AS HARJU ELEKTER
Interim report 1-12/2012

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
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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 December 2012

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-12/2012 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic OY, Harju Elekter AB and Rifas UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method. Q4 2012, in addition to the existing 51% holding, AS Harju Elekter has acquired from a Lithuanian shareholder a further 11.7% holding in its Lithuanian subsidiary UAB Rifas, resulting in an increase of the holding of AS Harju Elekter in the company to 62.7%. As of 31 December 2012, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.12.12	31.12.11
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	6.4%	6.6%

The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis.

Economic environment

Global economic growth decelerated in the second half of 2012, whereas the developments became more uneven by regions. The economic situation deteriorated in Europe and Japan, while the economies of the U.S. and China showed certain signs of strengthening. Although several advancements were made in the institutional framework of the Eurozone, economic growth continued to decelerate and the unemployment rate in South Europe is the highest ever seen. However, thanks to the successful steps in solving the EU debt crisis, the feeling of security in the case of the economy started to improve in Europe during the last few months of the year. Several factors referred to the positive impact of the rescue packages – the exchange rate of the euro strengthened and there was a drop in the interest rates of the bonds of the South European countries experiencing financial difficulties. Economic growth is forecast to recover in the Nordic countries as well as in the rest of Europe starting from the second half of next year, the precondition to this being, however, the gradual resolution of the debt crisis.

According to bank analysts, the rate of economic growth in the Baltic States over the last quarter of 2012 was a pleasant surprise on the background of the decelerating growth of Scandinavia. Latvia made a positive appearance, with economic growth exceeding 5%, while the other Baltic countries continued at a slightly slower rate of 3%. Scandinavia’s economy was suppressed by fragile external demand and a weaker domestic economy, with pressure added by the increase in labour costs. Persistence of the current economic situation in the EU and the Eurozone will impair the economic conditions of the Nordic countries and our main trading partners – Finland and Sweden – even more. On a more positive note, we could highlight the possibility that in 2013 Latvia will fulfil the preconditions for becoming a full member of the Eurozone, which will be of great importance for our entire economic area.

The economic growth rate in Estonia also decelerated in 2012, compared to previous periods, while continuing to remain the highest in the Eurozone at 3.2% annual growth, based on preliminary data. GDP growth in Q4 was 3.7% y-o-y and in comparison to Q3 – 0.9%. The main growth engine was investment activity, strong domestic consumption and exports. The processing industry made a positive contribution to economic growth as well; however, insufficient demand and a decreasing number of orders had a restrictive impact on production. According to Statistics Estonia, exports increased 4.5% y-o-y and the volume of exports reached a record 12.6 billion euros. Over the year, imports increased by 8.5%, to 13.8 billion euros.

Economic growth was fostered by growth in the earnings of inhabitants, which supported the increase of consumption expenditures and secured stability of domestic demand. Since unemployment also remained more or less stable in Estonia, and the salary of employees is increasing, it may be expected that domestic demand will be able to sustain the level of the economy in the near future. Further economic growth, however, will depend on the recovery of external demand in the West and its preservation in the East.

Main events

In November, AS Harju Elekter Elektrotehnika opened a Development Centre in the Keila production complex, consolidating together all engineers from the product development and engineering departments. The new office currently has 19 workplaces, to which the sales engineers will also be added at the beginning of the year. The Development Centre should develop into an incubator which, on the one hand, supplies the sales channel with innovative products and solutions and, on the other hand, provides technical support to production. The Development Centre also contains a lab for elaborating new prototypes and demonstrating samples.

Satmatic Oy celebrated its 10 years anniversary in Harju Elekter Group. On 19.9.2002 AS Harju Elekter and Siemens Osakeyhtiö (Finland) signed a contract by which Harju Elekter acquires all the shares of Satmatic Oy, a 100% subsidiary of Siemens. During 10 years, Satmatic Ltd sales revenue has been increased by 7 million euros to 21.4 million euros and the number of employees from 52 to 88.

In September, AS Harju Elekter celebrated its 15th year on the Tallinn Stock Exchange. Over the 15 years on the Stock Exchange, Harju Elekter Group has developed into a leading manufacturer of electrical equipment and materials in the Baltic Sea region and decupled the sales volume and operating profit of the Group. The market value as well as the share price of the company has increased more than thrice. AS Harju Elekter is also among those few companies on the Tallinn Stock Exchange which pays yearly dividends to their shareholders - totalling at 15.08 million euros in 15 years.

In Vaskiluoto, Finland, was built the world’s largest biogas combined plant, with a capacity of 140 MW. The plant was built by Metso Oy, which received the necessary solutions and equipment from its subcontractor – the Group’s Finnish subsidiary Satmatic Oy. The project also involved Estonian subsidiary AS Harju Elekter Elektrotehnika, which pre-fabricated substations and control panels for the biogas plant. The construction of such environment-friendly power stations in the near future is a growing trend.

After successful audits, Lithuanian subsidiary Rifas UAB was recognised as the official cooperation partner and supplier of the world’s giants ABB and GE Energy.

