

## **AS HARJU ELEKTER**

Interim report 1-9/2012

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
Address:	Paldiski mnt.31, 76 606 Keila
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 <sup>st</sup> of January 2012
End of the reporting period:	30 <sup>th</sup> of September 2012

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**EXPLANATORY NOTE*****Group structure and changes on it***

In interim report for 1-9/2012 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. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 30 September 2012, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.09.12	31.12.11	30.09.11
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	6.4%	6.6%	7.0%

***Economic environment***

Global economic growth has decelerated. Main risks being the debt crisis of the Eurozone, the political and fiscal problems in the US, slowdown of the Chinese economy and faster than expected rise in raw material prices. The decisions of the European Council on the establishment of common banking supervision and use of the European Stability Mechanism (ESM) to recapitalise the banks, as well as the decisions of the Eurosystem on lowering interest rates and introducing a new monetary policy instrument for purchasing government bonds in the secondary market, have somewhat improved the security of the financial markets and set the stage for alleviating the effect of the crisis. The world economic outlook might be improved by a lower oil price, which would support the consumption of oil-importing countries and lower inflation, which in turn would increase the purchase power of households; however, the deceleration of which could be hindered by high food prices.

Despite the complicated times in the world economy, the economic developments in the Baltic and Scandinavian countries have been favourable. Recovery of the Latvian economy, which relies equally on exports as well as on domestic demand, has continued, lowering unemployment and improving security. Lithuanian economic developments have been more modest.

Although economic growth in Estonia has decelerated since the end of 2011, domestic demand has remained strong and the main risks continued to stem from the external environment. Domestic demand has been supported by an attractive interest environment, which has created favourable conditions for investing. A substantial contribution to economic growth has also come from the flexible labour market, since recovery of employment and modest increase in wages have improved the security of households and boosted consumption. Reduced loan burden and the low interest level have diminished the loan repayment risk of businesses as well as households. Growth is increasingly being contributed to by the sectors of the domestic economy, while export growth has slowed.

***Main events***

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 of the company has increased 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 Vaasa, Finland, the world's largest biogas combined plant, with a capacity of 140 MW, is being built. The plant is being built by Metso Oy, which receives the necessary solutions and equipment from its subcontractor – the Group's Finnish subsidiary Satmatic Oy. The project also involves Estonian subsidiary AS Harju Elekter Elektrotehnika, which manufactured package distribution substations 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.

30 new solar panels were added to Satmatic Oy's 30 kW solar power plant, which had been operating for a little bit longer than a year. The electricity produced on working days is mainly consumed for own use, the remaining energy and energy produced during the weekends is transferred to the national energy network.

AS Harju Elekter Teletehnika continued development of Lean manufacturing 5S principles for increasing productivity. 5S is a tool that helps to identify the product value from the standpoint of the client and it helps to reduce the wasting of resources. 5S teams have successfully passed the first interim audit; the production is freed from excessive items and time consumption. To make the work even more efficient, the mapping of work processes commenced in the autumn.

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 to AS Harju Elekter, as well as the explanation of specific emerged issues, the highlighting of important details, 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.

### ***Operating results***

The Group's financial performance during the reporting period improved compared to the reference period. During the nine months, revenue increased by 19.8%, gross profit by 18.1%, operating profit by 20.9% and net profit by 47.6%.

#### **SALES REVENUE**

In the third quarter, the Group's consolidated revenue increased by 1.45 million euros up to 14.5 million euros and the revenue for nine months increased by more than 6 million euros, to nearly 40.2 million euros. The increase in revenue derived mainly from the principal activity, i.e. production, where the sales increased by over 1.42 million euros or 12.0% in the third quarter and by over 6.6 million euros or 21.9% within nine months. Production also contributed the largest share of revenue – 91% (9 months 2011: 89.4%)

From industrial products, the sale of electrical equipment grew 14.3%, i.e. 1.5 million euros and one-fourth i.e. 6.7 million euros in 9 months, contributing 84% (9m 2011: 81%) of the Group's sales

revenues. The sale of sheet metal and telecommunications products and services constituted 4% of the consolidated sales income.

More than 4% of sales revenues derived from the real estate segment, the sales income of which dropped 2% over the 9 months. In connection with the opening of the electricity market, some clients started to buy electricity in the free market, which was the main reason underlying a decrease in the sales of the real estate sector. At the same time, lease income increased 3.8% up to 536,000 euros during the third quarter and 4.8% up to 1.6 million euros during the nine months mainly because of the addition of lease premises. Rental prices are stable and fixed for a long term; prices are adjusted once a year, if necessary.

