AS HARJU ELEKTER

Interim report 1-3/2013

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
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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 2013
End of the reporting period:	31st of March 2013

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-3/2013 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic OY, Harju Elekter AB and Rifas UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method. As of 31 March 2013, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.3.13	31.12.12	31.3.12
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	62.7%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	6.3%	6.4%	6.5%

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

Economic environment

2013 has started out pretty well, and global economic growth is recovering. The banks' analysts are pessimistic about the situation in Southern Europe, but unanimously optimistic about Germany. Also, the US and Chinese economies are recovering. The Institute of Economic Research is observing gradual improvement of several confidence indicators and occurrence of favourable changes in the market. In spite of the above, there are still a number of problems, and in several countries the adoption of political decisions that are important for economic sustainability has not been smooth: be it the last minute conclusion of agreements concerning US budget policy, unclear election results in Italy, or the controversial assistance agreement for Cyprus. Regardless of this, the situation on the financial markets has been relatively calm this year; interest rates have consistently remained low and inflation within the range of 2%. Oil prices did indeed increase at the beginning of the year, mainly due to cool weather and tight reserves; however, the appreciation of metals has decelerated thanks to extensive reserves and low demand by end users.

Estonia's economic growth in 2012 slowed to 3.2%, while remaining the highest in the euro zone. The main reasons for the slowdown were weaker external demand and decreased output in the manufacturing industry. The biggest contribution to economic growth came from the public sector's investments into buildings and facilities, and relatively strong domestic demand. Increased demand for labour may lead to excessive salary pressure; accordingly, it is important to preserve the competitiveness of Estonian companies, so that the productivity of labour force increases.

Main events

In January 2013, AS Harju Elekter Elektrotehnika undertook recertification of the ISO 9001 and ISO 14001 quality systems and new 3-year certificates were issued. The BVC auditors' summary report of recertification was unqualified.

Implementation of the 5S principles, aimed at increasing profitability, continued in AS Harju Elekter Teletehnika. Thanks to successful completion of stage I of the lean 5S system, the company managed to free the production of excessive articles and time cost by the end of 2012. At the beginning of this year, stage II of the Lean 5S system was launched in the company, starting with the mapping of work processes, in order to ensure an even more efficient use of the resources.

The subsidiaries attended professional fairs in Finland: in January, Satmatic Oy and AS Harju Elekter Elektrotehnika introduced their product range, designed for the energy distribution sector, at the (energy) distribution network fair Sähkövirkot 2013, in Tampere; and in February, Satmatic Oy presented its renewable energy products at the biggest professional fair Sähkö, Tele, Valo and AV in Jyväskylä. The commercial group of AS Harju Elekter introduced the product range for shops at the building fair Eesti Ehitab, in Talllinn, held every spring.

