AS HARJU ELEKTER

Interim report 1-6/2016

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
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Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2016
End of the reporting period:	30st of June 2016

The interim report of Harju Elekter Group on 24 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/2016 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line. AS Harju Elekter still has a holding of 90% in Harju Elekter AB; however, the activity of the company has been suspended as of 01 April 2014.

As of 30 June 2016, AS Harju Elekter has substantial holdings as follows:

Company		Country	30.6.16	31.12.15	30.6.15
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic Oy	Subsidiary	Finland	100.0%	100.0%	100.0%
Finnkumu Oy	Satmatic Oy`s subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	subsidiary	Lithuania	100.0%	100.0%	100.0%
Automatikos Iranga UAB	Rifas UAB`s subsidiary	Lithuania	51.0%	51.0%	51.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Skeleton Tehnologies Group OÜ	Financial investment	Estonia	10.0%	10.0%	10.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	4.6%	4.6%

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

Economic environment

The global economy is facing difficult times, and the economic recovery in countries and regions is slow and uneven. Economic growth in developing countries has slowed down in recent years. In developed countries economic growth is recovering, although economic outlooks will continue to remain different between countries. The development of both regions is impacted by the more balanced economic growth of the Chinese economy, low prices for energy and consumables, and the monetary policy decisions of the U.S. In June, Europe was shocked by Britain's decision to leave the European Union, bringing along an increase in risk aversion on monetary markets and the movement of money from shares to bonds. In addition, international instability could be deepened and the growth of the world economy impaired by both an increase in the number of geopolitical conflicts and the continuation of refugee flows. Although oil prices have gradually climbed upwards in the last six months, the latest data indicates that the oil demand of Asian countries has decreased, and this could be more than just a temporary trend. The Brent crude price has increased by 80%, from USD 37 this January to USD 49 by the end of June. According to the report by UN economic experts published in May, the global economy will only grow by 2.4% this year.

Regardless of the overall modest economic growth of European countries, Estonia seems to be doing pretty well – experiencing stable, although somewhat low, economic growth and rising real wages. Stability has great value in complicated times, but the downsides are a low increase in production, continuous marginalisation of border regions, and an ageing population. The Estonian economy is small and highly dependent on the development of foreign trade. The GDP of one of Estonia's most important export partners, Finland, has been on the plus side for the last eight quarters and, according to analysts at the Bank of Finland, the trend is about to continue. At the same time, uncertainty caused by the referendum in Great Britain can shake the fragile balance of Finland's economy, decreasing

Finnish exports, investments and consumption. In addition, Finland's industrial sector - which is highly dependent on exports - continues to be impacted by setbacks in relation to sanctions against Russia and the weakness of the Russian economy. Norway's economic growth has stopped due to the uncertain situation in the economic sectors that are related to oil production. Sweden's economy still seems to be doing well, considering the overall background.

In summary, the moderate growth outlook for Estonia's main trade partners, the Nordic countries (40% of Estonian exports in goods) and the euro zone countries, has remained in place in spite of the global risks. The pace of the economic recovery will progressively quicken starting from the second half of the year, provided that no new risks are added from the outside.

According to the Nordea's economic prognosis published in June, the Estonian economy has passed its lowest point and will grow at a moderate pace faster than the euro zone average in the upcoming years. Nordea predicts a 1.9% economic growth for Estonia in 2016 and 2.7% in 2017. The expected economic growth of neighboring Latvia is 3.2% this year and 3.6% next year, and the growth prospect for the Lithuanian economy is 2.7% this year and 3.1% next year. The IMF expects economic growth of 0.9% this year and 1.1% next year for Finland. According to the Ministry of Finance of Sweden, the country's economy will grow 3.8% in 2016 and 2.2% in 2017.

Main events and post-balance events

On 28 April 2016, the AGM of shareholders of AS Harju Elekter was held; it approved the 2015 annual report and distribution of profit as well as the decision to pay the shareholders a dividend of 0.05 euros per share, or a total of 887,000 euros, for 2015. In addition, the AGM decided to introduce a no par value share and approve the new version of the articles of association of AS Harju Elekter. By virtue of the decision of the AGM, the share capital of AS Harju Elekter will be reduced by 1 242,000 euros, to 11,176,124.40 euro, by means of a reduction of the book value of the shares. Payments of 0.07 euros per share to the shareholders will be made during the term prescribe by law. The shareholders registered in the shareholders' registry on 12 May 2016 at 23.59 entitled to dividend as well as reduction of share capital. The dividends was paid to the shareholders on 17 May 2016 by a transfer to the bank account of the shareholder.

In April 2016, a preliminary contract was concluded with Stera Technologies Oy that produces mechanical and electromechanical equipment and parts for the construction and subsequent rental production facilities in Allika Industrial Park, which belongs to the Group. The total size of the production facilities is 8400 m2 and they will be delivered to the lessee in two stages, in July 2017 and October 2018. Allika Industrial Park conducted a procurement to identify a project manager, with Ehitusfirma Rand ja Tuulberg AS qualifying. Both the production facilities to be built for Stera Technologies OÜ and the Laohotell site have received building permits.

At its 5 April 2016 meeting, the Supervisory Board of AS Harju Elekter decided to merge the metal factories of the Group's Estonian subsidiaries, consolidating the sheet metal processing resources, capability and know-how of the entire Group into AS Harju Elekter Teletehnika. The outcome of restructuring is economy in terms of manufacturing as well as labour costs. After the changes, AS Harju Elekter Teletehnika will focus on the manufacturing of sheet metal products and details for the electrical engineering and telecommunications sector, while also maintaining the production line for telecommunications products and fibre-optic cables. At the same time, the reorganization will enable AS Harju Elekter Elektrotehnika to focus its activities to the core business - manufacturing of electrical equipment, and make it more efficient.

