AS HARJU ELEKTER

Interim report 1-6/2012

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
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CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2012
End of the reporting period:	30th of June 2012

The interim report of Harju Elekter Groupon 21 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/2012 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 June 2012, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.06.12	31.12.11	30.06.11
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	6.5%	6.6%	7.0%

Economic environment

In the economic statement of Bank of Estonia from June 2012, it is admitted that uncertainty in the global economy is still high and financial indicators are very sensitive to even the smallest piece of news. The world’s economic centre of gravity has shifted to the developing countries and a near-standstill situation prevails in the economy of the euro area. Although the economy of the euro area as a whole is at a standstill, the development of the countries in the euro area varies. The economies not touched by the sovereign debt crisis (Finland, Germany) have continued their growth, but the economies affected by the crisis (Greece, Portugal, Spain) are in a downturn mainly due to the decreased domestic demand. Uncertainty is created by a threat to the financial stability arising from the sovereign debt crisis and adjustment of the economy. The situation was notably mitigated by a resolution of the European Central Bank at the end of 2011 to offer a monetary policy loan for the term of three years. In the first half of 2012, global inflation pressure has been constrained owing to steadily low prices of raw materials. The current interest environment also promotes demand, because the interest rates are very low in all significant economic areas.

At the beginning of the year, the Estonian economy continued its moderate growth, which was favoured by unexpectedly strong domestic demand. An increase in private consumption was supported by the income earned from exports in the last year, a rise in the sense of security among households and by the fact that many people found a job. The number of employed people last year was nearly 40,000 greater than in the previous year. Capital expenditure increased vigorously at the end of the last year and growth also continued this year. Inflation in Estonia is a little lower than last year, but the continuation of the slowdown in price increases depends on the fluctuation of oil price in the global market and salary growth in Estonia. The major threats to Estonia arise from the external environment; although until now the Estonian economy has largely remained unaffected by the euro area sovereign debt crisis, Estonia has only limited economic relations with the euro area countries facing the problems.

Main events

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 in the first half of the year, which have already been supplied to the client. 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 will be 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.

By the end of the first half of the year, Satmatic Oy's 30 kW solar power plant had been operating for almost one 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. The power plant has functioned smoothly and the system is maintenance-free. The addition of approximately 30 panels is planned this summer.

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. By the end of the half-year, the created 5S teams have successfully passed the first interim audit; the production is freed from excessive items and time consumption. The mapping of work processes will be commenced in the autumn to make the work even more efficient.

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. The first training day took place in January. 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 electricity fair in Kuressaare in June.

Operating results

As a result of strong sales work, the Group's financial performance during the reporting quarter and six months improved significantly compared to the reference period. In the second quarter, revenue increased by 26.7%, gross profit by 22.5% and operating profit by 16.6%; and during the six months by 25.4%, 27.9% and 43.5%, respectively.

SALES REVENUE

In the second quarter, the Group's consolidated revenue increased by 3 million euros up to 14 million euros and the revenue for six months increased by more than 5 million euros, to nearly 26 million euros.

Sales revenue by segment:

EUR (in thousands)	Growth		Q2		6 months		Share	
Segment	Q/Q	6m/6m	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Manufacturing	30.6%	28.3%	12,950	9,913	23,362	18,207	90.7%	88.7%
Real estate	-6.2%	-4.3%	561	598	1,222	1,276	4.8%	6.2%
Unallocated activities	-5.4%	10.4%	568	601	1,166	1,056	4.5%	5.1%
Total	**26.7%**	**25.4%**	**14,079**	**11,112**	**25,750**	**20,539**	**100.0%**	**100.0%**

The increase in revenue derived mainly from the principal activity, i.e. production, where the sales increased by over 3 million euros or 30.6% in the second quarter and by over 5 million euros or 28.3% within half a year.

Production also contributed the largest share of revenue – 90.7%. In the last year, the share of the production segment remained below 90% of consolidated revenue.

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 4% during the second quarter and 5% during the first half of the year 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. Growth in the revenue of other non-segmented activities in the amount of 110,000 euros was contributed by a Swedish subsidiary.

Sales revenue by market:

EUR (in thousands)	Growth		Q2		6 months		Share	
Markets	Q/Q	6m/6m	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Electrical equipment	30.6%	31.4%	12,031	9,213	21,498	16,365	83.5%	79.7%
Sheet metal products and services	32.8%	12.5%	313	236	562	500	2.2%	2.4%
Boxes for telecom sectorand services	60.2%	15.0%	274	171	491	427	1.9%	2.1%
Intermediary sale of electrical products and components	-16.6%	-7.4%	664	796	1,660	1,793	6.4%	8.7%
Commerce and mediation of services	96.3%	5.0%	187	95	282	268	1.1%	1.3%
Rental income	4.1%	5.3%	538	517	1,088	1,033	4.2%	5.0%
Other services	-16.0%	10.1%	72	84	169	153	0.7%	0.8%
Total	**26.7%**	**25.4%**	**14.079**	**11.112**	**25.750**	**20.539**	**100%**	**100%**

Income from selling electrical equipment accounted for the largest share (84%) of consolidated revenue (80% in the reference period). Growth in revenue was achieved as a result of the increase in sales of products of that product group. A total of 519 pieces of various distribution and package substations were sold in the first half of the year (360 pieces in the reference period). This year, the sales of solar energy equipment and solutions is intensifying; the product segment of heating and charging panels for car-parks is in a rising trend, where the Group has attained a leadership position with regard to those products in Finland.

