**2011**
Estonia	26.0%	4,224	3,353	36.2%	35.6%
Finland	32.8%	5,564	4,190	47.7%	44.4%
Lithuania	-5.6%	650	689	5.6%	7.3%
Other EU countries	212.2%	597	191	5.1%	2.0%
Others	-36.6%	636	1,003	5.4%	10.7%
Total	**23.8%**	**11,671**	**9,426**	**100.0%**	**100.0%**

During the reporting quarter, the highest growth of almost one third in sales was to the Finnish market; sales to the Estonian market have increased by more than one fourth. The most modest developments have taken place on the Lithuanian market. In total, 83.9% (80.0%) of the Group's products and services were sold on the Estonian and Finnish markets. 64% (64%) of the Group's products were sold outside of Estonia.

Sales revenue from other European Union countries has increased by more than three times. The sales volumes increased the most on the Latvian market – by 3.7 times to 419,400 euros; on the Swedish market by 2.1 times to 123,300 euros and on the French market by 2.2 times to 43,000 euros. The markets of Germany, Poland and Portugal have been added.

Sales volumes to the Russian and Belorussian markets have increased, and sales to Malaysia and Norway have decreased.

OPERATING EXPENSES

Operating expenses increased by a total of 21.9%, remaining 1.9 percentage points lower than the growth rate of sales revenue. In the first quarter, the cost of sales by 21.8%, distribution costs by 29.3% and administration expenses by 18%.

	Growth	EUR'000	
1st quarter	**Q/Q**	**2012**	**2011**
Cost of sales	21.8%	9,775	8,025
Distribution costs	29.3%	637	493
Admin expenses	18.0%	875	741
Total expenses	21.9%	**11,287**	**9,259**
incl. depreciation of fixed assets	6.1%	360	339
Total labour cost	23.4%	2,904	2,353
incl salary cost	23.7%	2,280	1,843

In the first quarter, the average number of employees in the Group was 435 (Q1 2011: 418). Labour costs increased by 23.4% in the first quarter of 2012 to 2,904 thousand euros. The depreciation of fixed assets accounted for a total of 360,000 (Q1 2011: 339,000) euros in operatiing expenses.

EARNINGS AND MARGINS

In the accounting quarter the gross profit of the Group increased by 35.3% and was 1.90 (Q1 2011: 1.40) million euros. The gross profit margin improved by 1.3 per cent point and was 16.2% (Q1 2011: 14.9%)

Operating profit of Q1 2012 was 375 (Q1 2011: 160) thousand euros and EBITDA was 735 (Q1 2011: 499) thousand euros. Return of sales for the period improved by 1.5 per cent point and return of sales before depreciation by 1 per cent point, being 3.2% and 6.3% respectively.

In Q1 2012, the Group consolidated from the associated company a profit of 79,000 (Q1 2011: 30,000) euros. In the accounting quarter, also 15,400 PKC Group Oyj shares were sold and the financial income from selling the shares was 175,000 euros. No profit was earned on other financial investments in the comparable period.

Overall, the consolidated net profit of the Q1 2012 was 592 (Q1 2011: 164) thousand euros, of which the share of the owners of the parent company was 580 (Q1 2011: 182) thousand euros. EPS in the Q1 was 0.03 (Q1 2011: 0.01) euros.

Employees and remuneration

In the accounting quarter, employee wages and salaries totalled 2,280 (Q1 2011: 1,843) thousand euros. The average wages per employee per month amounted 1,746 (Q1 2011: 1,472) euros.

	Average number of employees			No of employees at 31. March		
1.1-31.3.2012	Growth	**2012**	**2011**	Growth	**2012**	**2011**
Estonia	10	275	265	14	299	285
Finland	5	89	84	5	88	83
Lithuania	1	69	68	7	75	68
Sweden	1	2	1	1	2	1
Total	**17**	**435**	**418**	**27**	**464**	**437**

In Q1 2012, the average 435 people worked in the Group − on the average by 17 persons more than in the reference period. As at the balance day on 31 March, there were 464 people working in the Group, which were 27 employees more than a year before and 7 employees more than in the beginning of the year.

Financial position and cash flows

The amount of the consolidated balance sheet as of 31 March 2012 was 61.24 million euros, increasing by 8.32 million euros during the reporting quarter.

The business claims decreased by -1.11 million euros to 6.74 million euros in the first quarter and inventory increased by 1.33 million euros to 7.99 million euros. Totally, current assets increased by 0.66 million euros to 16.11 million euros.