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

AS Harju Elekter decided to provide Skeleton Technologies OÜ with a loan of 660,000 euros (of which, 330,000 euros was issued in the reporting quarter and 330,000 euros after the balance sheet date). In the event of an additional round of funding, the loan will be converted into share capital in order to preserve the holding of AS Harju Elekter.

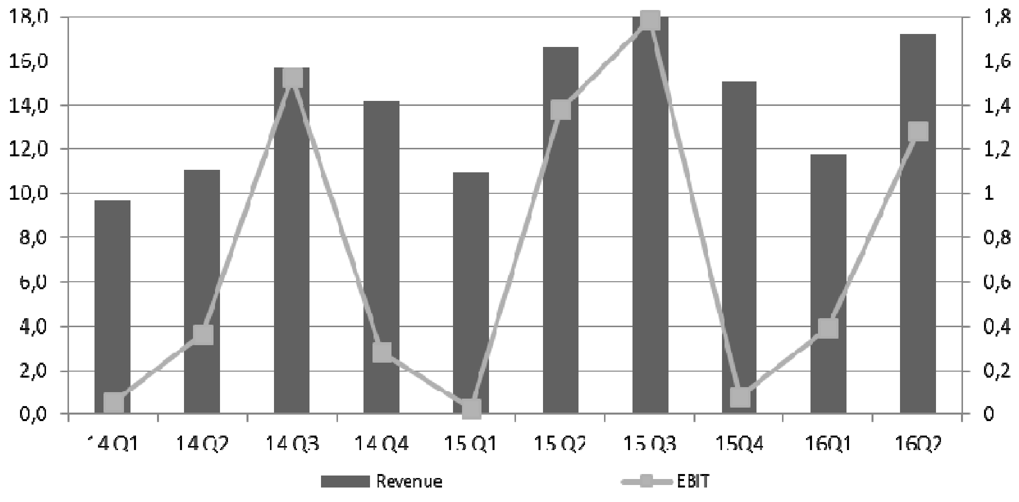
In February, our Finnish subsidiaries Satmatic Oy and Finnkumu Oy participated in the local trade fair Sähkö-Tele-Valo-AV in Jyväskülä. In the beginning of April, AS Harju Elekter Kaubandusgrupp presented its product range in Tallinn at the international building fair Estbuild.

Operating results

KEY INDICATORS

	January – March			Year
	2016	**2015**	**2014**	**2015**
Revenue (EUR’000)	28,965	27,535	20,753	60,656
Gross profit (EUR’000)	5,222	4,779	3,616	10,299
EBITDA (EUR’000)	2,486	2,139	1,177	4,819
EBIT (EUR’000)	1,671	1,408	418	3,276
Profit for the period (EUR’000)	1,979	1,583	6,325	3,186
incl attributed to Owners of the Company (EUR’000)	1,988	1,572	6,361	3,190
Revenue growth/decrease (%)	5.2	32.7	-15.1	19.9
Gross profit growth/decrease (%)	9.3	32.1	-11.1	13.4
EBIDTA growth/decrease (%)	16.2	81.7	-21.9	28.8
EBIT growth/decrease (%)	18.7	236.8	-45.5	47.0
Profit for the period growth/decrease (%)	25.8	-75.0	156.1	-67.4
incl attributed to Owners of the Company (%)	27.7	-75.3	164.7	-67.1
Distribution cost to revenue (%)	5.2	4.9	6.2	4.4
Administrative expenses to revenue (%)	7.1	7.5	9.2	7.2
Labour cost to revenue (%)	20.8	22.8	27.8	20.7
Gross margin (Gross profit/revenue) (%)	18.0	17.4	17.4	17.0
EBITDA margin (EBITDA/revenue) (%)	8.6	7.8	5.7	7.9
Operating margin (EBIT/revenue) (%)	5.8	5.1	2.0	5.4
Net margin (Profit for the period/revenue) (%)	6.8	5.7	30.5	5.3
ROE (Profit for the period/average equity) (%)	3.3	2.6	10.2	5.4

Seasonality of business (million euros)



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SALES REVENUE

The Group's reporting quarter was successful. In the accounting period, the Group's consolidated revenue was 17.2 (Q2 2015: 16.6) million euros. During the reporting quarter, sales revenue increased 4% or 0.6 million euros in relation to the comparison period.

The quarterly sales development by business area:

Business area	Q2 change y-o-y	Q2 2016	Q2 2015	Q2 2014	Year 2015
Electrical equipment	5.0%	15,109	14,392	9,031	52,135
Sheet metal products and services	26.4%	287	227	330	843
Boxes for telecom sector and services	5.9%	302	321	269	1,108
Intermediary sale of electrical products and components	-15.7%	789	936	777	3,686
Rental income	11.4%	558	501	550	2,073
Other services	-23.5%	163	213	135	811
Total	**3.7%**	**17,208**	**16,590**	**11,092**	**60,656**

The sale of electric equipment had increased by 5% or 935,000 euros in comparison with the comparison period and by 7% or 1,652,000 euros in 6 month comparison, providing 86% of the sales revenue of the Group. The addition of the new rental premises in 2015 has increased the rental income by 9% of 95,000 euros in the first six months of 2016.