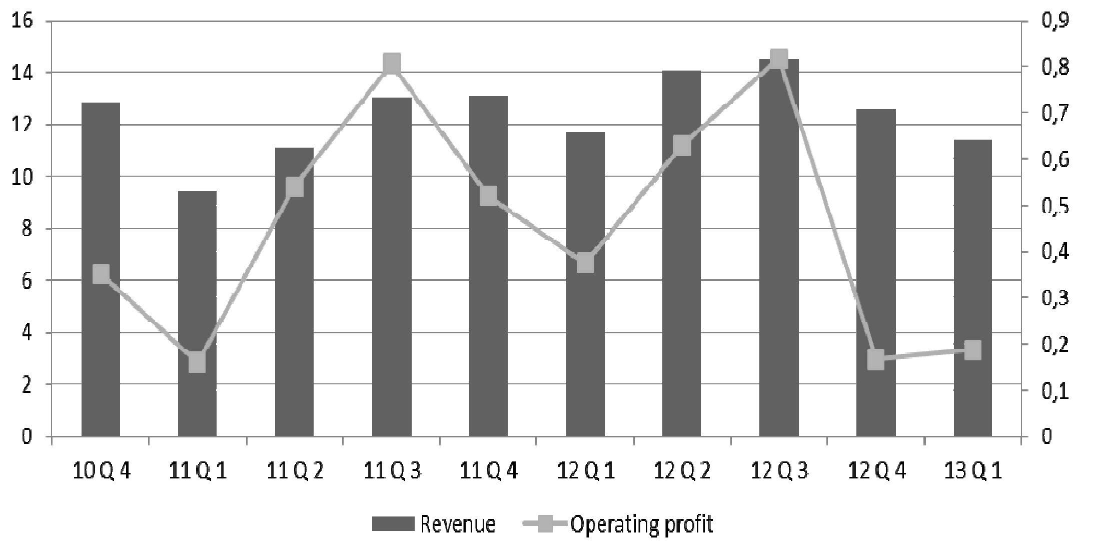
Operating results

In the accounting quarter, the Group's consolidated revenue was 11.4 million euros, which was 0.3 million euros lower compared to the reference period. Operating profit of Q1 2013 was 0.2 million euros, decreasing by half. At the same time, sales revenue as well as operating profit exceeded the figures of Q1 2011. The consolidated net profit of the Q1 2013 increased by more than 100,000 euros up to 0.7 million euros.

KEY INDICATORS

	January - March			Year
	2013	**2012**	**2011**	**2012**
Revenue (EUR'000)	11,390	11,671	9,426	52,801
Gross profit (EUR'000)	1,721	1,896	1,401	8,653
EBITDA (EUR'000)	555	735	499	3,439
EBIT (EUR'000)	188	375	160	1,970
Profit for the period (EUR'000)	717	592	164	3,603
incl attributed to Owners of the Company (EUR'000)	698	580	182	3,517
Revenue growth/decrease (%)	-2.4	23.8	10.0	13.1
Gross profit growth/decrease (%)	-9.2	35.3	20.6	11.1
EBIDTA growth/decrease (%)	-24.5	47.3	18.9	1.8
EBIT growth/decrease (%)	-49.8	134.6	121.4	-2.7
Profit for the period growth/decrease (%)	21.1	261.2	-68.7	22.2
incl attributed to Owners of the Company (%)	20.3	219.0	-68.3	26.8
Distribution cost to revenue (%)	5.3	5.5	5.2	5.3
Administrative expenses to revenue (%)	8.2	7.5	7.9	7.3
Labour cost to revenue (%)	24.0	24.9	25.0	22.5
Gross margin (Gross profit/revenue) (%)	15.1	16.2	14.9	16.4
EBITDA margin (EBITDA/revenue) (%)	4.9	6.3	5.3	6.5
Operating margin (EBIT/revenue) (%)	1.7	3.2	1.7	3.7
Net margin (Profit for the period/revenue) (%)	6.3	5.0	1.9	6.8
ROE (Profit for the period/average equity) (%)	1.4	1.3	0.4	7.7

Seasonality of business (million euros)



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SALES REVENUE

The quarterly sales development by business area:

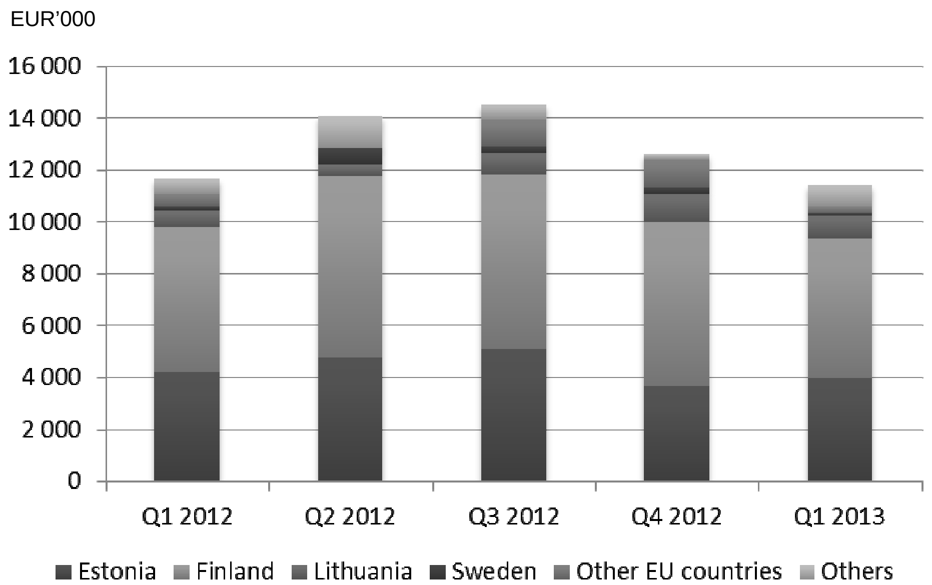
	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q1 change y-o-y
Electrical equipment	9,467	12,031	12,355	10,226	9,331	-1.4%
Sheet metal products and services	249	313	307	273	205	-17.7%
Boxes for telecom sector and services	217	274	292	274	261	20.2%
Intermediary sale of electrical products and components	996	664	773	1,153	855	-14.2%
Rental income	550	538	536	556	546	-0.6%
Other services	192	259	223	83	192	0.5%
Total	**11,671**	**14,079**	**14,486**	**12,565**	**11,390**	**-2.4%**