The main reason for the increase in assets was the rise in the market price of PKC Group Oyj shares. The price of the share increased in three months by 5.76 euros to 17.19 euros. The cost of investment in assets and reserves in equity capital increased by the profit of 7.98 million euros received from stock revaluation. In the reporting quarter, the Group sold 15,362 shares with the accounting value of 0.17 million euros. In total, the cost of financial assets increased by 7.80 million euros to 23.82 million euros in three months.

During the accounting quarter the Group investments to real estate, tangible fixed assets and intangible fixed assets totalling 140 (Q1 2011: 440) thousand euros.

As at the reporting date on 31.03.2012, the fixed assets accounted for 73.7% (Q1 2011: 74.3%) of the cost of assets.

During the first three months, the liability of the Group decreased by 0.11 million euros to 10.8 million euros, accounting for 17.6% of the volume of assets (Q1 2011:16.8%). During the reporting quarter, supplier payables and other payables increased by 1.05 million euros to 7.32 million euros, tax liabilities by 0.15 million euros to 0.91 million euros. During the first quarter, short-term liabilities were reduced by 1.33 (Q1 2011: 0.13) million euros to 0.71 million euros and 82,000 (Q1 2011: 70,000) euros worth of principal amounts of the financial lease were repaid. As at 31.03.2012, the Group had a total of interest-bearing debt obligations of 2.5 million (31.03.2011: 3.15 million) euros.

Cash flows from operating activities was 1.72 (Q1 2011: 0.35) million euros and from investing activities 39,000 euros (Q1 2011: outflow 0.5 million euros); cash outflow from financing activity was 1.35 (Q1 2011: 0.22) million euros. During the first three months, cash and cash equivalents increased by 0.41 million euros to 1.22 million euros; within the comparable period cash and cash equivalents decreased by 0.23 million euros to 2.17 million euros.

Shares of Harju Elekter

EUR	**Q1 2012**	**Q1 2011**	**2011**
Number of the shares, (1000 pc)	16,800	16,800	16,800
Nominal value	0.70	0.64	0.70
High price	2.80	3.54	3.54
Low price	2.30	2.73	2.19
Closing price	2.59	3.30	2.28
Market value (in million)	43.5	55.4	38.3
EPS	0.03	0.01	0.17

Supervisory and management boards

The annual general meeting of AS Harju Elekter in 2007 appointed the five members Supervisory Board for the next five years. There were no changes to the Supervisory Board of AS Harju Elekter. The Supervisory Board continues with the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Viru Keemia Grupp AS, Head of Legal Department), Lembit Kirsme (Chairman of OÜ Kirschmann), Madis Talgre (Chairman of the Management Board, AS Harju KEK) and Andres Toome (consultant).

AS Harju Elekter has a one-member Management Board. 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. The managing director is 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.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in Q1 2012 amounted to a total of 41,000 euros and in the comparable period 61,000 euros. In Q1 2011 the Management Board of Harju Elekter had three members. In connection with the expiration of the authorisation deadline of the Management Board of AS Harju Elekter, the Supervisory Board assigned a one-member Management Board for the next three-year period, at its meeting on 4 May 2011.

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

AGM

The Management Board of AS Harju Elekter sent an invitation to shareholders on 11 April, calling together the annual general meeting of shareholders in the Keila Cultural Centre on 3 May 2012.

Key indicators

EUR (in thousands)	1-3/ 2012	1-3/ 2011	2011
Accounting period			
Net sales	11,671	9,426	46,674
EBIDTA	735	499	3,378
Operating profit	375	160	2,025
Net profit for the current period	592	164	2,948
Incl. equity holders of the parents	580	182	2,773
At the end of the period			
Total current assets	16,109	14,103	15,445
Total non-current assets	45,129	40,944	37,475
Total assets	**61,238**	**55,047**	**52,920**
Total liabilities	10,778	9,241	10,886
Total equity	50,460	45,806	42,034
Inclusive equity attributable to equity holders of the parent	48,727	44,277	40,313
Owners' equity margin (equity / balance sheet total *100)	82.4	83.2	79.4

Performance indicators (%)			
Growth in revenue	23.8	10.0	14.2
EBITDA growth	47.3	18.9	16.5
Operating profit (EBIT) growth	134.6	121.4	33.3
Growth in net profit for the current period	261.2	-68.7	28.5
Net profit growth (Equity holders of the parent)	219.0	-68.3	27.6
Return of sales before depreciation	6.3	5.3	7.2
Return of sales (operating profit/revenue *100)	3.2	1.7	4.3
Net profit margin (net profit /net sales *100)	5.0	1.9	5.9
Employees			
Average number of employees on the current period	435	418	427
Number of employees at the end of the period	464	437	457