The quarterly sales development by markets:

Markets	Growth % Q/Q	6m/6m	Q2 **2016**	Q2 **2015**	6 months **2016**	**2015**	Share **2016**	Share **2015**
Estonia	-7.3	-4.0	3,282	3,542	6,365	6,628	22.0%	24.1%
Finland	16.3	17.7	12,349	10,614	19,759	16,789	68.2%	61.0%
Lithuania	-20.7	-63.8	146	184	179	495	0.6%	1.8%
Sweden	-34.8	53.0	242	371	1,034	676	3.6%	2.4%
Norway	-88.5	-75.5	139	1,207	471	1,920	1.6%	7.0%
Others	56.3	12.7	1,050	672	1,157	1,027	4.0%	3.7%
Total	**3.7**	**5.2**	**17,208**	**16,590**	**28,965**	**27,535**	**100.0%**	**100.0%**

In H1 2016, 78% (H1 2015: 76%) of the Group's products and services were sold in foreign markets, outside Estonia and in the reporting quarter 81% (Q2 2015: 79%). The Finnish market, which is the Group's largest, has grown by 16% or EUR 1,735,000 year-on-year. In the reporting quarter, 72% of the Group's products and services were sold on the Finnish market (Q2 2015: 64%). Most of the Group's enterprises have managed to grow their sales volumes on the Finnish market.

Sales revenues from the Estonian market continued to decrease. During the reporting quarter 19% (Q2 2015: 21%) of the Group's products and services were sold on the Estonian market. In 6 months, the share of Estonian market has dropped by two percentage points.

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The quarterly sales development by segments:

Segment	Growth % Q/Q	Growth % 6m/6m	Q2 2016	Q2 2015	6m 2016	6m 2015	Year 2015
Manufacturing	4.2	5.1	15,958	15,322	26,419	25,137	55,556
Real estate	5.4	6.4	606	575	1,248	1,173	2,353
Unallocated activities	-7.1	6.0	644	693	1,298	1,225	2,747
Total	**3.7**	**5.2**	**17,208**	**16,590**	**28,965**	**27,535**	**60,656**

93% (Q2 2015: 92%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 7% (Q2 2015: 8%) of the consolidated sales volume. The sale of electrical equipment has provided 95% in Q2 (Q2 2015: 94%) and 94% in the first half year (H1 2015: 93%) of the sales volume of the production segment.

OPERATING EXPENSES

	Growth % Q/Q	Growth % 6m/6m	Q2 2016	Q2 2015	6m 2016	6m 2015	Year 2015
Cost of sales	4.0	4.3	14,055	13,509	23,743	22,756	50,357
Distribution costs	19.0	12.3	789	663	1,512	1,347	2,657
Administrative expenses	7.4	-0.2	1,104	1,028	2,051	2,054	4,337
Total expenses	**4.9**	**4.4**	**15,948**	**15,200**	**27,306**	**26,157**	**57,351**
incl. depreciation of fixed assets	14.2	11.5	425	371	815	731	1,543
Total labour cost	-3.8	-4.1	3 071	3,191	6,021	6,280	12,555
inclusive salary cost	-3.3	-1.9	2 335	2,414	4,709	4,802	9,695

Operating expenses increased 5% in the reporting quarter and 4% in the first half of the year compared to the reference periods. Cost of sales increased 4% in the reporting periods.

Distribution costs increased by 19% in the reporting quarter and by 12% in H1 in relation to the comparison periods, the rate of distribution costs to revenue accounted for 5.2% (H1 2015: 4.9%).

Administrative expenses increased by 7% in the reporting quarter, remaining on the same level in the H1 comparison, and the rate of administrative expenses to revenue accounted for 7.1%, having decreased by 0.4 percentage points.

EARNINGS AND MARGINS

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

In H1 the gross profit of the Group was 5,222 (H1 2015: 4,779) thousand euros. The gross profit margin was 18.0% (H1 2015: 17.4%). In Q2 the gross profit margin was 18.3% (Q2 2015: 18.6%).

The operating profit of the Group in the first half year was 1,671 (H1 2015: 1,408) thousand euros and the EBITDA was 1,671 (H1 2015: 1,408) thousand euros. The operating margin of the reporting period was 5.8% (H1 2015: 5.1%) and the EBITDA margin was 8.5% (H1 2015: 7.8%).

The consolidated operating profit of the reporting quarter was 1,281 (Q2 2015: 1,380) thousand euros and the EBITDA was 1,705 (Q2 2015: 1,751) thousand euros. The operating margin of the reporting quarter was 7.4% (Q2 2015: 8.3%) and the EBITDA margin was 10.0%, reducing by 0.5 percentage points more compared to the indicators of the comparison period. In Q2 2016, the Group made one-off expenses in the amount of 71,000 euros regarding merging the metal factories.

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In Q2 2016, the consolidated net profit was 1,668 (Q2 2015: 1,573) thousand euros, of which the share of the owners of the Company was 1,664 (Q2 2014: 1,557) thousand euros. EPS in the Q2 2015 and 2016 was 0.09 euros. The net margin was 9.7% (Q2 2015: 9.5%).

Overall, the consolidated net profit of the H1 2016 was 1,979 (H1 2015: 1,583) thousand euros. The share of the owners of the Company was 1,988 (H1 2015: 1,572) thousand euros. In H1, EPS was 0.11 (H1 2015: 0.09) euros.