Subsidiary Satmatic Oy increases the sale of solar energy equipment and solutions. It is supported, on the one hand, by an annual decrease of nearly 25% in the prices of solar panels and other renewable energy equipment, which has significantly expanded the set of potential users of such equipment; and, on the other hand, by continuous growth in the efficiency factor of the products and the new energy efficiency rules that were enforced this summer. The product segment of heating and charging panels for car parks is also growing significantly and Satmatic Oy has attained a leadership position in that segment in the Finnish market.

In 2012, a new 10kW solar station was put into operation in the Keila production complex, and 30 solar panels were added to the station of the Finnish subsidiary. Together with the solar energy stations in Finland (30 kW) and Lithuania (50 kW), launched the year before, the aggregated installed capacity of the renewable energy stations of the group’s companies is nearly 100 kW. The produced electricity is mainly consumed for own use, the remaining energy is transferred to the national energy networks.

AS Harju Elekter Teletehnika completed stage I of the Lean 5S system – launched to increase productivity – which concluded with a final audit. By the end of stage I, the goal to eliminate excessive items and time cost from production had been achieved. The project continues with the mapping of work processes, in order to ensure an even more efficient use of resources.

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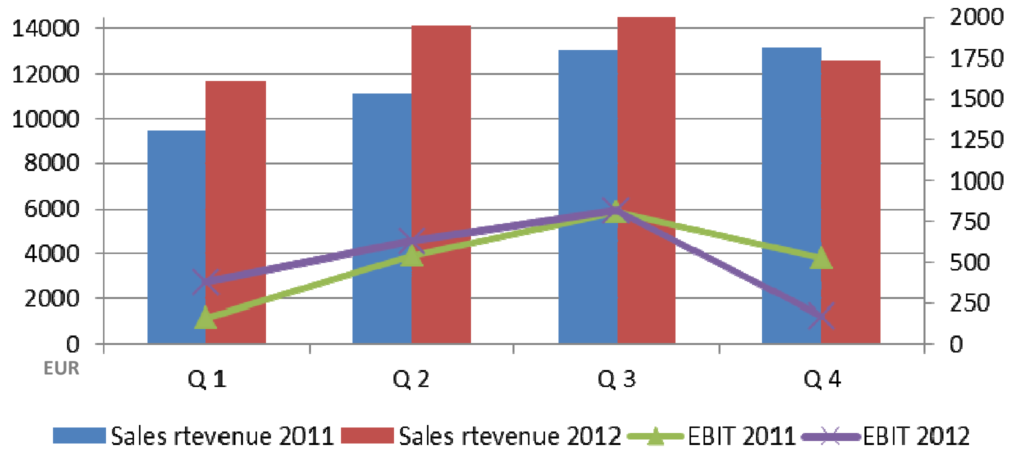
AS Harju Elekter Elektrotehnika organised a series of training seminars, during which the company was visited by a large number of the employees of our clients' operation, development and auxiliary operation sector. The training day included a general introduction of the Group, as well as the explanation of specific emerged issues, mutual exchange of development directions and, of course, the receipt of direct feedback. Altogether 10 training days, with nearly 200 participants, were organised.

Satmatic Oy 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. In spring, AS Harju Elekter Elektrotehnika participated as a part of the Estonian exposition at the electrical engineering fair in Hannover, and at the SLO fairs in Kuressaare and in Tallinn. In September, AS Harju Elekter Teletehnika participated in Subcontracting Fair in Tampere, Finland.

Operating results

During the year 2012, the Group's sales revenue increased by 13% up to 52.8 million euros. In 2012, sales volumes increased from quarter to quarter, peaking in Q3. In Q4, the Group's consolidated revenue was 12.6 million euros, which was 0.5 million euros less compering to the referring period. In line with the sales income, operating profit also increased, outpacing the operating profit of comparable periods. In Q4, operating profit was somewhat lower than usual. Overall, the consolidated net profit of the 2012 was 1.97 (2011: 2.03) million euros.



SALES REVENUE

Sales revenue by segment:

	Growth (%)		Q4		12 months		Share (%)	
Segment	**Q/Q**	**yoy**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Manufacturing	-5.7	14.1	11,135	11,810	47,728	41,833	90.4	89.6
Real estate	5.8	-0.2	618	584	2,395	2,400	4.5	5.2
Unallocated activities	15.0	9.7	812	707	2,678	2,441	5.1	5.2
Total	**-4.1**	**13.1**	**12,565**	**13,101**	**52,801**	**46,674**	**100**	**100**

As before, 90% of sales income was earned from the Production segment, and Real Estate together with other areas of activity contributed 10% of the consolidated sales volume.