Although a strong competition and price pressure continued to prevail in the markets of sheet metal and fibre optic products, the growth percentages of those products were solid in the second quarter – 33% and 60%, respectively. Clients are increasingly wishing to order distinct products, which has forced the production segment to modify and upgrade its products and develop new products, also to look for innovative technological solutions.

Sales revenue by market:

EUR (in thousands)	Growth		Q2		6 months		Share	
Markets	Q/Q	6m/6m	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Estonia	11.6%	18.0%	4,753	4,257	8,977	7,610	34.9%	37.1%
Finland	36.9%	35.1%	6,980	5,097	12,544	9,287	48.7%	45.2%
Lithuania	-64.1%	-43.3%	450	1,251	1,100	1,940	4.3%	9.5%
Sweden	541.8%	384.1%	641	100	765	158	3.0%	0.8%
Other EU countries	-100.0%	82.1%	0	127	473	260	1.8%	1.2%
Others	346.6%	47.3%	1,255	280	1,891	1,284	7.3%	6.2%
Total	**26.7%**	**25.4%**	**14,079**	**11,112**	**25,750**	**20,539**	**100%**	**100%**

Of the revenue of the Group, 35% was received from the Estonian market and 65% from the foreign markets. Nearly 84% of the Group's products and services were sold in the Finnish and Estonian markets.

Sales to the Finnish market have increased by more than one-third. 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. It is quite difficult to penetrate into the Swedish market, still sales to that market increased over six-fold during the reporting quarter and by 0.6 million euros within six months. Germany, where an active partner with a large potential has been found, is also a developing and continuously growing market for the Group. Revenue from that market totalled 240,000 euros in the first half of the year (800 euros in the reference period). Supplies to France and Portugal have also increased. This year, Ukraine was introduced as a new market to which the Group's products were sold in the amount of 0.6 million euros. Supplies to Russia and Belarus have also increased by 0.5 million euros to 0.65 million euros.

OPERATING EXPENSES

EUR (in thousands)	Growth		Q2		6 months	
	Q/Q	6m/6m	**2012**	**2011**	**2012**	**2011**
Cost of sales	27.6%	24.9%	11,716	9,183	21,491	17,208
Distribution costs	32.4%	30.9%	718	542	1,355	1,035
Admin expenses	27.3%	22.8%	1,043	819	1,918	1,561
Total expenses	**27.8%**	**25.0%**	**13,477**	**10,544**	**24,764**	**19,804**
incl. depreciation of fixed assets	1.1%	3.6%	362	358	722	697
Total labour cost	21.6%	22.5%	3,189	2,623	6,093	4,975
incl salary cost	21.5%	22.6%	2,339	1,925	4,619	3,768

With a strong growth of revenue, the expenditure of business activities have been increasing a little faster in the second quarter, as a result of which the profit margins in the reporting quarter have dropped. Even so, the growth pace of expenditure remains below that of revenue for the six month period. Marketing expenses have increased the most, over 30%. 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 June of last year, the number of employees in the Group's manufacturing companies has increased by 27 and the average number of employees by 23. The average salary per employee has increased by 16%. In the reporting period, the salaries of employees in all of the Group's companies were adjusted. Labour expenses made up 22.7% of the revenue in the second quarter (Q2 2011: 23.6%), in the first half of the year 23.7% (H1 2011: 24.2%).

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

EARNINGS AND MARGINS

In the accounting quarter the gross profit of the Group increased by 22.5% and was 2.4 million euros. The gross profit margin was 16.8% decreasing by 0.6 per cent point compering to the same period figure a year before. The gross profit of H1 2012 increased by 27.9% and was 4.3 million euros and the gross profit margin was 16.5% increasing by 0.3 per cent point compering to the reference period.

Operating profit of Q2 2012 was 630 (Q2 2011: 540) thousand euros and EBITDA 1.0 (Q2 2011: 0.9) million euros. Return of sales for the accounting quarter was 4.5% (Q2 2011: 4.9%) and return of sales before depreciation 7.0% (Q2 2011: 8.1%). In H1 2012, EBITDA increased by 23.6% to 1.7 million euros and operating profit by 43.5% to 1.0 million euros. Return of sales for the first half of the year was 6.7% (H1 2011: 6.8%) and return of sales before depreciation 3.9% (H1 2011: 3.4%).