Employees and remuneration

The optimisation of production that started in the second half of 2015 in the Estonian undertakings of the Group has brought about the reduction of the number of employees by 35 people. The labour cost to revenue in the first half year was 20.8% (H1 2015: 22.8%). In H1 2016, an average of 454 employees worked in the Group, being 20 people less than in the comparison period. The labour costs reduced by 4.1% to 6,021,000 euros.

	Average number of employees				Number of employees as at 30.6.			As at
	Q2 2016	Q2 2015	6m 2016	6m 2015	Growth	2016	2015	31.12.2015
Estonia	262	293	260	291	-35	281	316	273
Finland	91	93	91	93	-7	91	99	90
Lithuania	101	95	103	90	1	98	97	107
Total	**454**	**481**	**454**	**474**	**-41**	**470**	**512**	**470**

In the reporting quarter, the employees were paid as salaries and fees 2,335 (Q2 of 2015: 2,414) thousand euros and in six months, 4,709 (H1 2015: 4,802) thousand euros. The average monthly salary for an employee of the Group was 1,730 (H1 2015: 1,688) euros.

As at the balance day on 30 June, there were 470 people working in the Group, (30.6.2015: 512). As at the beginning of the year the number of employees has the same.

Financial position and cash flows

During 6 months, the amount of the consolidated assets increased by 4,323,000 euros and compered to the period under review decreased by 3,118,000 euros to 70,902,000 euros, as of 30 June 2016.

	Growth y-o-y	6m 2016	30.6. 2016	30.6. 2015	31.12. 2015
Current assets	632	3,844	23,687	23,055	19,843
Non-current assets	-3,820	479	47,215	51,035	46,736
TOTAL ASSETS	**-3,188**	**4,323**	**70,902**	**74,090**	**66,579**
Current liabilities	-422	3,707	11,170	11,592	7,463
Non-current liabilities	-1,044	0	912	1,956	912
Equity	-1,722	616	58,820	60,542	58,204
incl. attributable to owners of the Company	-1,687	625	58,711	60,398	58,086
Equity ratio (%) (Equity/total assets)*100 (%)	1.3	-4.4	83.0	81.7	87.4
Current ratio (Average current assets/ Average current liabilities)	0.1	-0.5	2.3	2.4	2.8
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.0	-0.5	1.4	1.4	1.9

The current assets increased by 632,000 euros in a year to 23,687,000 euros. The inventories decreased by 1,334,000 euros in a year to 9,807,000 euros. The cash increased by 2,213,000 euros in a year to 4,476,000 euros.

The cost of the non-current assets in the statement of financial position increased by 479,000 euros in 6 months and decreased by 3,820,000 euros to 47,215,000 euros in relation to the period of comparison. Other long-term financial investments make up 44.4% of the Group's non-current assets. The most part of the changes in the non-current assets were due to the changes in the value of long-term financial investments at the Nasdaq Helsinki exchange market. During the reporting quarter, the market price of the share of PKC Group Oyj increased by 1.35 euros and by 0.70 euros in six months, and as at the last trading day, the share at Nasdaq Helsinki exchange market cost 16.93, (30.6.2015: 19.83) euros. The cost of investment in assets and reserves in equity increased by the other comprehensive income of 766,000 euros, by which amount increased the cost of investment in assets and reserves in equity. In the reference period revaluation profit made up 2,583,000 euros.

In six months, the Group has made a total of 478 (H1 2015: 2,047) thousand euros worth of investments to property, plant and equipment and investment properties. In the 1st half of 2015, the Group invested 1,272,000 euros to the production facilities at Allika Industrial Park. The building of the next larger production complex at Allika Industrial Park will begin in the 2nd half of 2016 that should add an extra 8400 m^2 of production area.

As at the reporting date, the Group's liabilities totalled 12,082,000 euros, of which short-term liabilities made up 11,170,000 euros or 92%. Short-term liabilities increased by 3,707,000 euros in six months and decreased by 422,000 euros in a year. Trade payables and other payables grew the most: by 2,217,000 euros in six months and decreased 312,000 euros in a year, to 8,260,000 euros. Short-term liabilities decreased by 148,000 thousand euros in six months and 1,493,000 euros in a year.

In H1 2016, the current ratio of the Group was 2.3 (H1 2015: 2.4) and the quick ratio was 1.4, being on the same level as in reference period.

As at 30 June 2016, interest-bearing debt obligations made up 9.8% of the Group's liabilities and 1.5% of the cost of its assets, or 21.1% and 3.9%, respectively, as at 30 June 2015. The Group had interest-bearing debt obligations totalling 1,060 (30.6.2015: 2,855) thousand euros, with the short-term obligations making up 148 (30.06.2015: 1,641) thousand euros.

	6 months			Year
	2016	**2015**	**2014**	**2015**
Cash flows from operating activities	560	- 1,346	470	4,293
Cash flows from investing activities	-760	- 5,823	163	-6,328
Cash flows from financing activities	-1,035	-552	-1,482	-2,235
Net cash flow	**-1,235**	**-7,721**	**-849**	**-4,270**

In six months, business operations have brought in 560,000 euros and 1,346,000 euros was paid out during the period of comparison

The Group has planned its biggest investments for the second part of 2016. In the reporting quarter an additional 713 thousand euros was paid for the shares of Finnkumu Oy (see Note 8). AS Harju Elekter decided to provide Skeleton Technologies OÜ with a loan of 660,000 euros of which, 330,000 euros was issued in the reporting quarter. PKC Group Oyj paid dividends in the amount of 0.70 euros per share. AS Harju Elekter received dividends in the amount of 766 thousand euros both in the first six months and during the period of comparison. In H1 2016, cash flow out from investing activities totaled 760 (H1 2015: 5,823) thousand euros. In 2015, 2,400,000 euros were paid for financial investments, 1,651,000 euros for acquisition of non-controlling interest, and an additional 857,000 euros for the shares of Finnkumu Oy.