Sales revenue by segment:

EUR (in thousands) Segment	Growth (%)		Q3		9 months		Share (%)	
	Q/Q	9m/9m	2012	2011	2012	2011	2012	2011
Manufacturing	12.0	21.9	13,231	11,816	36,593	30,023	91.0	89.4
Real estate	2.9	-2.1	556	540	1,778	1,816	4.4	5.4
Unallocated activities	3.0	7.5	699	679	1,865	1,735	4.6	5.2
<b>Total</b>	<b>11.1</b>	<b>19.8</b>	<b>14,486</b>	<b>13,035</b>	<b>40,236</b>	<b>33,574</b>	<b>100</b>	<b>100</b>

Sales revenue by business area:

EUR (in thousands)	Growth (%)		Q3		9 months		Share (%)	
	Q/Q	9m/9m	2012	2011	2012	2011	2012	2011
Electrical equipment	14.3	24.6	12,355	10,806	33,853	27,171	84.1	80.9
Sheet metal products and services	-11.5	2.7	307	347	870	847	2.2	2.5
Boxes for telecom sector and services	27.4	19.3	292	229	783	656	1.9	2.0
Intermediary sale of electrical products and components	-24.3	-13.5	773	1,021	2,433	2,814	6.1	8.4
Commerce and mediation of services	-23.6	0.8	36	47	317	315	0.7	0.9
Rental income	3.8	4.8	536	516	1,624	1,549	4.0	4.6
Other services	173.0	60.5	187	69	356	222	1.0	0.7
<b>Total</b>	<b>11.1</b>	<b>19.8</b>	<b>14,486</b>	<b>13,035</b>	<b>40,236</b>	<b>33,574</b>	<b>100</b>	<b>100</b>

Sales revenue by market:

EUR (in thousands) Markets	Growth (%)		Q3		9 months		Share (%)	
	Q/Q	9m/9m	2012	2011	2012	2011	2012	2011
Estonia	-0.1	10.7	5,085	5,090	14,062	12,700	34.9	37.8
Finland	18.8	28.9	6,710	5,649	19,254	14,936	47.9	44.5
Lithuania	-33.7	-39.6	822	1,240	1,922	3,180	4.8	9.5
Sweden	145.0	291.9	245	100	1,010	258	2.5	0.8
Other EU countries	95.7	91.3	1,065	544	1,538	804	3.8	2.4
Others	35.7	44.5	559	412	2,450	1,696	6.1	5.0
<b>Total</b>	<b>11.1</b>	<b>19.8</b>	<b>14,486</b>	<b>13,035</b>	<b>40,236</b>	<b>33,574</b>	<b>100</b>	<b>100</b>

Of the revenue of the Group, 35% was received from the Estonian market and 65% from the foreign markets. Half of the Group's products and services were sold in the close market (Finland, Sweden) and 90% in the Group's companies home markets - Estonia, Finland, Sweden, Lithuania (9months 2011: 92.6%).

Domestic sale increased 10.7% to 14.1 million euros in 9 months, amounting to 35% of the Group's sales revenues; sales to the Finnish market have increased by 28.9% to 19.3 million euros, which was 47.9% of the sales revenue of the Group. It is positive that the Group's companies offer the necessary equipment and solutions to the world's largest biogas combined plant being built in Finland. Sales to the Lithuanian market decreased by one-third in Q3 and 40% in 9 months. However, the 9-month sales revenue of the Lithuanian company has increased 4% due to expanded sales volumes in foreign markets. Exports by the Lithuanian company accounted for 60% (9m 2011: 36%) of the company's sales revenues, surging by 4 million euros over the 9 months. Major growth has been experienced on the Swedish market both in Q3 (2.5 times) as well as in 9 months (almost 4 times), accounting for 2.5% of the consolidated sales revenues. Export to other European Union countries has almost doubled. Germany, where an active partner with a large potential has been found, is also a developing and continuously growing market for the Group. Sales to that market increased by 900,000 euros in the nine months compared to the reference period. Supplies to France and Portugal have also increased.

The share of other markets in the Group's sales revenues has increased to 6.1%, from 5%. 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

EUR (in thousands)	Growth (%)		Q3		9 months	
	Q/Q	9m/9m	2012	2011	2012	2011
Cost of sales	12.6	20.2	12,051	10,698	33,542	27,907
Distribution costs	20.3	26.9	759	631	2,113	1,666
Admin expenses	-4.8	12.7	855	900	2,773	2,461
<b>Total expenses</b>	<b>11.7</b>	<b>20.0</b>	<b>13,665</b>	<b>12,229</b>	<b>38,428</b>	<b>32,034</b>
incl. depreciation of fixed assets	10.3	5.7	374	339	1,096	1,037
Total labour cost	3.6	15.8	2,791	2,694	8,884	7,670
inclusive salary cost	8.6	17.7	2,206	2,031	6,826	5,799