In the reporting quarter the Group received dividend in the about 831 (Q2 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 to 994,000 euros within six months, representing growth of 219,000 euros from the reference period.

In Q2 2012, the Group consolidated from the associated company a profit of 374,000 (Q2 2011: 79,000) euros and during the first six months 453 (H1 2012: 109) thousand euros.

Overall, the consolidated net profit of the Q2 2012 was 1.51 (Q2 2011: 1.16) million euros, of which the share of the owners of the parent company was 1.49 (Q2 2011: 1.08) million euros. EPS in the Q2 was 0.09 (Q2 2011: 0.06) euros. The consolidated net profit of H1 2012 was 2.1 million euros increasing by 58.4% compared to the reference period. EPS in the H1 was 0.12 (H1 2011: 0.07) euros.

Employees and remuneration

In Q2 2012, the average 450 people worked in the Group − on the average by 29 persons more than in the reference period. During the first 6 months, the average number of employees increasing by 23 persons up to 442 employees. In the second quarter, employee wages and salaries totalled 2,339 (Q2 2011: 1,925) thousand euros and during the first 6 months 4,619 (H1 2011: 3,768) thousand euros. The average wages per employee per month amounted 1,740 (H1 2011: 1,498) euros.

Average number of employees	Q2		6 months			Number of employees at 30 June	
	2012	**2011**	**2012**	**2011**	Growth	**2012**	**2011**
Estonia	284	269	279	267	13	316	303
Finland	86	84	88	84	-1	85	86
Lithuania	78	67	73	67	14	81	67
Sweden	2	1	2	1	1	2	1
Total	**450**	**421**	**442**	**419**	**27**	**484**	**457**

As at the balance day on 30 June, there were 484 people working in the Group, which were 27 employees more than a year before and 7 employees more than in the beginning of the year.

Financial position and cash flows

The amount of the consolidated balance sheet as of 30 June 2012 was 56.9 million euros, increasing by 4.0 million euros during the first 6 months.

The main reason for the increase in assets was the rise in the market price of PKC Group Oyj shares. The price of the share increased in six months by 0.70 euros to 12.13 euros. The cost of investment in assets and reserves in equity capital increased by the profit of 0.97 million euros received from stock revaluation. In the first quarter, the Group sold 15,362 shares with the accounting value of 0.18 million euros. In total, the cost of financial assets increased by 0.79 million euros to 16.8 million euros in six months.

During the first 6 months the Group investments to real estate, tangible fixed assets and intangible fixed assets totalling 0.33 (H1 2011: 1.42) million euros.

As at the reporting date on 30.06.2012, the fixed assets accounted for 67.3% (30.06.2011: 73.3%) of the cost of assets.

Current assets increased by 3.2 million euros to 18.6 million euros, incl. the business claims and prepayments together by 0.4 million euros up to 8.4 million euros and inventories by 2.4 million euros up to 9.1 million euros.

During the first six months, the liability of the Group increased by 1.64 million euros to 12.5 million euros, accounting for 22.0% of the volume of assets (H1 2011: 19.1%).

During the first half of the year, supplier payables and other payables increased by 1.85 million euros to 8.1 million euros, tax liabilities by 0.69 million euros to 1.5 million euros.

As at 30.06.2012, the Group had a total of interest-bearing debt obligations of 2.9 million (30.06.2011: 3.5 million) euros, of which current portion amounted 1.3 (30.06.2011: 1.6) million euros. During the first half of the year, short-term liabilities were reduced by 0.83 million euros to 1.4 million euros and 0.14 (H1 2011: 0.14) million euros worth of principal amounts of the financial lease were repaid. In the reference period, short-term liabilities increased by 0.29 million euros and long-term loans in amount of 49,000 euros were repaid.

In H1 2012, the current ratio of the Group was 1.7 and liquidity ratio 0.9; in the reference period the figures were 1.8 and 1.0 respectively.

Cash flows from operating activities was 1.2 million euros and from investing activities 0.7 million euros. In the reference period the outflow from operating activities was 0.4 million euros and from investing activities 0.6 million euros. The Group paid dividends in the amount of 1.2 (H1 2011: 1.1) million euros. All in all, cash outflow from financing activity was 1.5 (H1 2011: 0.9) million euros. During the first six months, cash and cash equivalents increased by 0.37 million euros to 1.2 million euros; within the comparable period cash and cash equivalents decreased by 1.9 million euros to 0.5 million euros.