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EUR (in thousands)		
ASSETS	Note	**31.03.2012**	**31.12.2011**	**31.03.2011**
Current assets				
Cash and cash equivalents		1,224	815	2,175
Trade receivables and other receivables		6,740	7,848	5,165
Prepayments		133	104	99
Income tax prepayments		27	20	11
Inventories		7,985	6,658	6,653
Total current assets		**16,109**	**15,445**	**14,103**
Non-current assets				
Deferred income tax asset		35	35	0
Investments in associate	2	1,256	1,177	710
Other long-term financial investments	2	23,823	16,023	21,651
Investmentproperty	2	10,727	10,833	8,921
Property, plant and equipment	2	8,859	8,985	9,209
Intangible assets	2	429	422	453
Total non-current assets		**45,129**	**37,475**	**40,944**
TOTAL ASSETS		**61,238**	**52,920**	**55,047**
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	911	2,245	1,318
Trade payables and other payables		7,316	6,268	5,376
Tax liabilities		907	758	600
Income tax liabilities		44	29	19
Short-term provision		15	17	70
Total current liabilities		**9,193**	**9,317**	**7,383**
Interest-bearing loans and borrowings	3	1,585	1,569	1,828
Other non-current liebilities		0	0	30
Non-current liabilities		**1,585**	**1,569**	**1,858**
Total liabilities		**10,778**	**10,886**	**9,241**
Equity				
Share capital		11,760	11,760	10,737
Share premium		0	0	384
Reserves	4	23,689	15,881	21,508
Retained earnings		13,278	12,672	11,648
Total equity attributable to equity holders of the parent		**48,727**	**40,313**	**44,277**
Non-controlling interests		1,733	1,721	1,529
Total equity		**50,460**	**42,034**	**45,806**
TOTAL LIABILITIES AND EQUITY		**61,238**	**52,920**	**55,047**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		EUR (in thousands)	
1 January – 31 March	Note	**2012**	**2011**
Revenue	5	11,671	9,426
Cost of sales		-9,775	-8,025
Gross profit		**1,896**	**1,401**
Distribution costs		-637	-493
Administrative expenses		-875	-741
Other income		2	1
Other expenses		-11	-8
Operating profit	5	**375**	**160**
Net financing income/costs	6	173	-7
Share of profit (-loss) of equity-accounted investees	2	79	30
Profit before tax		**627**	**183**
Income tax expense		-35	-19
Profit for the period		**592**	**164**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		7,975	112
Realised gain from sale of financial assets (-)		-162	0
Currency translation differences		-5	0
Other comprehensive income for year, net of tax		**7,808**	**112**
Total comprehensive income for the year		**8,400**	**276**
Profit attributable to:			
Owners of the Company		580	182
Non-controlling interests		12	-18
Profit for the period		**592**	**164**
Total comprehensive income attributable to:			
Owners of the Company		8,388	294
Non-controlling interests		12	-18
Total comprehensive income for the year		**8,400**	**276**
Earnings per share			
Basic earnings per share (EUR)	7	0.03	0.01
Diluted earnings per share (EUR)	7	0.03	0.01