With a strong growth of revenue, the expenditure of business activities have been increasing a little faster in the reporting quarter, as a result of which the profit margins in the reporting quarter have dropped. Marketing expenses have increased the most. In Q3, the Group expensed doubtful receivables in the total amount of 72,000 euros, increasing distribution costs in Q3 by 11.4% and in 9 months by 4.3% and decreasing profit margins by 0.5 percentage points in the quarter under review and 0.2 percentage points in 9 months. 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 30 September of last year, the number of employees in the Group's manufacturing companies has increased by 26 employees; the average number of employees by 32 in the third quarter and by 25 in the nine months. The average salary per employee has increased by 10.8%. In the reporting period, the salaries of employees in all of the Group's companies were adjusted. Labour expenses made up 19.3% of the revenue in the third quarter (Q3 2011: 20.7%), in the nine months period 22.1% (9 months 2011: 22.8%).

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

## EARNINGS AND MARGINS

In the third quarter the gross profit of the Group was 2.4 (Q3 2011: 2.3) million euros. The gross profit margin was 16.8% decreasing by 1.1 per cent point comparing to the same period figure a year before. The gross profit of 9 months 2012 increased by 18.1% and was 6.7 million euros and the gross profit margin was 16.6% decreasing by 0.3 per cent point comparing to the reference period.

Operating profit of Q3 2012 was 817 (Q3 2011: 806) thousand euros and EBITDA 1.2 (Q3 2011: 1.1) million euros. Return of sales for the accounting quarter was 5.6% (Q3 2011: 6.2%) and return of sales before depreciation 8.2% (Q3 2011: 8.8%). During 9 months, EBITDA increased by 14.7% to 2.9 million euros and operating profit by 20.9% to 1.8 million euros. Return of sales before depreciation for the 9 months 2012 was 7.3% (9m 2011: 7.6%) and return of sales was 4.5%, being on the same level as in the reference period.

In the reporting quarter the Group received dividend in the about 854 (9M 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 243,000 euros to 1.0 million euros within nine months.

In Q3 2012, the Group consolidated from the associated company a profit of 561,000 (Q3 2011:291,000) euros and during the nine months 1.0 (9m 2012: 0.4) million euros.

Overall, the consolidated net profit of the Q3 2012 was 1.3 (Q3 2011: 1.0) million euros, of which the share of the owners of the parent company was 1.2 (Q3 2011: 0.9) million euros. EPS in the Q3 was 0.07 (Q3 2011: 0.06) euros. The consolidated net profit of nine months was 3.4 million euros increasing by 47.6% compared to the reference period. EPS was 0.20 (9m 2011: 0.13) euros.

*Employees and remuneration*

In Q3 2012, the average 467 people worked in the Group – on the average by 32 persons more than in the reference period. During the first 9 months, the average number of employees increasing by 27 persons up to 451 employees. In the third quarter, employee wages and salaries totalled 2,206 (Q3 2011: 2,031) thousand euros and during the first 9 months 6,826 (9m 2011: 5,799) thousand euros. The average wages per employee per month amounted 1,683 (9m 2011: 1,519) euros.

Average number of employees	Q3		9 months		Growth	Number of employees at 30 September	
	2012	2011	2012	2011		2012	2011
Estonia	295	284	285	272	3	305	302
Finland	86	84	87	84	1	87	86
Lithuania	84	66	77	67	19	85	66
Sweden	2	1	2	1	1	2	1
<b>Total</b>	<b>467</b>	<b>435</b>	<b>451</b>	<b>424</b>	<b>24</b>	<b>479</b>	<b>455</b>

As at the balance day on 30 September, there were 479 people working in the Group, which were 24 employees more than a year before and 22 employees more than in the beginning of the year.

**Financial position and cash flows**

The amount of the consolidated balance sheet as of 30 September 2012 was 59.0 million euros, of which the current assets accounted for 29.9% and the non-current assets for 70.1%. The increase was 6.1 million euros in 9 months and 8.5 million euros during the year.

The cost of fixed assets increased by 3.9 million euros to 41.1 million euros in 9 months and most of the growth derived from value adjustment of long-term financial investments. The market price of PKC Group Oyj shares increased in nine months by 2.60 euros to 14.03 euros. The cost of investment in assets and reserves in equity capital increased by the profit of 3.6 million euros 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 3.4 million euros to 19.4 million euros in nine months.

During the first 9 months the Group investments to real estate, tangible fixed assets and intangible fixed assets totalling 0.53 (9m 2011: 2.25) million euros.