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Sales revenue by business area:

	Growth (%)		Q4		12 months		Share (%)	
	Q/Q	**yoy**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Electrical equipment	-4.6	16.3	10,226	10,716	44,079	37,887	83.5	81.2
Sheet metal products and services	-32.5	-8.7	273	405	1,143	1,251	2.2	2.7
Boxes for telecom sector and services	29.3	21.7	274	212	1,057	868	2.0	1.8
Intermediary sale of electrical products and components	4.7	-8.4	1,153	1,102	3,586	3,916	6.8	8.4
Commerce and mediation of services	-39.8	-8.3	55	91	372	406	0.7	0.9
Rental income	8.1	5.6	556	515	2,180	2,064	4.1	4.4
Other services	-52.9	36.2	28	60	384	282	0.7	0.6
Total	**-4.1**	**13.1**	**12,565**	**13,101**	**52,801**	**46,674**	**100**	**100**

Sales revenue by market:

	Growth (%)		Q4		12 months		Share (%)	
Markets	**Q/Q**	**yoy**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Estonia	-30.5	-1.4	3,683	5,297	17,744	17,997	33.6	38.5
Finland	-2.2	19.6	6,271	6,411	25,525	21,347	48.3	45.7
Lithuania	-0.1	-29.4	1,101	1,103	3,024	4,283	5.7	9.2
Sweden	1,710.0	361.5	236	13	1,246	270	2.4	0.6
Other EU countries	330.1	149.0	1,101	256	2,639	1,060	5.0	2.3
Others	724.8	52.8	173	21	2,623	1,717	5.0	3.7
Total	**-4.1**	**13.1**	**12,565**	**13,101**	**52,801**	**46,674**	**100**	**100**

66.4% of the Group’s products and services were sold in foreign markets, outside Estonia (2011: 61.5%) and 90% revenues received from the Group’s companies home markets - Estonia, Finland, Sweden, Lithuania (2011: 94%). Major growth has been experienced on the Swedish market, accounting for 2.4%) 2011: 0.6%) of the consolidated sales revenues. Exports to other European Union countries have increased two and a half times, and one and a half times outside the EU. Germany, where an active partner with a large potential has been found, is also a developing and continuously growing market for the Group. In 12 months, sales to that market increased by 1.8 million euros compared to the reference period. The share of other markets in the Group’s sales revenues has increased from 6% to 10%. This year, Ukraine and Switzerland were introduced as a new market to which the Group’s products were sold in the amount of 1 million euros. Supplies to Russia and Belarus have also increased by 0.4 million euros to 0.8 million euros.

OPERATING EXPENSES

	Growth (%)		Q4		12 months	
	Q/Q	**yoy**	**2012**	**2011**	**2012**	**2011**
Cost of sales	-3.0	13.7	10,632	10,956	44,175	38,863
Distribution costs	9.0	22.2	658	604	2,774	2,270
Admin expenses	9.8	12.2	1,088	995	3,876	3,455
Total expenses	**-1.4**	**14.0**	**12,378**	**12,555**	**50,825**	**44,588**
incl. depreciation of fixed assets	18.0	8.6	373	315	1,469	1,353
Total labour cost	-7.2	9.0	2,975	3,208	11,860	10,878
inclusive salary cost	21.8	18.7	2,314	1,900	9,139	7,699

With a strong growth of revenue, the expenditure of business activities have been increasing a little faster in the reporting period, growing in the year by 14% and decreasing 1.4% during the Q4, as a result of which the profit margins in the reporting quarter have dropped. Marketing expenses have increased the most. In 2012, the Group expensed doubtful receivables in the total amount of 86,000 euros, increasing distribution costs by 4.3%.

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The growth in the production and selling volumes has led to an increase in the number of employees in the Group and the labour expenses account for a large share of the marketing expenses. Compared to 31 December of last year, the number of employees in the Group's companies has increased by 21 employees; the average number of employees by 21 in the fourth quarter and by 25 in 12 months. During the year, the average salary per employee has increased by 207 euros. In the reporting period, the salaries of employees in all of the Group's companies were adjusted. Labour expenses made up 23.7% of the revenue in the fourth quarter (Q4 2011: 24.5%), in the 12 months period 22.5% (2011: 23.3%).

Prices of energy, fuel as well as outsourced services have gone up.

EARNINGS AND MARGINS

In the fourth quarter the gross profit of the Group was 1.9 (Q4 2011: 2.1) million euros. The gross profit margin was 15.4% decreasing by 1.0 per cent point compering to the same period figure a year before. The gross profit of 12 months 2012 increased by 10.4% and was 8.6 million euros and the gross profit margin was 16.3% decreasing by 0.4 per cent point compering to the reference period.

Operating profit of Q4 2012 was 167 (Q4 2011:520) thousand euros and EBITDA 540 (Q4 2011: 834) thousand euros. Return of sales for the accounting quarter was 1.3% (Q4 2011: 4.0%) and return of sales before depreciation 4.3% (Q4 2011: 6.4%). During 12 months, EBITDA increased by 1.8% to 3.4 million euros and operating profit decreased by 2.7% to 2.0 million euros. Return of sales before depreciation for the 12 months 2012 was 6.5% (2011: 7.2%) and return of sales was 3.7%, decreasing 0.6 per cent point compering to the reference period.

In the reporting period the Group received dividend in the about 854 (2011: 795) thousand euros. In the first 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. Net financial expenses have increased by 254,000 euros to 1.0 million euros within 12 months. In 2012, the Group consolidated from the associated company a profit of 1.1 (2011:0.5) million euros.

Overall, the consolidated net profit of the Q4 2012 was 0.19 (Q4 2011: 0.62) million euros, of which the share of the owners of the parent company was 0.21 (Q4 2011: 0.57) million euros. EPS in the Q4 was 0.01 (Q4 2011: 0.03) euros. The consolidated net profit of the year was 3.6 (2011: 2.9) million euros. EPS was 0.21 (2011: 0.17) euros.