More than 80% of sales revenues originated from the sale of electrical equipment. The largest sales volumes of this product group occur customarily in the second and third quarter of the year; the volumes are more modest in the first and fourth quarter of the year. At the same time, income from the mediation of electrical goods, the share in the consolidated sales revenues of which amounts to 7-8% or more, is lower especially in the second and third quarter, and increases during the colder months. The rental income by quarters exceeds the threshold of 0.5 million, contributing up to 5% of the consolidated sales revenues.

The quarterly sales development by markets:

Markets	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q1 change y-o-y
Estonia	4,224	4,753	5,085	3,683	3,956	-6.3%
Finland	5,564	6,980	6,710	6,271	5,361	-3.6%
Lithuania	650	450	822	1,101	917	41.1%
Sweden	123	641	245	236	81	-34.1%
Other EU countries	474	0	1,065	1,101	251	-47.0%
Others	636	1,255	559	173	823	29.4%
Total	**11,671**	**14,079**	**14,486**	**12,565**	**11,390**	**-2.4%**

The quarterly sales development by markets



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65.3% of the Group's products and services were sold in foreign markets, outside Estonia (Q1 2012: 63.8%) and 91% revenues received from the Group's companies home markets - Estonia, Finland, Sweden, Lithuania. The consolidated sales revenues of the quarter under review decreased in respect to all markets compared to Q1 2012. An exception was the Lithuanian and other markets, where the sales volumes increased 41.1%, i.e. 267, 000 euros and 29.4%, i.e. 187, 000 euros, respectively. Sales to the Norwegian market grew by 144,000 euros over the first quarter, to Russia by 67,000 euros; while sales to the Byelorussian market fell by 107, 000 euros. Ukraine was introduced as a new market to which the Group's products were sold in the amount of 83,000 euros.
The quarterly sales development by segments:

Segment	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q1 change y-o-y
Manufacturing	10,412	12,950	13,231	11,135	10,152	-2.5%
Real estate	661	561	556	618	650	-1.5%
Unallocated activities	598	568	699	812	588	-1.6%
Total	**11,671**	**14,079**	**14,486**	**12,565**	**11,390**	**-2.4%**

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.

OPERATING EXPENSES

	Growth Q1 (%)	3 months			year
	y-o-y	2013	2012	2011	2012
Cost of sales	-1.1%	9,669	9,775	8,025	44,148
Distribution costs	-5.9%	599	637	493	2,801
Administrative expenses	7.3%	939	875	741	3,876
Total expenses	**-0.7%**	**11,207**	**11,287**	**9,259**	**50,825**
incl. depreciation of fixed assets	1.9%	367	360	339	1,469
Total labour cost	-5.9%	2,734	2,904	2,353	11,860
inclusive salary cost	-7.5%	2,108	2,280	1,843	9,139

Operating expenses decreased 0.7% during the period under review, inclusive cost of sales decreased 1.1% to 9.7 million euros. The biggest decline of 5.9% occurred in marketing costs. The marketing costs accounted for 5.3% from sales revenues, being 0.2 percentage points less than in the comparable period. Administrative expenses increased 7.3% to 0.9 million euros in the reporting quarter and the rate of administrative expenses in sales revenues 0.7 percentage points, to 8.2%. The reason for the growth in administrative expenses was the increased development costs included in these expenses. Regarding to the re-organisation of R&D Department to Development Centre in autumn 2012, increased the number of employees. Development costs grew by more than 29%, to 0.138 million euros and general administrative expenses by 4.3% to 0.8 million euros in the first quarter.