During the reporting period, current assets increased by 2.2 million euros to 17.7 million euros, incl. the business claims and prepayments together by 0.3 million euros to 8.3 million euros and inventories by 0.9 million euros to 7.6 million euros and cash by 1 million euros to 1.8 million euros.

During the nine months, the liability of the Group decreased by 0.3 million euros to 10.6 million euros, accounting for 18.0% of the volume of assets (9m 2011: 21.0%).

During the nine months, supplier payables and other payables decreased by 1.3 million euros, tax liabilities by 0.5 million euros and interest-bearing debt obligations by 2.1 million euros (Note 3).

As at 30.09.2012, the Group had a total of interest-bearing debt obligations of 1.7 (30.09.2011: 3.0) million euros, of which current portion amounted 0.15 (30.09.2011: 1.2) million euros. During the nine months, short-term liabilities were reduced by 1.9 million euros to 70,000 euros and 0.21 (9m 2011: 0.21) million euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities were reduced by 61,000 euros and 65,000 euros worth of principal amounts of the financial lease were paid.

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

Cash flows from operating activities was 3.1 (9m 2011: 0.9) million euros and from investing activities 0.5 million euros. In the reference period the outflow from investing activities was 1.1 million euros. The Group received 0.66 million euros from the bonus issue and paid dividends in the amount of 1.2 (9m 2011: 1.1) million euros. All in all, cash outflow from financing activity was 2.6 (9m 2011: 1.4) million euros. During the nine months, cash and cash equivalents increased by 1.0 million euros to 1.8 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**

EUR	1-9/2012	1-9/2011	2011
Number of the shares, (1000 pc)	17,400	16,800	16,800
Nominal value	0.70	0.70	0.70
High price	2.80	3.54	3.54
Low price	2.30	2.23	2.19
Closing price	2.35	2.40	2.28
Market value (in million)	40.9	40.3	38.3
EPS	0.20	0.13	0.17



## Share price in Tallinn Stock Exchange, 1.1.-30.9.2012

EUR



At the balance date, September 30 2012 Harju Elekter had 1,498 shareholders. The number of shareholders increased during the accounting period by 55 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.7% of Harju Elekter's share capital. Members of the supervisory and management boards hold 14.03% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities ([www.e-register.ee](http://www.e-register.ee)).

## Shareholders structure by size of holding at 30 September 2012

<b>Holding</b>	<b>No of shareholders</b>	<b>% of all shareholders</b>	<b>% of votes held</b>
> 10%	2	0.13	42.61
1.0 – 10.0%	7	0.47	27.18
0.1 – 1.0 %	54	3.61	15.76
< 0.1%	1,435	95.79	14.45
<b>Total</b>	<b>1,498</b>	<b>100.0</b>	<b>100.0</b>

## Shareholders (above 5%) at 30 September 2012

<b>Shareholder</b>	<b>Holding (%)</b>
HARJU KEK AS	31.70
ING LUXEMBOURG S.A.	10.92
Lembit Kirsme	8.10
Endel Palla	6.06

**AGM**

On 3<sup>rd</sup> 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 (Virus 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 1-9/2012 amounted to a total of 142,500 euros and in the comparable period 158,300 euros. In H1 2011 the Management Board of Harju Elekter had three members. In connection with the expiration of the authorisation deadline of the Management Board of AS Harju Elekter, the Supervisory Board assigned a one-member Management Board for the next three-year period, at its meeting on 4 May 2011.

In the course of the share option programme, realised in June 2012, each supervisory and management board member of AS Harju Elekter (except Triinu Tombak) 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 6,700 euros in the reporting quarter, 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](http://www.harjuelekter.ee)

### Key indicators

Accounting period EUR (in thousands)	Q3			9 months			year
	2012	2011	2010	2012	2011	2010	2011
Net sales	14,486	13,035	11,099	40,236	33,574	28,009	46,674
EBIDTA	1,191	1,145	1,254	2,918	2,543	2,199	3,378
Operating profit	817	806	917	1,822	1,506	1,166	2,025
Net profit for the current period	1,326	996	852	3,431	2,324	2,014	2,948
Incl. equity holders of the parents	1,256	945	841	3,329	2,202	2,000	2,773

At the end of the period	Structure (%)			EUR (in thousands)		
	30.09. 2012	31.12. 2011	30.09. 2011	30.09. 2012	31.12. 2011	30.09. 2011
Total current assets	29.9	29.2	30.1	17,660	15,445	15,171
Total non-current assets	70.1	70.8	69.9	41,363	37,475	35,305
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>59,023</b>	<b>52,920</b>	<b>50,476</b>
Total liabilities	18.0	20.6	21.0	10,618	10,886	10,594
Total equity	82.0	79.4	79.0	48,405	42,034	39,882
Inclusive equity attributable to equity holders of the parent	79.0	76.2	75.7	46 632	40 313	38 214