Employees and remuneration

In Q4 2012, the average 457 people worked in the Group − on the average by 21 persons more than in the reference period. During the reporting year, the average number of employees increased by 25 persons up to 452 employees. In the fourth quarter, employee wages and salaries totalled 2,314 (Q4 2011: 1,900) thousand euros and during the 12 months 9,139 (2011: 7,699) thousand euros. The average wages per employee per month amounted 1,684 (2011: 1,502) euros.

	Average number of employees				Number of employees at 31.12.		
	Q4		12 months				
	2012	**2011**	**2012**	**2011**	Growth	**2012**	**2011**
Estonia	283	280	284	274	1	299	298
Finland	87	87	87	85	-2	88	90
Lithuania	85	67	79	67	22	89	67
Sweden	2	2	2	1	0	2	2
Total	**457**	**436**	**452**	**427**	**21**	**478**	**457**

As at the balance day on 31 December, there were 478 people working in the Group, which were 21 employees more than a year before.

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Financial position and cash flows

During 12 months, the amount of the consolidated balance sheet increased by 6.8 million euros and, as of 31 December 2012, was 59.8 million euros, of which the current assets accounted for 27.6% and the non-current assets for 72.4%.

During 12 months, the cost of fixed assets increased by 5.8 million euros to 43.3 million euros and most of the growth derived from value adjustment of long-term financial investments. The market price of PKC Group Oyj shares increased in 12 months by 4.00 euros and in fourth quarter by 1.40 euros up to 15.43 euros. The cost of investment in assets and reserves in equity capital increased by the profit of 5.5 million euros, incl.1.9 million euros in Q4, received from stock revaluation. In the first quarter, the Group sold 15,362 shares with the accounting value of 0.2 million euros. In total, the cost of financial assets increased by 5.3 million euros to 21.4 million euros in 12 months.

During the year, the Group investments to real estate, tangible fixed assets and intangible fixed assets totalling 0.84 (2011: 3.11) million euros.

During the reporting period, current assets increased by 1.0 million euros to 16.5 million euros, incl. the business claims and prepayments together decreased by 1.3 million euros to 6.5 million euros and inventories by 0.3 million euros to 6.4 million euros; cash and bank accounts increased by 2.5 million euros to 3.4 million euros.

During the year, the liability of the Group decreased by 1.2 million euros to 9.6 million euros, accounting for 16.1% (2011: 20.6%) of the volume of assets, incl. decrease of interest-bearing debt obligations in amount of 1.4 million euros (Note 3). As at 31.12.2012, the Group had a total of interest-bearing debt obligations of 2.4 (31.12.2011: 3.8) million euros, of which current portion amounted 1.11 (31.12.2011: 2.2) million euros. During 12 months, short-term liabilities were reduced by 1.2 million euros to 0.8 million euros and 0.28 (2011: 0.27) million euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities were reduced by 771,000 euros and 65,000 euros worth of principal amounts of the financial lease were paid.

In 2012, current as well as quick ratios have being on the same level as in the reference period – 1.8 and 1.0, respectively.

In the accounting year, cash flow from operating activities was 4.6 (2011: 1.2) million euros and outflow from investing activities was 57,000 (2011: 2.2 million) euros. The Group received 0.66 million euros from the bonus issue and paid dividends in the amount of 1.2 (2011: 1.1) million euros. All in all, cash outflow from financing activity was 2.0 (2011: 0.6) million euros. During the year, cash and cash equivalents increased by 2.5 million euros to 3.4 million euros; within the comparable period cash and cash equivalents decreased by 1.6 million euros to 0.8 million euros.

Shares of Harju Elekter and shareholders

Security trading history:

Price	**2008**	**2009**	**2010**	**2011**	**2012**
Open	3.45	0.99	2.05	3.1	2.30
High	3.45	2.99	3.14	3.54	2.80
Low	0.95	0.67	2.02	2.19	2.30
Last	0.99	2.07	3.02	2.28	2.64
Traded volume	4,634,592	1,559,830	2,039,910	663,917	759,869
Turnover, million euros	11.39	2.14	5.40	1.88	1.88
Capitalisation, million euros	16.63	34.78	50.74	38.30	45.94
Average number of the shares	16,800,000	16,800,000	16,800,000	16,800,000	17,093,443
EPS	0.15	0.07	0.13	0.17	0.21

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Share price in Tallinn Stock Exchange, 1.1.-31.12.2012

At the balance date, December 31 2012 Harju Elekter had 1,507 shareholders. The number of shareholders increased during the accounting period by 65 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.7% of AS Harju Elekter's share capital. Members of the supervisory and management boards hold 7.97% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Shareholders structure by size of holding at 31 December 2012

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.13	42.61
1.0 – 10.0%	7	0.46	27.11
0.1 – 1.0 %	53	3.52	15.75
< 0.1%	1,445	95.89	14.53
Total	1,507	100.0	100.0

Shareholders (above 5%) at 31 December 2012

Shareholder	Holding (%)
HARJU KEK AS	31.70
ING LUXEMBOURG S.A.	10.92
Lembit Kirsme	8.10
Endel Palla	6.06
Other	43.22

AGM

On 3rd of May 2012 was held the AGM where attended by 101 shareholders and their authorised representatives who represented the total of 76.11 % of the total votes. The general meeting approved the 2011 annual report and profit distribution, elected and appointed a new supervisory board of five members for the next five-year term and approved the procedure for remuneration of the supervisory board. The general meeting also appointed KPMG Baltics OÜ as an auditor of the company for 2012-2014, and approved the implementation of the private share issue programme (option programme) adopted at a general meeting of shareholders on 23 April 2009 (Note 4).