As at 31 March, the number of employees in the Group's companies has increased, over the period of three months, by 19, and the average number of employees by 27 people. At the same time, the labour costs have decreased by 5.9% and salary cost by 7.5% in the quarter under review. Labour costs account for 24.0% of sales revenues, being by 0.9 percentage points less year-over-year (y-o-y) and 1 percentage point less compared to Q1 2011.

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EARNINGS AND MARGINS

In the first quarter the gross profit of the Group was 1.7 (Q1 2012: 1.9) million euros. The gross profit margin was 15.1% decreasing by 1.1 per cent point compering to the same period figure a year before, but being 0.2 per cent point better than in Q1 2011.

Operating profit of Q1 2013 was 188 (Q1 2012: 375) thousand euros and EBITDA 555 (Q1 2012: 735) thousand euros. Return of sales for the accounting quarter was 1.7% (Q1 2012: 3.2%) and return of sales before depreciation 4.9% (Q1 2012: 6.3%).

In the first quarter, also 30,000 (Q1 2012: 15,362) PKC Group Oyj shares were sold and the financial income from selling the shares was 453,000 (Q1 2012: 175,000) euros. Net financial expenses have increased by 281,000 euros to 454,000 euros. In the reporting quarter, the Group consolidated from the associated company a profit of 75,000 (Q1 2012: 79,000) euros.

Overall, the consolidated net profit of the Q1 2013 was 717,000 (Q1 2012: 592,000) euros, of which the share of the owners of the Company was 698,000 (Q1 2012: 580,000) euros. EPS in the Q1 was 0.04 (Q1 2012: 0.03) euros.

Employees and remuneration

In Q1 2013, the average 462 people worked in the Group − on the average by 27 persons more than in the reference period. In the first quarter, employee wages and salaries totalled 2,108 (Q1 2012: 2,280) thousand euros. The average wages per employee per month amounted 1,520 (2012 Q1: 1,746) euros.

	Average number of employees Q1			Number of employees at 31.3.			As at 31.
	Growth	2013	2012	Growth	2013	2012	12.2012
Estonia	5	280	275	2	301	299	299
Finland	1	90	89	1	89	88	88
Lithuania	21	90	69	16	91	75	89
Sweden	0	2	2	0	2	2	2
Total	**27**	**462**	**435**	**19**	**483**	**464**	**478**

As at the balance day on 31 March, there were 483 people working in the Group, which were 19 employees more than a year before and 5 employees more than in the beginning of January.

Financial position and cash flows

	Growth		31.03.	31.03.	31.03.	31.12.
	y-o-y	Q1 2013	2013	2012	2011	2012
Current assets	2,011	1,648	18,120	16,109	14,103	16,472
Non-current assets	905	2,897	46,034	45,129	40,944	43,137
TOTAL ASSETS	**2,916**	**4,545**	**64,154**	**61,238**	**55,047**	**59,609**
Current liabilities	-369	700	8,824	9,193	7,383	8,124
Non-current liabilities	-236	0	1,349	1,585	1,858	1,349
Equity	3,521	3,845	53,981	50,460	45,806	50,136
incl attributable to owners of the Company	3,881	3,826	52,608	48,727	44,277	48,782
Equity ratio (%) (Equity/total assets)*100 (%)	1.7	0.0	84.1	82.4	83.2	84.1
Current ratio (Average current assets/ Average current liabilities)	0.3	0.0	2.0	1.7	1.9	2.0
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.4	0.1	1.3	0.9	1.1	1.2

During 3 months, the amount of the consolidated balance sheet increased by 4.5 million euros and, as of 31 March 2013, was 64.2 million euros.

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During 3 months, the cost of fixed assets increased by 2.9 million euros to 46.0 million euros. Most of the growth derived from value adjustment of long-term financial investments. The market price of PKC Group Oyj shares increased in accounting quarter by 2.62 (Q1 2012: 5.76) euros and the share price in Helsinki Stock Exchange in last trading day of March was 18.05 (Q1 2012: 17.19). The cost of investment in assets and reserves in equity capital increased by the profit of 3.5 (Q1 2012: 8.0) million euros, received from stock revaluation. In the first quarter, the Group sold 30,000 (Q1 2012: 15,362) shares with the accounting value of 0.5 (Q1 2012: 0.2) million euros. In total, the cost of financial assets increased by 3.1 million euros to 24.5 million euros in 3 months; within the comparable period by 7.8 million euros to 23.8 million euros.