Growth (%)	Q 3		9 months		year
	2012	2011	2012	2011	2011
Turnover	11.1	17.4	19.8	19.9	14.2
EBITDA	3.9	-8.6	14.7	15.6	16.5
Operating profit (EBIT)	1.3	-12.0	20.9	29.2	33.3
Net profit for the current period	33.4	17.0	47.6	15.4	28.5
incl. equity holders of the parent	33.1	12.5	51.2	10.1	27.6
<i>Performance indicators (%)</i>					
Return of sales before depreciation	8.2	8.8	7.3	7.6	7.2
Return of sales (operating profit/turnover *100)	5.6	6.2	4.5	4.5	4.3
Net profit margin (net profit/turnover *100)	9.2	7.6	8.5	6.9	5.9
<i>Employees</i>					
Average number of employees	467	435	451	424	427
Number of employees in the end of the period	479	455	479	455	457

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

<b>ASSETS</b>	Note	EUR (in thousands)		
		<b>30.09.2012</b>	<b>31.12.2011</b>	<b>30.09.2011</b>
<b>Current assets</b>				
Cash and cash equivalents		1,814	815	798
Trade receivables and other receivables		8,089	7,848	7,260
Prepayments		188	104	105
Income tax prepayments		0	20	0
Inventories		7,569	6,658	7,008
<b>Total current assets</b>		<b>17,660</b>	<b>15,445</b>	<b>15,171</b>
<b>Non-current assets</b>				
Deferred income tax asset		49	35	0
Investments in associate	2	2,191	1,177	1,080
Other long-term financial investments	2	19,448	16,023	14,525
Investment property	2	10,552	10,833	10,219
Property, plant and equipment	2	8,698	8,985	9,051
Intangible assets	2	425	422	430
<b>Total non-current assets</b>		<b>41,363</b>	<b>37,475</b>	<b>35,305</b>
<b>TOTAL ASSETS</b>		<b>59,023</b>	<b>52,920</b>	<b>50,476</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Interest-bearing loans and borrowings	3	147	2,245	1,210
Trade payables and other payables		7,521	6,268	6,545
Tax liabilities		1,225	758	875
Income tax liabilities		83	29	27
Short-term provision		12	17	68
<b>Total current liabilities</b>		<b>8,988</b>	<b>9,317</b>	<b>8,725</b>
Interest-bearing loans and borrowings	3	1,585	1,569	1,839
Other non-current liabilities		45	0	30
<b>Non-current liabilities</b>		<b>1,630</b>	<b>1,569</b>	<b>1,869</b>
<b>Total liabilities</b>		<b>10,618</b>	<b>10,886</b>	<b>10,594</b>
<b>Equity</b>				
Share capital	4	12,180	11,760	11,760
Share premium	4	240	0	0
Reserves	4	19,422	15,881	14,379
Retained earnings		14,790	12,672	12,075
<b>Total equity attributable to equity holders of the parent</b>		<b>46,632</b>	<b>40,313</b>	<b>38,214</b>
Non-controlling interests		1,773	1,721	1,668
<b>Total equity</b>		<b>48,405</b>	<b>42,034</b>	<b>39,882</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>59,023</b>	<b>52,920</b>	<b>50,476</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR (in thousands)	Note	1 July - 30 Sept		1 January - 30 Sept	
		2012	2011	2012	2011
Revenue	5	14,486	13,035	40,236	33,574
Cost of sales		-12,051	-10,698	-33,542	-27,907
<b>Gross profit</b>		<b>2,435</b>	<b>2,337</b>	<b>6,694</b>	<b>5,667</b>
Distribution costs		-759	-631	-2,113	-1,666
Administrative expenses		-855	-900	-2,773	-2,461
Other income		8	16	48	21
Other expenses		-12	-16	-34	-55
<b>Operating profit</b>	5	<b>817</b>	<b>806</b>	<b>1,822</b>	<b>1,506</b>
Net financing income/costs	6	9	-15	1,003	760
Share of profit of equity-accounted investees	2	561	291	1,014	400
<b>Profit before tax</b>		<b>1,387</b>	<b>1,082</b>	<b>3,839</b>	<b>2,666</b>
Income tax expense	8	-61	-86	-408	-342
<b>Profit for the period</b>		<b>1,326</b>	<b>996</b>	<b>3,431</b>	<b>2,324</b>
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets	2	2,631	-7,322	3,600	-7,014
Realised gain from sale of financial assets (-)		0	0	-162	0
Currency translation differences		3	0	0	-3
<b>Other comprehensive income for the period, net of tax</b>		<b>2,634</b>	<b>-7,322</b>	<b>3,438</b>	<b>-7,017</b>
<b>Total comprehensive income for the period</b>		<b>3,960</b>	<b>-6,326</b>	<b>6,869</b>	<b>-4,693</b>
<b>Profit attributable to:</b>					
Owners of the Company	7	1,256	945	3,329	2,202
Non-controlling interests		70	51	102	122
<b>Profit for the period</b>		<b>1,326</b>	<b>996</b>	<b>3,431</b>	<b>2,324</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,890	-6,377	6,767	-4,815
Non-controlling interests		70	51	102	122
<b>Total comprehensive income for the period</b>		<b>3,960</b>	<b>-6,326</b>	<b>6,869</b>	<b>-4,693</b>
<b>Earnings per share</b>					
Basic earnings per share (EUR)	7	0.07	0.06	0.20	0.13
Diluted earnings per share (EUR)	7	0.07	0.06	0.20	0.13