In the reporting period, cash flow out from investment activities was 1,032 (H1 2015: 552) thousand euros. AS Harju Elekter paid out 887 (H1 2015: 2,654) thousand euros of dividends.

Cash and cash equivalents increased in the reporting period by 2,213 thousand euros to 4,476 thousand euros, and decreased in the period of comparison by 7,721 thousand euros to 2,263 thousand euros.

AGM

On 28th of April 2016 the AGM was held where attended by 81 shareholders and their authorised representatives who represented the total 11,375,563 votes, being 64.12% of the total votes.

The general meeting approved the 2015 annual report and profit distribution and decided to pay dividends amounting to 0.05 euros per share, totally 887,000 euros. The shareholders registered in the shareholders' registry on 12.5.2016 at 23.59 entitled to dividend. The dividends transferred to the shareholders bank accounts on 17.5.2016.

The general meeting resolved to introduce a no par value share and approve the new version of AS Harju Elekter articles of association together with the abovementioned changes.

The general meeting resolved to reduce the share capital by 1,242,000 euros, decreasing the book value of the shares: as a result of reduction, the book value of AS Harju Elekter share will decrease to EUR 0.63, from EUR 0.70. The list of shareholders participating in the reduction of share capital shall be fixed as at 23.59 on 12 May 2016.

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

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

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

Shares of Harju Elekter and shareholders

Security trading history:

	2012	**2013**	**2014**	**2015**	**6M 2016**
Opening price	2.30	2.64	2.77	2.79	2.62
Highest price	2.80	2.92	2.85	3.14	2.70
Lowest price	2.30	2.46	2.52	2.49	2.43
Closing price	2.64	2.70	2.79	2.63	2.49
Traded shares (pc)	759,869	936,162	800,823	1,086,451	547,014
Turnover (in million)	1.88	2.48	2.17	2.98	1.41
Capitalisation (in million)	45.94	46.98	48.55	46.16	44.17
Overage number of the shares	17,093,443	17,400,000	17,400,000	17,550,851	17,739,880
EPS	0.21	0.30	0.56	0.18	0.11

As at June 30 2016 AS Harju Elekter had 1,875 shareholders. The number of shareholders increased during the accounting quarter by 31 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.4% of AS Harju Elekter's share capital. At 30 June 2016, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.4% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of Securities (www.e-register.ee).

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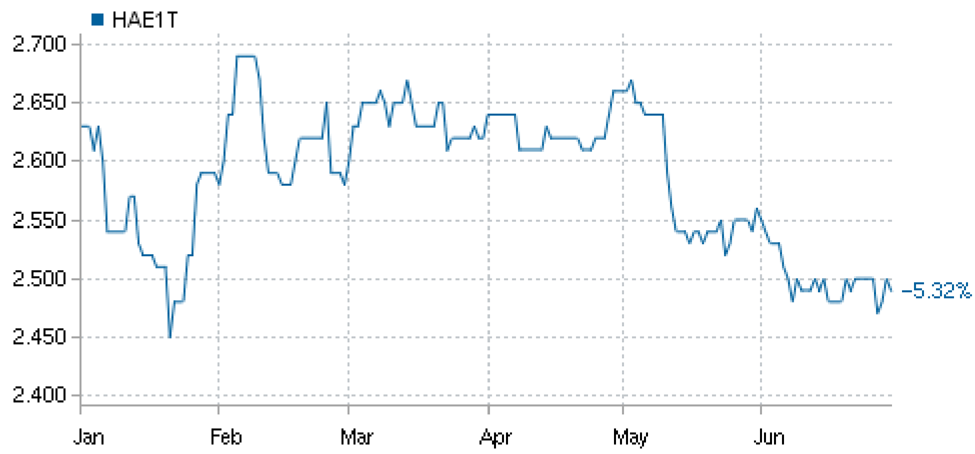
Share price (in euros) in Tallinn Stock growth/decrease, 1.01.2016 - 30.6.2016



Shareholders structure by size of holding at 30 June 2016

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.11	42.10
1.0 – 10.0%	9	0.48	22.97
0.1 – 1.0 %	64	3.41	19.00
< 0.1%	1,800	96.00	15.93
Total	1,875	100.0	100.0

Shareholders (above 5%) at 30 June 2016

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

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.6.2016	31.12.2015	30.6.2015
Current assets				
Cash and cash equivalents		4,476	5,711	2,263
Trade receivables and other receivables		9,007	6,678	8,914
Prepayments		372	278	688
Income tax prepayments		25	28	49
Inventories		9,807	7,148	11,141
Total current assets		**23,687**	**19,843**	**23,055**
Non-current assets				
Deferred income tax asset		57	57	0
Other long-term financial investments	2	20,954	20,188	24,128
Investment property	2	12,912	12,990	13,165
Property, plant and equipment	2	7,850	8,010	8,294
Intangible assets	2	5,442	5,491	5,448
Total non-current assets		**47,215**	**46,736**	**51,035**
TOTAL ASSETS		**70,902**	**66,579**	**74,090**

LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	148	296	1,641
Trade payables and other payables		8,260	6,043	8,572
Payables to shareholders	4	1,242	0	0
Tax liabilities		1,413	944	1,104
Income tax liabilities		103	146	271
Short-term provision		4	34	4
Total current liabilities		**11,170**	**7,463**	**11,592**
Interest-bearing loans and borrowings	3	912	912	1,214
Other non-current liabilities		0	0	742
Non-current liabilities		**912**	**912**	**1,956**
Total liabilities		**12,082**	**8,375**	**13,548**
Equity				
Share capital	4	12,418	12,418	12,180
Unregistered share capital	4	-1,242	0	238
Share premium		804	804	804
Reserves		18,836	18,047	21,976
Retained earnings		27,895	26,817	25,200
Total equity attributable to equity holders of the parent		**58,711**	**58,086**	**60,398**
Non-controlling interests		109	118	144
Total equity		**58,820**	**58,204**	**60,542**
TOTAL LIABILITIES AND EQUITY		**70,902**	**66,579**	**74,090**

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 April – 30 June 2016	1 April – 30 June 2015	1 January – 30 June 2016	1 January – 30 June 2015
Revenue	5	17,208	16,590	28,965	27,535
Cost of sales		-14,055	-13,509	-23,743	-22,756
Gross profit		**3,153**	**3,081**	**5,222**	**4,779**
Distribution costs		-789	-663	-1,512	-1,347
Administrative expenses		-1,104	-1,028	-2,051	-2,054
Other income		42	7	52	61
Other expenses		-21	-17	-40	-31
Operating profit	5	**1,281**	**1,380**	**1,671**	**1,408**
Finance income	6	766	771	767	785
Finance costs	6	-5	-22	-11	-29
Profit before tax		**2,042**	**2,129**	**2,427**	**2,164**
Income tax expense		-374	-556	-448	-582
Profit for the period		**1,668**	**1,573**	**1,979**	**1,583**
Profit attributable to:					
Owners of the Company		1,664	1,557	1,988	1,572
Non-controlling interests		4	16	-9	11
Profit for the period		**1,668**	**1,573**	**1,979**	**1,583**
Earnings per share					
Basic earnings per share (EUR)	7	0.09	0.09	0.11	0.09
Diluted earnings per share (EUR)	7	0.09	0.09	0.11	0.09

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 April – 30 June 2016	1 April – 30 June 2015	1 January – 30 June 2016	1 January – 30 June 2015
Profit for the period		**1,668**	**1,573**	**1,979**	**1,583**
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	1,478	-777	766	2,583
Other comprehensive income for the period, net of tax		**1,478**	**-777**	**766**	**2,583**
Total comprehensive income for the period		**3,146**	**796**	**2,745**	**4,166**
Total comprehensive income attributable to:					
Owners of the Company		3,142	780	2,754	4,155
Non-controlling interests		4	16	-9	11
Total comprehensive income for the period		**3,146**	**796**	**2,745**	**4,166**

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 June	Note	**2016**	**2015**
Cash flows from operating activities			
Operating profit	5	1,671	1,408
Adjustments for:			
Depreciation and amortisation	2	815	731
Gain on sale of property, plant and equipment	8	-3	-22
Share-based payment transactions		0	36
Growth/decrease in receivables related to operating activity		-2,097	-2,664
Growth/decrease in inventories		-2,659	-3,037
Growth/decrease in payables related to operating activity		3,332	2,510
Corporate income tax paid	8	-488	-292
Interest paid	6	-11	-16
Net cash from operating activities		**560**	**-1,346**
Cash flows from investing activities			
Acquisition of investment property	8	-139	-1,370
Acquisition of property. plant and equipment	8	-308	-312
Acquisition of intangible assets	8	-43	-81
Acquisition of subsidiaries, net of cash acquired	9	-713	-857
Acquisition of non-controlling interests		0	-1,651
Acquisition of other financial investments		0	-2,400
Proceeds from sale of property, plant and equipment	8	3	26
Loan granted		-330	0
Proceeds from sale of other financial investments		0	36
Interest received	8	4	20
Dividends received		766	766
Net cash used in investing activities		**-760**	**-5,823**
Cash flows from financing activities			
Growth/decreases in short-term loans	3	0	1,468
Payment of finance lease principal	3	-148	-168
Receipts from contribution into share capital		0	802
Dividends paid		-887	-2,654
Net cash used in financing activities		**- 1,035**	**-552**
Net cash flows		**-1,235**	**-7,721**
Cash and cash equivalents at beginning of period		**5,711**	**9,984**
Net increase / decrease		-1,235	-7,721
Cash and cash equivalents at end of period		**4,476**	**2,263**

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	Attributable to owners of the Company									
For the period 1 January – 30 June	**Share capital**	**Unregis-tered share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Trans-lation reserve**	**Retained earnings**	**TOTAL**	**Non-Controlling interests**	**TOTAL**
At 31 December 2014	**12,180**	**0**	**240**	**1,218**	**18,184**	**-9**	**26,664**	**58,477**	**1,365**	**59,842**
Comprehensive income 2015										
Profit for the period	0	0	0	0	0	0	1,573	**1,573**	11	**1,584**
Other comprehensive income for the period	0	0	0	0	2,583	0	0	**2,583**	0	**2,583**
Total comprehensive income	**0**	**0**	**0**	**0**	**2,583**	**0**	**1,573**	**4,156**	**11**	**4,167**
Transaction with the owners of the Company, recognised directly in equity										
Unregistered share capital	0	238	564	0	0	0	0	**802**	0	**802**
Share-based payments	0	0	0	0	0	0	36	**36**	0	**36**
Dividends	0	0	0	0	0	0	-2,610	**-2,610**	-44	**-2,654**
Acquisition of non-controlling interest	0	0	0	0	0	0	-463	**-463**	-1,188	**-1,651**
At 30 June 2015	**12,180**	**238**	**804**	**1,218**	**20,767**	**-9**	**25,200**	**60,398**	**144**	**60,542**