The sixth item on the agenda of the general meeting included the planning of a share option programme for 2012-2015 for the members of the directing bodies, key specialists and engineers of the Group's companies as well as to members of directing bodies of associate companies of AS Harju Elekter, for involving them as shareholders of the company, for the purposes of motivating them to act towards achieving the better financial performance of AS Harju Elekter. Within the planned private placement, up to 600,000 new registered shares will be issued in 2015. The decision on organising the share issue shall be made by the general meeting of shareholders in 2015, provided that the market price of the share exceeds that of the issue price (Note 4).

On the basis of a decision the owners are paid dividends for 2011 at the rate of 0.07 euros per share in the total amount of 1,176 thousand euros. The dividends paid to the shareholders on 22 May 2012.

Supervisory and management boards

In connection with the expiration of the authorisation deadline of the Supervisory Board of AS Harju Elekter, the AGM assigned a five-member Supervisory Board for the next five-year period, at its meeting on 3 May 2012. The Supervisory Board has 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), Madis Talgre (Chairman of the Management Board, AS Harju KEK), Triinu Tombak (financial consultant) and Andres Toome (consultant).

There were no changes in one-member Management Board of AS Harju Elekter. 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.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 1-12/2012 amounted to a total of 191.7 (2011: 198.5) thousand euros. Up to 4 May 2011, the Management Board of Harju Elekter had three members.

In the course of the share option programme, realised in June 2012, each supervisory and management board member of AS Harju Elekter subscribed to 10,000 shares – totalling 50,000 shares. The general meeting of shareholders, held on 3 May 2012, declared a new share option programme for 2012–2015. Each supervisory and management board member was issued an option for the maximum permitted subscription right of up to 20,000 shares, totalling at 120,000 shares. An independent expert determined 0.50 euros (Note 4) per subscription right as the fair value of the services (labour input) received from the employees for the shares. The cost of labour input of the key persons of the Group's management was estimated at 5,000 euros in the reporting quarter and at 16,700 euros in the reporting year, which was entered as cost in the income statement of the reporting period and to the retained earnings for the previous periods as share-based payment under the shareholder's equity. During the quarter, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

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

Key indicators

Accounting period	Q4			12 months		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
Net sales	12,565	13,101	12,876	52,801	46,674	40,885
EBIDTA	540	834	698	3,439	3,378	2,898
Operating profit	167	520	352	1,970	2,025	1,519
Net profit for the current period	191	624	281	3,603	2,948	2,295
Incl. equity holders of the parents	207	571	173	3,517	2,773	2,173

	Structure (%)			EUR’000		
At 31.12.	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Total current assets	27.6	29.2	26,2	16,472	15,445	14,413
Total non-current assets	72.4	70.8	73,8	43,292	37,475	40,701
Total assets	**100.0**	**100.0**	**100,0**	**59,764**	**52,920**	**55,114**
Total liabilities	16.1	20.6	17,4	9,641	10,886	9,568
Total equity	83.9	79.4	82,6	50,123	42,034	45,546
Inclusive equity attributable to equity holders of the parent	81.6	76.2	79,8	48,769	40,313	43,957

	Q 4		12 months	
Growth (%)	**2012**	**2011**	**2012**	**2011**
Turnover	-4.1	1.7	13.1	14.2
EBITDA	-35.5	19.3	1.8	16.5
Operating profit (EBIT)	-67.8	47.7	-2.7	33.3
Net profit for the current period	-69.3	122.0	22.2	28.5
incl. equity holders of the parent	-63.7	229.9	26.8	27.6
Performance indicators (%)				
Return of sales before depreciation	4.3	6.4	6.5	7.2
Return of sales (operating profit/turnover *100)	1.3	4.0	3.7	4.3
Net profit margin (net profit/turnover *100)	1.5	4.8	6.8	5.9
Employees				
Average number of employees	457	436	452	427
Number of employees in the end of the period	478	457	478	457

AS Harju Elekter Interim report 1-12/2012, consolidated (unaudited, in thousand euros)