**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR (in thousands)			
For the period 1 January - 30 September	Note	2012	2011
<b>Cash flows from operating activities</b>			
Operating profit	5	1,822	1,506
<u>Adjustments for:</u>			
Depreciation and amortisation	2	1,096	1,037
Gain on sale of property, plant and equipment	8	-4	0
Share-based payment transactions		68	80
Change in receivables related to operating activity		-325	-768
Change in inventories		-911	-1,597
Change in payables related to operating activity		1,778	1,014
Corporate income tax paid	8	-347	-334
Interest paid	8	-37	-44
<b>Net cash from operating activities</b>		<b>3,140</b>	<b>894</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment property	8	-92	-1,516
Acquisition of property, plant and equipment	8	-372	-355
Acquisition of intangible assets	8	-103	-46
Proceeds from sale of property, plant and equipment	8	5	0
Proceeds from sale of other financial investments		189	0
Interest received	6	7	9
Dividends received	6	854	795
<b>Net cash used in investing activities</b>		<b>488</b>	<b>-1,113</b>
<b>Cash flows from financing activities</b>			
Changes in short-term loans	3	-1,905	-61
Other long-term liabilities		45	0
Receipts from contribution into share capital		660	0
Repayment of borrowings	3	0	-65
Payment of finance lease principal	3	-205	-205
Dividends paid		-1,226	-1,051
<b>Net cash used in financing activities</b>		<b>-2,631</b>	<b>-1,382</b>
<b>Net cash flows</b>		<b>997</b>	<b>-1,601</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>815</b>	<b>2,400</b>
Net increase / decrease		997	-1,601
Effect of exchange rate fluctuations on cash held	6	2	-1
<b>Cash and cash equivalents at end of period</b>		<b>1,814</b>	<b>798</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EUR (in thousands)	Attributable to equity holders of the parent					Non- control- ling interests	TOTAL
	Share capital	Share premium	Reserves	Retained earnings	Total		
<b>At 31.12.2010</b>	<b>10,737</b>	<b>384</b>	<b>21,396</b>	<b>11,440</b>	<b>43,957</b>	<b>1,589</b>	<b>45,546</b>
Profit for the period	0	0	0	2,202	2,202	122	<b>2,324</b>
Other comprehensive income	0	0	-7,017	0	-7,017	0	<b>-7,017</b>
Comprehensive income for the period	0	0	-7,017	2,202	-4,815	122	<b>-4,693</b>
Increase of share capital	1,023	-384	0	-639	0	0	<b>0</b>
Share-based payment transactions	0	0	0	80	80	0	<b>80</b>
Dividends	0	0	0	-1,008	-1,008	-43	<b>-1,051</b>
<b>At 30.9.2011</b>	<b>11,760</b>	<b>0</b>	<b>14,379</b>	<b>12,075</b>	<b>38,214</b>	<b>1,668</b>	<b>39,882</b>
<b>At 31.12.2011</b>	<b>11,760</b>	<b>0</b>	<b>15,881</b>	<b>12,672</b>	<b>40,313</b>	<b>1,721</b>	<b>42,034</b>
Profit for the period	0	0	0	3,329	3,329	102	<b>3,431</b>
Other comprehensive income	0	0	3,438	0	3,438	0	<b>3,438</b>
Comprehensive income for the period	0	0	3,438	3,329	6,767	102	<b>6,869</b>
Increase of share capital	420	240	0	0	660	0	<b>660</b>
Share-based payment transactions	0	0	0	68	68	0	<b>68</b>
Increase in reserves	0	0	103	-103	0	0	<b>0</b>
Dividends	0	0	0	-1,176	-1,176	-50	<b>-1,226</b>
<b>At 30.9.2012</b>	<b>12,180</b>	<b>240</b>	<b>19,422</b>	<b>14,790</b>	<b>46,632</b>	<b>1,773</b>	<b>48,405</b>