CONSOLIDATED STATEMENT OF CASH FLOWS

		EUR (in thousands)	
For the period 1 January - 31 March	Note	**2012**	**2011**
Cash flows from operating activities			
Operating profit	5	375	160
Adjustments for:			
Depreciation and amortisation	2	360	339
Gain on sale of property, plant and equipment	8	-1	0
Share-based payment transactions		26	26
Change in receivables related to operating activity		1,083	1,337
Change in inventories		-1,327	-1,242
Change in payables related to operating activity		1,244	-229
Effect of exchange rate fluctuations on cash held	6	4	0
Corporate income tax paid	8	-27	-30
Interest paid	8	-16	-11
Net cash from operating activities		**1,721**	**350**
Cash flows from investing activities			
Acquisition of investment property	8	-49	-257
Acquisition of property. plant and equipment	8	-78	-82
Acquisition of intangible assets	8	-33	-19
Proceeds from sale of property, plant and equipment	8	2	0
Proceeds from sale of other financial investments		189	0
Interest received		8	4
Net cash used in investing activities		**39**	**-354**
Cash flows from financing activities			
Changes in short-term loans	3	-1,264	-126
Repayment of borrowings	3	0	-25
Payment of finance lease principal	3	-82	-70
Net cash used in financing activities		**-1,346**	**-221**
Net cash flows		**414**	**-225**
Cash and cash equivalents at beginning of period		**815**	**2,400**
Net increase / decrease		414	-225
Currency translation differences	4	-5	0
Cash and cash equivalents at end of period		**1,224**	**2,175**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
EUR (in thousands)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**TOTAL**
At 31.12.2010	**10,737**	**384**	**21,396**	**11,440**	**43,957**	**1,589**	**45,546**
Profit for the period	0	0	0	182	**182**	-18	**164**
Other comprehensive income	0	0	112	0	**112**	0	**112**
Comprehensive income for the period	0	0	112	182	**294**	-18	**276**
Share-based payment transactions	0	0	0	26	**26**	0	**26**
Dividends	0	0	0	0	**0**	-42	**-42**
At 31.3.2011	**10,737**	**384**	**21,508**	**11,648**	**44,277**	**1,529**	**45,806**
At 31.12.2011	**11,760**	**0**	**15,881**	**12,672**	**40,313**	**1,721**	**42,034**
Profit for the period	0	0	0	580	**580**	12	**592**
Other comprehensive income	0	0	7,808	0	**7,808**	0	**7,808**
Comprehensive income for the period	0	0	7,808	580	**8,388**	12	**8,400**
Share-based payment transactions	0	0	0	26	**26**	0	**26**
At 31.3.2012	**11,760**	**0**	**23,689**	**13,278**	**48,727**	**1,733**	**50,460**

Further information on reserves 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 31.3.2011comprises 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 Exchange since 30 September 1997; 32.14% 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 31.12.2011. 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 2011 annual report.

According to the assessment of the management board, the interim report for 1-3/2012 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

	EUR (in thousands)	
For the period 1 January – 31 March	**2012**	**2011**
Investments in associate		
At 1 January	1,177	680
Profit/loss(-)under the equity method	79	30
At the end of the period	**1,256**	**710**
Other long-term financial investments		
At 1 January	16,023	21,539
Sale of shares	-176	0
Changes in the fair value reserve	7,976	112
At the end of the period	**23,823**	**21,651**
Investmentproperty		
At 1 January	10,833	8,711
Additions	4	301
Depreciation charge	-110	-91
At the end of the period	**10,727**	**8,921**
Property, plant and equipment		
At 1 January	8,985	9,350
Additions	103	81
Disposals	-5	0
Depreciation charge	-224	-222
At the end of the period	**8,859**	**9,209**
Intangible assets		
At 1 January	422	421
Additions	33	58
Depreciation charge	-26	-26
At the end of the period	**429**	**453**
Total non-current assets	**45,094**	**40,944**

Note 3 Interest-bearing loans and borrowings

EUR (in thousands)	**31.03.2012**	**31.12.2011**	**31.03.2011**
Liabilities			
Short-term bank loans	711	1,975	1,078
Current portion of long-term bank loans	0	0	40
Current portion of lease liabilities	200	270	200
Total current liabilities	**911**	**2,245**	**1,318**
Non-current liabilities			
Lease liabilities	1,585	1,569	1,828
Total non-current liabilities	**1,585**	**1,569**	**1,828**
TOTAL	**2,496**	**3,814**	**3,146**

Changes during the period 1 January - 31March

EUR (in thousands)	**2012**	**2011**
Loans and borrowingsat the beginning of the year	**3,814**	**3,367**
Changes in short-term loans	-1,264	-126
Long-term loan repaid	0	-25
New finance lease	28	0
Payment of finance lease principal	-82	-70
Loans and borrowingsat the end of the current period	**2,496**	**3,146**

Note 4 Reserves

EUR (in thousands)	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**TOTAL**
At 31.12.2010	1,073	20,316	7	21,396
Other comprehensive income	0	112	0	112
At 31.03.2011	**1,073**	**20,428**	**7**	**21,508**
At 31.12.2011	1,073	14,800	8	15,881
Other comprehensive income	0	7,813	-5	7,808
At 31.03.2012	**1,073**	**22,613**	**3**	**23,689**

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.