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.12.2012	31.12.2011
Current assets			
Cash and cash equivalents		3,352	815
Trade receivables and other receivables		6,493	7,848
Prepayments		232	104
Income tax prepayments		0	20
Inventories		6,395	6,658
Total current assets		**16,472**	**15,445**
Non-current assets			
Deferred income tax asset		5	35
Investments in associate	2	2,295	1,177
Other long-term financial investments	2	21,386	16,023
Investment property	2	10,454	10,833
Property, plant and equipment	2	8,546	8,985
Intangible assets	2	606	422
Total non-current assets		**43,292**	**37,475**
TOTAL ASSETS		**59,764**	**52,920**
LIABILITIES AND EQUITY			
Liabilities			
Interest-bearing loans and borrowings	3	1,075	2,245
Trade payables and other payables		5,902	6,268
Tax liabilities		1,049	758
Income tax liabilities		75	29
Short-term provision		23	17
Total current liabilities		**8,124**	**9,317**
Interest-bearing loans and borrowings	3	1,306	1,569
Other non-current liabilities		211	0
Non-current liabilities		**1,517**	**1,569**
Total liabilities		**9,641**	**10,886**
Equity			
Share capital	4	12,180	11,760
Share premium	4	240	0
Reserves	4	21,354	15,881
Retained earnings		14,995	12,672
Total equity attributable to equity holders of the parent		**48,769**	**40,313**
Non-controlling interests		1,354	1,721
Total equity		**50,123**	**42,034**
TOTAL LIABILITIES AND EQUITY		**59,764**	**52,920**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 October – 31 December		1 January – 31 December	
	Note	**2012**	**2011**	**2012**	**2011**
Revenue	5	12,565	13,101	52,801	46,674
Cost of sales		-10,632	-10,956	-44,175	-38,863
Gross profit		**1,933**	**2,145**	**8,626**	**7,811**
Distribution costs		-658	-604	-2,774	-2,270
Administrative expenses		-1,088	-995	-3,876	-3,455
Other income		1	-4	49	16
Other expenses		-21	-22	-55	-77
Operating profit	5	**167**	**520**	**1,970**	**2,025**
Net financing income/costs	6	-6	-16	997	744
Share of profit of equity-accounted investees	2	104	97	1,118	497
Profit before tax		**265**	**601**	**4,085**	**3,266**
Income tax expense	8	-74	23	-482	-318
Profit for the period		**191**	**624**	**3,603**	**2,948**
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	2	1,938	1,498	5,538	-5,516
Realised gain from sale of financial assets (-)		0	0	-162	0
Currency translation differences		-5	4	-6	1
Other comprehensive income for the period, net of tax		**1,933**	**1,502**	**5,370**	**-5,515**
Total comprehensive income for the period		**2,124**	**2,126**	**8,973**	**-2,567**
Profit attributable to:					
Owners of the Company	7	207	571	3,517	2,773
Non-controlling interests		-16	53	86	175
Profit for the period		**191**	**624**	**3,603**	**2,948**
Total comprehensive income attributable to:					
Owners of the Company		2,140	2,073	8,887	-2,742
Non-controlling interests		-16	53	86	175
Total comprehensive income for the period		**2,124**	**2,126**	**8,973**	**-2,567**
Earnings per share					
Basic earnings per share (EUR)	7	0.01	0.03	0.21	0.17
Diluted earnings per share (EUR)	7	0.01	0.03	0.21	0.16

AS Harju Elekter Interim report 1-12/2012, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	**2012**	**2011**
Cash flows from operating activities			
Operating profit	5	1,970	2,025
Adjustments for:			
Depreciation and amortisation	2	1,469	1,353
Gain on sale of property, plant and equipment	8	-6	-1
Share-based payment transactions		85	106
Change in receivables related to operating activity		1,226	-1,351
Change in inventories		263	-1,247
Change in payables related to operating activity		1	784
Corporate income tax paid	8	-388	-362
Interest paid	8	-46	-59
Net cash from operating activities		**4,574**	**1,248**
Cash flows from investing activities			
Acquisition of investment property	8	-100	-2,460
Acquisition of property. plant and equipment	8	-463	-489
Acquisition of intangible assets	8	-167	-73
Investments in subsidiaries		-391	0
Proceeds from sale of property, plant and equipment	8	12	2
Proceeds from sale of other financial investments		189	0
Interest received	6	9	11
Dividends received	6	854	795
Net cash used in investing activities		**-57**	**-2,214**
Cash flows from financing activities			
Receipts from contribution into share capital		660	0
Other long-term liabilities		43	0
Changes in short-term loans	3	-1,179	771
Repayment of borrowings	3	0	-65
Payment of finance lease principal	3	-282	-272
Dividends paid		-1,226	-1,051
Net cash used in financing activities		**-1,984**	**-617**
Net cash flows		**2,533**	**-1,583**
Cash and cash equivalents at beginning of period		**815**	**2,400**
Net increase / decrease		2,533	-1,583
Effect of exchange rate fluctuations on cash held	6	4	-2
Cash and cash equivalents at end of period		**3,352**	**815**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-control-ling 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	2,773	**2,773**	175	**2,948**
Other comprehensive income	0	0	-5,515	0	**-5,515**	0	**-5,515**
Comprehensive income for the period	0	0	-5,515	2,773	**-2,742**	175	**-2,567**
Increase of share capital	1,023	-384	0	-639	**0**	0	**0**
Share-based payment transactions	0	0	0	106	**106**	0	**106**
Dividends	0	0	0	-1,008	**-1,008**	-43	**-1,051**
At 31.12.2011	**11,760**	**0**	**15,881**	**12,672**	**40,313**	**1,721**	**42,034**
Profit for the period	0	0	0	3,517	**3,517**	86	**3,603**
Other comprehensive income	0	0	5,370	0	**5,370**	0	**5,370**
Comprehensive income for the period	0	0	5,370	3,517	**8,887**	86	**8,973**
Contribution into share capital	420	240	0	0	**660**	0	**660**
Share-based payment transactions	0	0	0	85	**85**	0	**85**
Increase in reserves	0	0	103	-103	**0**	0	**0**
Dividends	0	0	0	-1,176	**-1,176**	-50	**-1,226**
Acquisition of non-controlling interests	0	0	0	0	**0**	-403	**-403**
At 31.12.2012	**12,180**	**240**	**21,354**	**14,995**	**48,769**	**1,354**	**50,123**

Further information on equity can be found in Note 4.