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 30.9.2012 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 1-9/2012 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 – 30 September	EUR (in thousands)	2012	2011
<b>Investments in associate</b>			
At 1 January		1,177	680
Profit under the equity method		1,014	400
<b>At the end of the period</b>		<b>2,191</b>	<b>1,080</b>
<b>Other long-term financial investments</b>			
At 1 January		16,023	21,539
Sale of shares		-175	0
Changes in the fair value reserve		3,600	-7,014
<b>At the end of the period</b>		<b>19,448</b>	<b>14,525</b>
<b>Investment property</b>			
At 1 January		10,833	8,711
Additions		48	1,801
Depreciation charge		-329	-293
<b>At the end of the period</b>		<b>10,552</b>	<b>10,219</b>



**Note 2 Non-current assets (continued)**

For the period 1 January – 30 September	EUR (in thousands)	2012	2011
<b>Property, plant and equipment</b>			
At 1 January		8,985	9,350
Additions		399	369
Disposals		-5	0
Depreciation charge		-681	-668
<b>At the end of the period</b>		<b>8,698</b>	<b>9,051</b>
<b>Intangible assets</b>			
At 1 January		422	421
Additions		87	85
Depreciation charge		-86	-76
Currency translation differences <sup>1</sup>		2	0
<b>At the end of the period</b>		<b>425</b>	<b>430</b>
<b>Total non-current assets</b>		<b>41,314</b>	<b>35,305</b>

<sup>1</sup>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**

EUR (in thousands)	30.09.2012	31.12.2011	30.09.2011
<b>Liabilities</b>			
Short-term bank loans	70	1,975	1,143
Current portion of lease liabilities	77	270	67
<b>Total current liabilities</b>	<b>147</b>	<b>2,245</b>	<b>1,210</b>
<b>Non-current liabilities</b>			
Lease liabilities	1,585	1,569	1,839
<b>Total non-current liabilities</b>	<b>1,585</b>	<b>1,569</b>	<b>1,839</b>
<b>TOTAL</b>	<b>1,732</b>	<b>3,814</b>	<b>3,049</b>

Changes during the period 1 January – 30 September

EUR (in thousands)	2012	2011
<b>Loans and borrowings at the beginning of the year</b>	<b>3,814</b>	<b>3,367</b>
Changes in short-term loans	-1,905	-61
Long-term loan repaid	0	-65
New finance lease	28	13
Payment of finance lease principal	-205	-205
<b>Loans and borrowings at the end of the current period</b>	<b>1,732</b>	<b>3,049</b>

**Note 4 Owner's equity****Share capital**

	Unit	30.09.2012	31.12.2011	30.09.2011
Share capital	EUR'000	12,180	11,760	11,760
Number of shares issued (fully paid)	PC'000	17,400	16,800	16,800
Par value of a share	EUR	0.70	0.70	0.70

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**

EUR (in thousands)	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2010	1,073	20,316	7	21,396
Other comprehensive income	0	-7,014	-3	-7,017
<b>At 30.9.2011</b>	<b>1,073</b>	<b>13,302</b>	<b>4</b>	<b>14,379</b>
At 31.12.2011	1,073	14,800	8	15,881
Increase in reserves	103	0	0	103
Other comprehensive income	0	3,438	0	3,438
<b>At 30.9.2012</b>	<b>1,176</b>	<b>18,238</b>	<b>8</b>	<b>19,422</b>

**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.

In Q3 2012, the Group recorded 19,000 (9m 2011: 27,000) euros as labour costs and share-based benefits under shareholder's equity and retained earnings. The total cost of 9-month share-based benefit including the option programme realised in June 2012 amounts to 68,000 (9m 2011: 80,000) 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.

EUR (in thousands)

For the period 1 January – 30 September	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
<b>2011</b>					
Revenue from external customers	30,023	1,816	1,735	0	33,574
Inter-segment revenue	272	698	205	-1,175	0
<b>Total revenue</b>	<b>30,295</b>	<b>2,514</b>	<b>1,940</b>	<b>-1,175</b>	<b>33,574</b>
Operating profit	847	955	-216	-80	<b>1,506</b>
Segment assets	23,790	10,579	2,050	-460	35,959
Indivisible assets					14,517
<b>Total assets</b>					<b>50,476</b>
<b>2012</b>					
Revenue from external customers	36,593	1,778	1,865	0	40,236
Inter-segment revenue	254	725	222	-1,201	0
<b>Total revenue</b>	<b>36,847</b>	<b>2,503</b>	<b>2,087</b>	<b>-1,201</b>	<b>40,236</b>
Operating profit	1,227	879	-217	-67	<b>1,822</b>
Segment assets	26,057	10,954	3,334	-825	39,520
Indivisible assets					19,503
<b>Total assets</b>					<b>59,023</b>