During the 3-months period, the Group's investments to real estate, tangible fixed assets and intangible fixed assets totalling 0.102 (Q1 2012: 0.140) million euros.

Business claims and prepayments grew by 0.6 million euros to 7.3 million euros and inventory by 0.35 million euros, to 6.7 million euros in the reporting quarter. In three months the business debts increased by 0.7 million euros, to 7.7 million euros and total short-term liabilities of the Group by 0.7 million euros, to 8.8 million euros.

The Group's 3-month current ratio improved by 0.3, compared to the reference period, being 2.0, and the quick ratio by 0.4, being 1.3.

The Group's debt ratio was 15.9%, being the same as at the beginning of the year; however, by 1.7 percentage points less compared to y-o-y. As at the balance date, interest-bearing liabilities accounted for 23.7% of the Group's liabilities and 3.8% of the cost of assets; as at 31.03.2012 – 23.2% and 4.1%, respectively.

The Group had a total of interest-bearing debt obligations of 2.4 (31.3.2012: 2.5) million euros, of which current portion amounted 1.1 (31.3.2012: 0.9) million euros. During 3 months, short-term liabilities were increased by 97,000 euros to 0.9 million euros and 69,000 euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities were reduced by 1.3 million euros and 82,000 euros worth of principal amounts of the financial lease were paid.

	3 months			Year
	2013	**2012**	**2011**	**2012**
Cash flows from operating activities	266	1,712	350	4,574
Cash flows from investing activities	383	39	-354	-58
Cash flows from financing activities	28	-1,346	-221	-1,983
Net cash flow	**677**	**405**	**-225**	**2,533**

0.5 (Q1 2012: 0.2) million euros was received as sales proceeds of financial assets in the quarter under review and fixed asset invoices were paid in the amount of 0.1 (Q1 2012: 0.2) million euros. During the accounting period, cash and cash equivalents increased by 0.7 million euros to 4.0 million euros; within the comparable period, cash and cash equivalents increased by 0.4 million euros to 1.2 million euros.

Subsequent events

The general meeting of shareholders of PKC Group Oyj, held on 4 April 2013, decided to pay dividends amounting to 0.70 euros per share. AS Harju Elekter owns 1,354,641 of PKC Group Oyj shares. The dividend income of 948,000 euros is reflected in the profit for Q2 of 2013. The 15% income tax on dividends, withheld in Finland, accounted for 142,000 euros and accordingly, the cash flow from investment activity accounted for 806,000 euros. Dividends were transferred to the bank accounts of shareholders on 16 April 2013.

On 10 April, the management board of AS Harju Elekter sent out invitations to its shareholders on convening a regular meeting of shareholders in the Keila Kultuurikeskus, on 9 May 2013.

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Supervisory and management boards

The Supervisory Board of AS Harju Elekter has 5 members with the fallowing membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Mr. Ain Kabal (Viru Keemia Grupp AS, Head of Legal Department), Mr. Madis Talgre (Chairman of the Management Board, AS Harju KEK), Mrs.Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant).

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.

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:

Price	2009	2010	2011	2012	3M 2013
Open	0.99	2.05	3.10	2.30	2.64
High	2.99	3.14	3.54	2.80	2.92
Low	0.67	2.02	2.19	2.30	2.58
Last	2.07	3.02	2.28	2.64	2.60
Traded volume	1,559,830	2,039,910	663,917	759,869	302,638
Turnover, million	2.14	5.40	1.88	1.88	0.80
Capitalisation, million	34.78	50.74	38.30	45.94	45.24
Overage number of the shares	16,800,000	16,800,000	16,800,000	17,093,443	17,400,000
EPS	0.07	0.13	0.17	0.21	0.04

Share price in Tallinn Stock growth/decrease, 1.10.2012 - 31.3.2013

As at March 31 2013 AS Harju Elekter had 1,522 shareholders. The number of shareholders increased during the accounting period by 15 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 8.18% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