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31.12.2012 comprises AS Harju Elekter (the "parent company") and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group's interest in associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 31.7% 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 1-12/2012 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

For the period 1 January – 31 December	**2012**	**2011**
Investments in associate		
At 1 January	1,177	680
Profit under the equity method	1,118	497
At the end of the period	**2,295**	**1,177**
Other long-term financial investments		
At 1 January	16,023	21,539
Sale of shares	-175	0
Changes in the fair value reserve	5,538	-5,516
At the end of the period	**21,386**	**16,023**
Investment property		
At 1 January	10,833	8,711
Additions	61	2,505
Depreciation charge	-440	-383
At the end of the period	**10,454**	**10,833**

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Note 2 Non-current assets (continued)

For the period 1 January – 31 December	**2012**	**2011**
Property, plant and equipment		
At 1 January	8,985	9,350
Additions	486	507
Disposals	-6	-1
Depreciation charge	-919	-871
At the end of the period	**8,546**	**8,985**
Intangible assets		
At 1 January	422	421
Additions	294	100
Depreciation charge	-110	-99
At the end of the period	**606**	**422**
Total non-current assets	**43,287**	**37,440**

Note 3 Interest-bearing loans and borrowings

	31.12.2012	**31.12.2011**
Liabilities		
Short-term bank loans	796	1,975
Current portion of lease liabilities	279	270
Total current liabilities	**1,075**	**2,245**
Non-current liabilities		
Lease liabilities	1,306	1,569
Total non-current liabilities	**1,306**	**1,569**
TOTAL	**2,381**	**3,814**

Changes during the period 1 January – 31 December

	2012	**2011**
Loans and borrowings at the beginning of the year	**3,814**	**3,367**
Changes in short-term loans	-1,179	771
Long-term loan repaid	0	-65
New finance lease	28	13
Payment of finance lease principal	-282	-272
Loans and borrowings at the end of the current period	**2,381**	**3,814**

Note 4 Owner's equity

Share capital and share premium

	Unit	31.12.2012	31.12.2011
Share capital	EUR'000	12,180	11,760
Number of shares issued (fully paid)	PC'000	17,400	16,800
Par value of a share	EUR	0.70	0.70
Share premium	EUR'000	240	0

AGM held on 3 May 2012 decided to implement the option programme approved by the AGM held on 23 April 2009, which was directed to members and employees of the companies belonging to the same Group with AS Harju Elekter as well as to the members of the management board of associate companies.

The share subscription was carried out during 1-15 June 2012. The subscription was open to those who had previously signed a share subscription agreement. All of the issued 600,000 shares with a nominal value of 0.70 euros were subscribed for. The issued shares were paid for simultaneously with the subscription. The issue price of shares was 1.10 euros. By 15 June 2012, a total of 660,000 euros had been received for the shares, of which the issue premium made up 240,000 euros. After the issue, the share capital of AS Harju Elekter was 12,180,000 euros, which is divided into 17.4 million ordinary shares. The maximum allowed number of shares under the articles of association is 20 million. The issued shares grant the right to dividends from 2012.

An entry concerning the increase of share capital was made in the Commercial Register on 6 July 2012.

Reserves

	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2010	1,073	20,317	6	21,396
Other comprehensive income	0	-5,516	1	-5,515
At 31.12.2011	**1,073**	**14,801**	**7**	**15,881**
Increase in reserves	103	0	0	103
Other comprehensive income	0	5,376	-6	5,370
At 31.12.2012	**1,176**	**20,177**	**1**	**21,354**

Share-based payments

The general meeting held on 3 May 2012 resolved to arrange a private placement in 2015 for the employees of the Group and the members of the directing bodies of the Group and Group companies. The right to subscribe under the planned share issue is granted with a preliminary contract signed with the employee and an employment or service relationship with the employee, valid at the subscription period of the shares until the subscription date (included) of the shares. During the conclusion period of preliminary contracts, from 18 June to 29 June 2012, the subscription rights for a total of 454,960 shares were registered. The issue price of the shares was determined to be the average price of the share of AS Harju Elekter in euros on the Tallinn Stock Exchange during the trading days of 01.06.-15.06.2012. Thus, the issue price of the share amounted to 2.36 euros.

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

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In Q4 2012, the Group recorded 18,000 (27,000 y-o-y) euros as labour costs and share-based benefits under shareholder’s equity and retained earnings. The total cost of 12-month share-based benefit including the option programme realised in June 2012 amounts to 85,000 (106,000 y-o-y) euros.