*Revenue by markets:*

For the period 1 January – 30 September		
EUR (in thousands)	2012	2011
Estonia	14,062	12,700
Finland	19,254	14,936
Lithuania	1,922	3,180
Sweden	1,010	258
Other EU countries	1,538	804
Non-EU countries	2,450	1,696
<b>Total</b>	<b>40,236</b>	<b>33,574</b>

*Revenue by business area:*

For the period 1 January – 30 September		
EUR (in thousands)	2012	2011
Electrical equipment	33,853	27,171
Sheet metal products and services	870	847
Boxes for telecom sector and services	783	656
Intermediary sale of electrical products and components	2,433	2,814
Commerce and mediation of services	317	315
Rental income	1,624	1,549
Other services	356	222
<b>Total</b>	<b>40,236</b>	<b>33,574</b>

**Note 6 Net financing income/costs**

For the period 1 January – 30 September		
EUR (in thousands)	2012	2011
Interest income	7	9
Interest expense	-35	-43
Dividend income	854	795
Net loss from foreign exchange differences	2	-1
<i>Marketable investments:</i>		
Income from sale of investments	175	0
<b>TOTAL</b>	<b>1,003</b>	<b>760</b>

**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 30.9.2012 the Group had 454.96 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 1-9/2012 was 2.48 euros and in the third quarter it was 2.39 euros. Hence, the potential shares did not have any diluting effect.

For the period			
1 January – 30 September	Unit	2012	2011
Profit attributable to equity holders of the parent	EUR'000	3,329	2,202
Average number of shares outstanding	Pc'000	16,991	16,800
Basic earnings per share	EUR	0.20	0.13
<u>1 July – 30 September</u>			
Profit attributable to equity holders of the parent	EUR'000	1,256	945
Average number of shares outstanding	Pc'000	17,367	16,800
Basic earnings per share	EUR	0.07	0.06

**Note 8 Cash flow statement line items**

For the period 1 January – 30 September			
EUR (in thousands)	Note	2012	2011
<b>Corporate income tax paid</b>			
Income tax expense		-408	-342
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		74	8
Deferred income tax (income -)		-13	0
<b>Corporate income tax paid</b>		<b>-347</b>	<b>-334</b>
<b>Interest paid</b>			
Interest expense	6	-35	-43
Liability decrease incurred by purchase		-2	-1
<b>Interest paid</b>		<b>-37</b>	<b>-44</b>
<b>Paid for investment property</b>			
Additions of investment property	2	-48	-1,801
Liability decrease (-)/ increase (+) incurred by purchase		-44	285
<b>Acquisition of investment property</b>		<b>-92</b>	<b>-1,516</b>
<b>Paid for property, plant and equipment</b>			
Additions of property, plant and equipment	2	-399	-369
Acquired with finance lease		28	13
Liability decrease (-)/ increase (+) incurred by purchase		-1	1
<b>Acquisition of property, plant and equipment</b>		<b>-372</b>	<b>-355</b>
<b>Paid for intangible assets</b>			
Additions of intangible assets	2	-87	-85
Liability decrease (-)/ increase (+) incurred by purchase		-16	39
<b>Acquisition of intangible assets</b>		<b>-103</b>	<b>-46</b>
<b>Proceeds from sale of property, plant and equipment</b>			
Book value of disposed property, plant and equipment	2	5	0
Profit on disposal of property, plant and equipment		4	0
Receivables increase (-)		-4	0
<b>Proceeds from sale of property, plant and equipment</b>		<b>5</b>	<b>0</b>

**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 – 30 September EUR (in thousands)	2012	2011
<b>Purchase of goods and services from related parties:</b>		
- from associates	398	313
- from Harju KEK	51	51
<b>TOTAL</b>	<b>449</b>	<b>364</b>
<i>Inclusive:</i>		
- goods and materials for manufacturing	398	313
- lease of property, plant and equipment	49	49
- other	2	2
<b>Sale of goods and services to related parties:</b>		
- to associates	542	572
- to Harju KEK	4	3
<b>TOTAL</b>	<b>546</b>	<b>575</b>
<i>Inclusive:</i>		
- goods and materials for manufacturing	11	27
- lease of property, plant and equipment	511	515
- other	24	33
<b>Balances with related parties at 30 September</b>		
Receivables with associates: goods and services	212	223
Payables with associates: goods and services	83	64

## Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/2012 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  
„31<sup>st</sup>“October 2012