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

For the period 1 January – 30 June	Attributable to owners of the Company									
	Share capital	**Unregis -tered share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**TOTAL**	**Non-Controllin g interests**	**TOTAL**
At 31.December 2015	**12,418**	**0**	**804**	**1,218**	**16,827**	**2**	**26,817**	**58,086**	**118**	**58,204**
Comprehensive income 2016										
Profit for the period	0	0	0	0	0	0	1,988	**1,988**	-9	**1,979**
Other comprehensive income for the period	0	0	0	0	766	0	0	**766**	0	**766**
Total comprehensive income	0	0	0	0	766	0	1,988	**2,754**	-9	**2,745**
Transaction with the owners of the Company, recognised directly in equity										
Increase of capital reserve	0	0	0	23	0	0	-23	**0**	0	**0**
Reduction of unregistered share capital	0	-1,242	0	0	0	0	-1,242	**-1,242**	0	**-1,242**
Dividends	0	0	0	0	0	0	-887	**-887**	0	**-887**
At 30 June 2016	**12,418**	**-1,242**	**804**	**1,241**	**17,593**	**2**	**26,653**	**58,711**	**109**	**58,820**

Further information on share capital is presented 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 30.6.2016 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy, Finnkumu Oy (subsidiary Satmatic Oy) Rifas UAB and Automatikos Iranga UAB (subsidiary Rifas UAB) (together referred to as the Group).

AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease since 30 September 1997; 31.4% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 ”Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2015. The interim report should be read in conjunction with the Group's annual report of 2015, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the management board, the interim report for 1-6/2016 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

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

Note 2 Non-current assets

For the period 1 January – 30 June	Note	**2016**	**2015**
Other long-term financial investments			
At 1 January		20,188	19,145
Additions		0	2,400
Growth/decreases in the fair value reserve		766	2,583
At the end of the period		**20,954**	**24,128**
Investment property			
At 1 January		12,990	12,109
Additions		170	1,288
Reclassification		3	-13
Depreciation charge	5	-251	-219
At the end of the period		**12,912**	**13,165**

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

Note 2 Non-current assets (continued)

For the period 1 January – 30 June	Note	**2016**	**2015**
Property, plant and equipment			
At 1 January		8,010	7,968
Additions		308	759
Disposals		0	-4
Reclassification		-3	13
Depreciation charge	5	-465	-442
At the end of the period		**7,850**	**8,294**
Intangible assets			
At 1 January		5,491	5,429
Additions		50	89
Depreciation charge	5	-99	-70
At the end of the period		**5,442**	**5,448**

Note 3 Interest-bearing loans and borrowings

	30.6.2016	**31.12.2015**	**30.6.2015**
Liabilities			
Short-term bank loans	0	0	1,468
Current portion of lease liabilities	148	296	173
Total current liabilities	**148**	**296**	**1,641**
Non-current liabilities			
Lease liabilities	912	912	1,214
Total non-current liabilities	**912**	**912**	**1,214**
TOTAL	**1,060**	**1,208**	**2,855**

Growth/decreases during the period 1 January – 30 June

	2016	**2015**
Loans and borrowings at the beginning of the year	**1,208**	**1,096**
Growth/decreases in short-term loans	0	1,468
New finance lease	0	459
Payment of finance lease principal	-148	-168
Loans and borrowings at the end of the current period	**1,060**	**2,855**

Note 4 Share capital

	Unit	30.6.2016	31.12.2015	30.6.2015
Share capital	EUR'000	12,418	12,418	12,180
Number of shares issued (fully paid)	PC'000	17,740	17,740	17,400
Unregistered share capital	EUR'000	-1,240	0	238
Number of unregistered shares	PC'000	0	0	340

The general meeting of shareholders of AS Harju Elekter decided on 28 April to pay out 0.07 cents per share to shareholders, reducing the share capital of AS Harju Elekter by 1,242,000 euros to 11,178,000 euros. As at 30.6.2016, the entry on the reduction of share capital has not been made in the Commercial Register, which is why the amount is reflected as unregistered share capital. According to Article 359 (1) of the Commercial Code, a petition for entry of the reduction of share capital in the commercial register will not be submitted earlier than three months after publication of the reduction of share capital notice.

Note 5 Segment reporting

Three segments- manufacturing, real estate and other activities are distinguished in the consolidated financial statements.

"*Manufacturing*" – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Rifas UAB and Automatikos Iranga UAB.

"*Real estate*"– Real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

Other activities – The segment is involved in selling products of the Group and companies related to the Group as well as other goods necessary for electrical installation works mainly to retail customers and small- and medium-sized electrical installation companies and in providing management services. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

The Group assesses the performance of its operating segments on the basis of revenue and operating profit. Based on the assessment of the Parent company's management board, inter-segment transactions are carried out on ordinary market terms that do not differ substantially from the terms agreed in transactions conducted with third parties.

Unallocated assets comprise the Parent company's cash, other receivables, prepayments and other financial investments.

Unallocated liabilities consist of the Parent company's (Estonia) interest-bearing loans and borrowings, tax liabilities and accrued expenses.