EUR (in thousands)

For the period 1 January – 31 March

2011	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	8,293	678	455	0	9,426
Inter-segment revenue	39	275	62	-376	0
Total revenue	**8,332**	**953**	**517**	**-376**	**9,426**
Operating profit	-11	270	-71	-28	160
Segment assets	21,843	9,328	2,525	-291	33,405
2012					
Revenue from external customers	10,412	661	598	0	11,671
Inter-segment revenue	87	282	69	-438	0
Total revenue	**10,499**	**943**	**667**	**-438**	**11,671**
Operating profit	172	299	-67	-29	375
Segment assets	24,639	11,168	2,120	-619	37,308

Revenue by markets:

For the period	1 January – 31 March	
EUR (in thousands)	**2012**	**2011**
Estonia	4,224	3,353
Finland	5,564	4,190
Lithuania	650	689
Ohter EU countries	597	191
Non-EU countries	636	1,003
Total	**11,671**	**9,426**

Revenue by business area:

For the period	1 January – 31 March	
EUR (in thousands)	**2012**	**2011**
Electrical equipment	9,467	7,152
Sheet metal products and services	249	264
Boxes for telecom sectorand services	217	256
Intermediary sale of electrical products and components	996	997
Commerce and mediation of services	95	173
Rental income	550	516
Other services	97	68
Total	**11,671**	**9,426**

Note 6 Net financing income/costs

For the period	1 January – 31 March	
EUR (in thousands)	**2012**	**2011**
Interest income	8	3
Interest expense	-14	-10
Net loss from foreign exchange differences	4	0
Marketable investments:		
Income from sale of investments	175	0
TOTAL	**173**	**-7**

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 31.3.2012 the Group had 578.4 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 23 April 2009 the price of a share was established at the level of 1.10 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 0.55 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 euros and the potential shares become dilutive only after their average market price of the period exceed 1.65 euros.

For the period		January – 31 March	
	Unit	**2012**	**2011**
Profit attributable to equity holders of the parent	EUR‘000	580	182
Average number of shares outstanding	Pc‘000	16,800	16,800
Basic earnings per share	EUR	0.03	0.01
Adjusted number of shares during the period	Pc‘000	16,995	17,081
Diluted earnings per share	EUR	0.03	0.01

The average market price of the share of 1-3/2012 was 2.49 euros (1-3/2011 3.21 euros). The issue of shares would account for 954 thousand euros. In order to obtain the same amount 383.7 thousand (954/2.49) new shares at the average market price, in the comparable period 297.8 thousand (954/3.21) new shares. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 194.7 thousand shares (578.4-383.7) in 1-3/2012 and 280.6 (578.4-297.8) thousand shares could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

Note 8 Cash flow statement line items

For the period		1 January – 31 March	
EUR (in thousands)	Note	**2012**	**2011**
Corporate income tax paid			
Income tax expense		-35	-19
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		8	-11
Corporate income tax paid		**-27**	**-30**
Interest paid			
Interest expense	6	-14	-10
Liability decrease incurred by purchase		-2	-1
Interest paid		**-16**	**-11**
Paid for investment property			
Additions of investment property	2	-4	-301
Liability decrease (-)/ increase (+) incurred by purchase		-45	44
Acquisition of investment property		**-49**	**-257**
Paid for property plant and equipment			
Additions of property plant and equipment	2	-103	-81
Acquired with finance lease		28	0
Liability decrease (-)/ increase (+) incurred by purchase		-3	-1
Acquisition of property plant and equipment		**-78**	**-82**
Paid for intangible assets			
Additions of intangible assets	2	-33	-58
Liability decrease (-)/ increase (+) incurred by purchase		0	39
Acquisition of intangible assets		**-33**	**-19**
Proceeds from sale of property plant and equipment			
Book value of disposed property plant and equipment	2	5	0
Profit on disposal of property plant and equipment		1	0
Receivables increase (-)		-4	0
Proceeds from sale of property plant and equipment		**2**	**0**

Note 9 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS DrakaKeilaCables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 32.14% 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	
EUR (in thousands)	**2012**	**2011**
Purchase of goods and services from related parties:		
- from associates	157	61
- from Harju KEK	16	16
TOTAL	173	77
Inclusive:		
- goods and materials for manufacturing	157	61
- lease of property. plant and equipment	16	16
Sale of goods and services to related parties:		
- to associates	183	188
- to Harju KEK	1	2
TOTAL	184	190
Inclusive:		
- goods and materials for manufacturing	2	14
- lease of property. plant and equipment	172	172
- other	10	4
Balances with related parties at 31 March		
Receivables with associates: goods and services	216	256
Payables with associates: goods and services	65	36

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/2012 as set out on pages 3 to 19 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
Chairman of the Board
„2.“ May 2012