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Shareholders structure by size of holding at 31 March 2013

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.13	42.62
1.0 – 10.0%	7	0.46	25.83
0.1 – 1.0 %	60	3.94	17.10
< 0.1%	1,453	95.47	14.45
Total	1,522	100.0	100.0

Shareholders (above 5%) at 31 March 2013

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

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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.3.2013	31.12.2012	31.3.2012
Current assets				
Cash and cash equivalents		4,032	3,352	1,224
Trade receivables and other receivables		7,053	6,493	6,740
Prepayments		284	232	133
Income tax prepayments		6	0	27
Inventories		6,745	6,395	7,985
Total current assets		**18,120**	**16,472**	**16,109**
Non-current assets				
Deferred income tax asset		5	5	35
Investments in associate	2	2,370	2,295	1,256
Other long-term financial investments	2	24,472	21,386	23,823
Investment property	2	10,355	10,454	10,727
Property, plant and equipment	2	8,387	8,546	8,859
Intangible assets	2	445	451	429
Total non-current assets		**46,034**	**43,137**	**45,129**
TOTAL ASSETS		**64,154**	**59,609**	**61,238**
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	1,103	1,075	911
Trade payables and other payables		6,773	5,902	7,316
Tax liabilities		883	1,049	907
Income tax liabilities		49	75	44
Short-term provision		16	23	15
Total current liabilities		**8,824**	**8,124**	**9,193**
Interest-bearing loans and borrowings	3	1,306	1,306	1,585
Other non-current liabilities		43	43	0
Non-current liabilities		**1,349**	**1,349**	**1,585**
Total liabilities		**10,173**	**9,473**	**10,778**
Equity				
Share capital		12,180	12,180	11,760
Share premium		240	240	0
Reserves	4	24,464	21,354	23,689
Retained earnings		15,724	15,008	13,278
Total equity attributable to equity holders of the parent		**52,608**	**48,782**	**48,727**
Non-controlling interests		1,373	1,354	1,733
Total equity		**53,981**	**50,136**	**50,460**
TOTAL LIABILITIES AND EQUITY		**64,154**	**59,609**	**61,238**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January –31 March	Note	**2013**	**2012**
Revenue	5	11,390	11,671
Cost of sales		-9,669	-9,775
Gross profit		**1,721**	**1,896**
Distribution costs		-599	-637
Administrative expenses		-939	-875
Other income		17	2
Other expenses		-12	-11
Operating profit	5	**188**	**375**
Net financing income/costs	6	454	173
Share of profit of equity-accounted investees	2	75	79
Profit before tax		**717**	**627**
Income tax expense	8	0	-35
Profit for the period		**717**	**592**
Other comprehensive income			
Net growth/decrease in fair value of available-for-sale financial assets	2	3,550	7,975
Realised gain from sale of financial assets (-)		-437	-162
Currency translation differences		-3	-5
Other comprehensive income for the period, net of tax		**3,110**	**7,808**
Total comprehensive income for the period		**3,827**	**8,400**
Profit attributable to:			
Owners of the Company	7	698	580
Non-controlling interests		19	12
Profit for the period		**717**	**592**
Total comprehensive income attributable to:			
Owners of the Company		3,808	8,388
Non-controlling interests		19	12
Total comprehensive income for the period		**3,827**	**8,400**
Earnings per share			
Basic earnings per share (EUR)	7	0.04	0.03
Diluted earnings per share (EUR)	7	0.04	0.03

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 March	Note	**2013**	**2012**
Cash flows from operating activities			
Operating profit	5	188	375
Adjustments for:			
Depreciation and amortisation	2	367	360
Gain on sale of property, plant and equipment	8	-12	-1
Share-based payment transactions		18	26
Growth/decrease in receivables related to operating activity		-617	1,083
Growth/decrease in inventories		-350	-1,327
Growth/decrease in payables related to operating activity		712	1,239
Corporate income tax paid	8	-32	-27
Interest paid	8	-8	-16
Net cash from operating activities		**266**	**1,712**
Cash flows from investing activities			
Acquisition of investment property	8	-11	-49
Acquisition of property. plant and equipment	8	-76	-78
Acquisition of intangible assets	8	-26	-33
Proceeds from sale of property, plant and equipment	8	12	2
Proceeds from sale of other financial investments		479	189
Interest received	6	5	8
Net cash used in investing activities		**383**	**39**
Cash flows from financing activities			
Growth/decreases in short-term loans	3	97	-1,264
Payment of finance lease principal	3	-69	-82
Net cash used in financing activities		**28**	**-1,346**
Net cash flows		**677**	**405**
Cash and cash equivalents at beginning of period		**3,352**	**815**
Net increase / decrease		677	405
Effect of exgrowth/decrease rate fluctuations on cash held	6	3	4
Cash and cash equivalents at end of period		**4,032**	**1,224**