Note 5 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.
“*Manufacturing*” – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy and Rifas UAB.
“*Real estate*”– Real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.
Unallocated items – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies; management services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

For the period 1 January – 31 December	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
2011					
Revenue from external customers	41,833	2,400	2,441	0	46,674
Inter-segment revenue	484	951	269	-1,704	0
Total revenue	**42,317**	**3,351**	**2,710**	**-1,704**	**46,674**
Operating profit	1,245	1,246	-360	-106	**2,025**
Segment assets	24,152	11,228	2,020	-470	36,930
Indivisible assets					15,990
Total assets					**52,920**
2012					
Revenue from external customers	47,728	2,395	2,678	0	52,801
Inter-segment revenue	464	1,003	300	-1,767	0
Total revenue	**48,192**	**3,398**	**2,978**	**-1,767**	**52,801**
Operating profit	1,280	1,140	-367	-83	**1,970**
Segment assets	24,697	10,886	3,303	-812	38,074
Indivisible assets					21,690
Total assets					**59,764**

AS Harju Elekter Interim report 1-12/2012, consolidated (unaudited, in thousand euros)

Revenue by markets:

For the period 1 January – 31 December	**2012**	**2011**
Estonia	17,744	17,997
Finland	25,525	21,347
Lithuania	3,024	4,283
Sweden	1,246	270
Other EU countries	2,639	1,060
Non-EU countries	2,623	1,717
Total	**52,801**	**46,674**

Revenue by business area:

For the period 1 January – 31 December	**2012**	**2011**
Electrical equipment	44,079	37,887
Sheet metal products and services	1,143	1,251
Boxes for telecom sector and services	1,057	868
Intermediary sale of electrical products and components	3,586	3,916
Commerce and mediation of services	372	406
Rental income	2,180	2,064
Other services	384	282
Total	**52,801**	**46,674**

Note 6 Net financing income/costs

For the period 1 January – 31 December	**2012**	**2011**
Interest income	9	11
Interest expense	-45	-60
Dividend income	854	795
Net loss from foreign exchange differences	4	-2
Marketable investments:		
Income from sale of investments	175	0
TOTAL	**997**	**744**

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 31.12.2012 the Group had 434.96 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 3 may 2012 the price of a share was established at the level of 2.36 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.50 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 2.86 (2.36+0.50) euros and the potential shares become dilutive only after their average market price of the period exceed 2.86 euros.

The average market price of the share of 1-12/2012 was 2.48 euros and in the forth quarter it was 2.45 euros. Hence, the potential shares did not have any diluting effect.

For the period 1 January – 31 December	Unit	**2012**	**2011**
Profit attributable to equity holders of the parent	EUR'000	3,517	2,773
Average number of shares outstanding	Pc'000	17,093	16,800
Basic earnings per share	EUR	0.21	0.17
Adjusted number of shares during the period	Pc'000	17,093	17,042
Diluted earnings per share	EUR	0.21	0.16
1 October – 31 December			
Profit attributable to equity holders of the parent	EUR'000	207	571
Average number of shares outstanding	Pc'000	17,400	16,800
Basic earnings per share	EUR	0.01	0.03
Adjusted number of shares during the period	Pc'000	17,400	16,976
Diluted earnings per share	EUR	0.01	0.03

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Note 8 Cash flow statement line items

For the period 1 January – 31 December	Note	2012	2011
Corporate income tax paid			
Income tax expense		-482	-318
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		66	-10
Deferred income tax (income -)		28	-34
Corporate income tax paid		**-388**	**-362**
Interest paid			
Interest expense	6	-45	-60
Liability decrease incurred by purchase		-1	1
Interest paid		**-46**	**-59**
Paid for investment property			
Additions of investment property	2	-61	-2,505
Liability decrease (-)/ increase (+) incurred by purchase		-39	45
Acquisition of investment property		**-100**	**-2,460**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-486	-507
Acquired with finance lease		28	13
Liability decrease (-)/ increase (+) incurred by purchase		-5	5
Acquisition of property, plant and equipment		**-463**	**-489**
Paid for intangible assets			
Additions of intangible assets	2	-294	-100
Liability decrease (-)/ increase (+) incurred by purchase		-27	27
Additions of goodwill		154	0
Acquisition of intangible assets		**-167**	**-73**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	6	1
Profit on disposal of property, plant and equipment		6	1
Proceeds from sale of property, plant and equipment		**12**	**2**

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Note 9 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 31.7% 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 December	**2012**	**2011**
Purchase of goods and services from related parties:		
- from associates	474	436
- from Harju KEK	67	343
TOTAL	541	779
Inclusive:		
- goods and materials for manufacturing	474	436
- lease of property, plant and equipment	65	65
- other	2	3
- property plant and equipment	0	275
Sale of goods and services to related parties:		
- to associates	722	765
- to Harju KEK	5	3
TOTAL	727	768
Inclusive:		
- goods and materials for manufacturing	18	43
- lease of property, plant and equipment	680	685
- other	29	40
Balances with related parties at 31 December		
Receivables with associates: goods and services	209	132
Payables with associates: goods and services	56	1

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2012 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" February 2013