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

For the period 1 January – 30 June	Note	Manu-facturing	Real estate	Other activities	Elimi-nations	Consoli-dated
2016						
Revenue from external customers		26,419	1,248	1,298	0	28,965
Inter-segment revenue		74	489	177	-740	
Total revenue		**26,493**	**1,737**	**1,475**	**-740**	**28,965**
Operating profit		**1,518**	**492**	**-146**	**-193**	**1,671**
Finance income	6					767
Finance costs	6					-11
Profit before tax						**2,427**
Income tax						-448
Profit for the period						**1,979**
Segment assets		38,198	13,069	5,138	-8,162	48,243
Indivisible assets						22,659
Total assets						**70,902**
Capital expenditure	2	94	170	264	0	**528**
Depreciation charge for the year	2	453	251	113	-2	**815**
2015						
Revenue from external customers		25,137	1,173	1,225	0	27,535
Inter-segment revenue		136	503	168	-807	0
Total revenue		**25,273**	**1,676**	**1,393**	**-807**	**27,535**
Operating profit		**1,063**	**507**	**-126**	**-36**	**1,408**
Finance income	6					785
Finance costs	6					-16
Financial expense from subsidiary						-13
Profit before tax						**2,164**
Income tax						-581
Profit for a period						**1,583**
Segment assets		37,100	13,604	4,995	-8,758	46,941
Indivisible assets						27,149
Total assets						**74,090**
Capital expenditure	2	640	1,288	208	0	**2,136**
Depreciation charge for the year	2	419	219	93	0	**731**

Revenue by markets:

For the period 1 January – 30 June	2016	2015
Estonia	6,365	6,628
Finland	19,759	16,789
Lithuania	179	495
Sweden	1,034	676
Norway	471	1,920
Other countries	1,157	1,027
Total	**28,965**	**27,535**

Revenue by business area:

For the period 1 January – 30 June	**2016**	**2015**
Electrical equipment	24,938	23,286
Sheet metal products and services	514	446
Boxes for telecom sector and services	538	560
Intermediary sale of electrical products and components	1,546	1,802
Commerce and mediation of services	170	80
Rental income	1,109	1,014
Other services	150	347
Total	**28,965**	**27,535**

Note 6 Finance income and costs

For the period 1 January – 30 June	**2016**	**2015**
Interest income	1	18
Income from sale of investments	0	1
Dividend income	766	766
Total finance income	**767**	**785**
Interest expense	-11	-16
Financial expense from subsidiary	0	-13
Total finance costs	**-11**	**-29**

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. At 30 June 2016, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

For the period 1 January – 30 June	Unit	**2016**	**2015**
Profit attributable to equity holders of the parent	EUR‘000	1,988	1,572
Average number of shares outstanding	Pc‘000	17,740	17,400
Basic and diluted earnings per share	EUR	0.11	0.09
1 April – 30 June			
Profit attributable to equity holders of the parent	EUR‘000	1,664	1,556
Adjusted number of shares during the period	Pc‘000	17,740	17,400
Basic and diluted earnings per share	EUR	0.09	0.09

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

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

For the period 1 January – 30 June	Note	**2016**	**2015**
Corporate income tax paid			
Income tax expense		-448	-581
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-40	289
Corporate income tax paid		**-488**	**-292**
Interest received			
Interest income	6	1	18
Receivable increase (-)		3	2
Interest received		**4**	**20**
Paid for investment property			
Additions of investment property	2	-170	-1,288
Liability decrease (-)/ increase (+) incurred by purchase		31	-82
Acquisition of investment property		**-139**	**-1,370**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-308	-759
Acquired with finance lease	3	0	459
Liability decrease (-)/ increase (+) incurred by purchase		0	-12
Acquisition of property, plant and equipment		**-308**	**-312**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	0	4
Profit on disposal of property, plant and equipment		3	22
Proceeds from sale of property, plant and equipment		**3**	**26**
Paid for intangible assets			
Additions of intangible assets	2	-50	-89
Liability decrease (-)/ increase (+) incurred by purchase		6	8
Acquisition of intangible assets		**-43**	**-81**

Note 9 Subsidiaries

On 17 June 2014, Satmatic Oy (Finland) signed a contract for the purchase of all of the shares of Finnkumu Oy, Finland’s largest unit substation producer. According to the contract, after the audited annual report is approved, in 2015 an additional 50% of the company’s operating profit shall be paid for the year 2014, and in 2016 an additional 40% of the company’s operating profit shall be paid to the sellers for the year 2015.

In the reporting quarter Satmatic Oy paid an additional 713,000 (Q2 2015: 857,000) euros for the shares of Finnkumu Oy.

AS Harju Elekter Interim report 1-6/2016, consolidated (unaudited, in thousand euros)

Note 10 Transactions with related parties

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

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

For the period 1 January – 30 June	**2016**	**2015**
Purchase of goods and services from related parties:		
- from Harju KEK	53	41
Inclusive:		
- lease of property, plant and equipment	53	33
- purchase of property, plant and equipment	0	8
Sale of goods and services to related parties:		
- to Harju KEK	0	1
Inclusive:		
- other services	0	1
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	110	100
- social security and other taxes on salaries	37	33
TOTAL	147	133

The member/Chairman of the Management Board receives remuneration in accordance with the contract and is also entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the management board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthly remuneration of a development manager. The member/Chairman of the Management Board has no rights related to pension. During the quarter, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/2016 as set out on pages 3 to 24 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“July 2016