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CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to equity holders of the parent						
	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-control-ling interests**	**TOTAL**
At 31.12.2011	**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**
At 31.12.2012	**12,180**	**240**	**21,354**	**15,008**	**48,782**	**1,354**	**50,136**
Profit for the period	0	0	0	698	**698**	19	**717**
Other comprehensive income	0	0	3,110	0	**3,110**	0	**3,110**
Comprehensive income for the period	0	0	3,110	698	**3,808**	19	**3,827**
Share-based payment transactions	0	0	0	18	**18**	0	**18**
At 31.3.2013	**12,180**	**240**	**24,464**	**15,724**	**52,608**	**1,373**	**53,981**

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 31.3.2013 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group's interest in associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease since 30 September 1997; 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 31.12.2012. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2012 annual report.

According to the assessment of the management board, the interim report for 1-3/2013 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

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

Note 2 Non-current assets

For the period 1 January – 31 March	**2013**	**2012**
Investments in associate		
At 1 January	2,295	1,177
Profit under the equity method	75	79
At the end of the period	**2,370**	**1,256**
Other long-term financial investments		
At 1 January	21,386	16,023
Sale of shares	-464	-175
Growth/decreases in the fair value reserve	3,550	7,975
At the end of the period	**24,472**	**23,823**
Investment property		
At 1 January	10,454	10,833
Additions	5	4
Reclassification	6	0
Depreciation charge	-110	-110
At the end of the period	**10,355**	**10,727**

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Note 2 Non-current assets (continued)

For the period 1 January – 31 March	2013	2012
Property, plant and equipment		
At 1 January	8,546	8,985
Additions	71	103
Disposals	0	-5
Reclassification	-6	0
Depreciation charge	-224	-224
At the end of the period	**8,387**	**8,859**
Intangible assets		
At 1 January	451	422
Additions	26	33
Depreciation charge	-33	-26
Currency translation differences[1]	1	0
At the end of the period	**445**	**429**
Total non-current assets	**46,029**	**45,094**

[1]Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

Note 3 Interest-bearing loans and borrowings

	31.3.2013	31.12.2012	31.3.2012
Liabilities			
Short-term bank loans	893	796	711
Current portion of lease liabilities	210	279	200
Total current liabilities	**1,103**	**1,075**	**911**
Non-current liabilities			
Lease liabilities	1,306	1,306	1,585
Total non-current liabilities	**1,306**	**1,306**	**1,585**
TOTAL	**2,409**	**2,381**	**2,496**

Growth/decreases during the period 1 January – 31 March

	2013	2012
Loans and borrowings at the beginning of the year	**2,381**	**3,814**
Growth/decreases in short-term loans	97	-1,264
New finance lease	0	28
Payment of finance lease principal	-69	-82
Loans and borrowings at the end of the current period	**2,409**	**2,496**

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Note 4 Reserves

	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2011	1,073	14,800	8	15,881
Other comprehensive income	0	7,813	-5	7,808
At 31.3.2012	**1,073**	**22,613**	**3**	**23,689**
At 31.12.2012	1,176	20,176	2	21,354
Other comprehensive income	0	3,113	-3	3,110
At 31.3.2013	**1,176**	**23,289**	**-1**	**24,464**

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 March	Manu-facturing	Real estate	Un-allocated activities	Elimi-nations	Consoli-dated
2013					
Revenue from external customers	10,152	650	588	0	11,390
Inter-segment revenue	142	297	109	-548	0
Total revenue	**10,294**	**947**	**697**	**-548**	**11,390**
Operating profit	-19	204	26	-23	188
Segment assets	25,533	10,771	4,118	-880	39,542
Indivisible assets					24,612
Total assets					**64,154**
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
Indivisible assets					23,930
Total assets					**61,238**

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Revenue by markets:

For the period 1 January – 31 March	2013	2012
Estonia	3,956	4,224
Finland	5,362	5,564
Lithuania	917	650
Sweden	81	123
Other EU countries	251	474
Non-EU countries	823	636
Total	**11,390**	**11,671**

Revenue by business area:

For the period 1 January – 31 March	2013	2012
Electrical equipment	9,331	9,467
Sheet metal products and services	205	249
Boxes for telecom sector and services	261	217
Intermediary sale of electrical products and components	855	996
Commerce and mediation of services	115	95
Rental income	546	550
Other services	77	97
Total	**11,390**	**11,671**

Note 6 Net financing income/costs

For the period 1 January – 31 March	2013	2012
Interest income	5	8
Interest expense	-8	-14
Net loss from foreign exgrowth/decrease differences	3	4
Marketable investments:		
Income from sale of investments	454	175
TOTAL	**454**	**173**

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 31.3.2013 the Group had 434.96 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 3 may 2012 the price of a share was established at the level of 2.36 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.50 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 2.86 (2.36+0.50) euros and the potential shares become dilutive only after their average market price of the period exceed 2.86 euros.

The average market price of the share of 1-3/2013 was 2.65 euros. Hence, the potential shares did not have any diluting effect.

For the period 1 January – 31 March	Unit	**2013**	**2012**
Profit attributable to equity holders of the parent	EUR‘000	698	580
Average number of shares outstanding	Pc‘000	17,400	16,800
Basic earnings per share	EUR	0.04	0.03
Adjusted number of shares during the period	Pc‘000	17,400	16,995
Diluted earnings per share	EUR	0.04	0.03

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

For the period 1 January – 31 March	Note	**2013**	**2012**
Corporate income tax paid			
Income tax expense		0	-35
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-32	8
Corporate income tax paid		**-32**	**-27**
Interest paid			
Interest expense	6	-8	-14
Liability decrease incurred by purchase		0	-2
Interest paid		**-8**	**-16**
Paid for investment property			
Additions of investment property	2	-5	-4
Liability decrease (-)/ increase (+) incurred by purchase		-6	-45
Acquisition of investment property		**-11**	**-49**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-71	-103
Acquired with finance lease		0	28
Liability decrease (-)/ increase (+) incurred by purchase		-5	-3
Acquisition of property, plant and equipment		**-76**	**-78**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	0	5
Profit on disposal of property, plant and equipment		12	1
Growth of sales-related claims		0	-4
Proceeds from sale of property, plant and equipment		**12**	**2**

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. The Group’s management comprises members of the Parent company’s supervisory and management boards. The management board has one member and the supervisory board has five members.

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

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For the period 1 January – 31 March	2013	2012
Purchase of goods and services from related parties:		
- from associates	148	157
- from Harju KEK	16	16
TOTAL	164	173
Inclusive:		
- goods and materials for manufacturing	148	157
- lease of property, plant and equipment	16	16
Sale of goods and services to related parties:		
- to associates	201	183
- to Harju KEK	6	1
TOTAL	207	184
Inclusive:		
- goods and materials for manufacturing	6	2
- lease of property, plant and equipment	170	172
- other	31	10
Balances with related parties at 31 March		
Receivables with associates: goods and services	238	216
Payables with associates: goods and services	84	65
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	43	41
- social security and other taxes on salaries	14	14
TOTAL	57	55

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

Share-based payments

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

During the conclusion period of preliminary contracts, from 18 June to 29 June 2012, the subscription rights for a total of 434,960 shares were registered. The issue price of the shares was determined to be the average price of the share of AS Harju Elekter in euros on the Tallinn Stock Exchange during the trading days of 01.06.-15.06.2012. Thus, the issue price of the share amounted to 2.36 euros.

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

In Q1 2013, the Group recorded 18,000 (26,000 y-o-y) euros as labour costs and share-based benefits under shareholder's equity and retained earnings.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/2013 as set out on pages 3 to 20 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
„7th“ May 2013