Shares of Harju Elekter

EUR	**1-6/2012**	**1-6/2011**	**2011**
Number of the shares, (1000 pc)	16,800	16,800	16,800
Nominal value	0.70	0.64	0.70
High price	2.80	3.54	3.54
Low price	2.30	2.66	2.19
Closing price	2.47	2.66	2.28
Market value (in million)	41.5	44.7	38.3
EPS	0.12	0.07	0.17

AGM

On 3rd of May 2012 was held the AGM where attended by 101 shareholders and their authorised representatives who represented the total of 76.11 % of the total votes. The general meeting approved the 2011 annual report and profit distribution, elected and appointed a new supervisory board of five members for the next five-year term and approved the procedure for remuneration of the supervisory board. The general meeting also appointed KPMG Baltics OÜ as an auditor of the company for 2012-2014, and approved the implementation of the private share issue programme (option programme) adopted at a general meeting of shareholders on 23 April 2009 (further information on page 17).

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. In accordance with the resolution of the AGM, was issued share options to 51 employees, with regard to the subscription rights for 454,960 shares. The subscription price for the year 2015 was the average price of the trading period 1.-15. June 2012, this was 2.36 euros.

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

Supervisory and management boards

In connection with the expiration of the authorisation deadline of the Supervisory Board of AS Harju Elekter, the AGM assigned a five-member Supervisory Board for the next five-year period, at its meeting on 3 May 2012. The Supervisory Board has the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Viru Keemia Grupp AS, Head of Legal Department), Madis Talgre (Chairman of the Management Board, AS Harju KEK), Triinu Tombak (financial consultant) and Andres Toome (consultant).

There were no changes in one-member Management Board of AS Harju Elekter. The Managing Director/CEO is Mr Andres Allikmäe. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. The managing director is entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the management board. The member/Chairman of the Management Board has no rights related to pension.

During the quarter, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in H1 2012 amounted to a total of 91,000 euros and in the comparable period 132,000 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.

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

Key indicators

Accounting period	Q2		6 months		year
EUR (in thousands)	**2012**	**2011**	**2012**	**2011**	**2011**
Net sales	14,079	11,112	25,750	20,539	46,674
EBIDTA	992	898	1,727	1,397	3,378
Operating profit	630	540	1,005	700	2,025
Net profit for the current period	1,513	1,164	2,105	1,329	2,948
Incl. equity holders of the parents	1,493	1,077	2,073	1,258	2,773

	Structure (%)			EUR (in thousands)		
At the end of the period	**30.06. 2012**	**31.12. 2011**	**30.06. 2011**	**30.06. 2012**	**31.12. 2011**	**30.06. 2011**
Total current assets	32.7	29.2	26.7	18,630	15,445	15,239
Total non-current assets	67.3	70.8	73.3	38,326	37,475	41,839
Total assets	**100.0**	**100.0**	**100.0**	**56,956**	**52,920**	**57,078**
Total liabilities	22.0	20.6	19.1	12,531	10,886	10,896
Total equity	78.0	79.4	80.9	44,425	42,034	46,182
Inclusive equity attributable to equity holders of the parent	75.0	76.2	78.1	42,722	40,313	44,565

	Q 2		6 months		year
Growth (%)	**2012**	**2011**	**2012**	**2011**	**2011**
Turnover	26.7	33.3	25.4	21.5	14.2
EBITDA	10.4	70.6	23.6	47.6	16.5
Operating profit (EBIT)	16.6	203.7	43.5	180.0	33.3
Net profit for the current period	30.0	82.0	58.4	14.2	28.5
incl. equity holders of the parent	38.8	83.1	64.8	8.4	27.6
Performance indicators (%)					
Return of sales before depreciation	7.0	8.1	6.7	6.8	7.2
Return of sales (operating profit/turnover *100)	4.5	4.9	3.9	3.4	4.3
Net profit margin (net profit/turnover *100)	10.7	10.5	8.1	6.5	5.9
Employees					
Average number of employees	450	421	442	419	427
Number of employees in the end of the period	484	457	484	457	457

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EUR (in thousands)		
ASSETS	Note	**30.06.2012**	**31.12.2011**	**30.06.2011**
Current assets				
Cash and cash equivalents		1,188	815	478
Trade receivables and other receivables		7,999	7,848	6,957
Prepayments		349	104	109
Income tax prepayments		32	20	27
Inventories		9,062	6,658	7,668
Total current assets		**18,630**	**15,445**	**15,239**
Non-current assets				
Deferred income tax asset		35	35	0
Investments in associate	2	1,630	1,177	789
Other long-term financial investments	2	16,817	16,023	21,847
Investment property	2	10,639	10,833	9,566
Property, plant and equipment	2	8,752	8,985	9,201
Intangible assets	2	453	422	436
Total non-current assets		**38,326**	**37,475**	**41,839**
TOTAL ASSETS		**56,956**	**52,920**	**57,078**
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	1,284	2,245	1,643
Trade payables and other payables		8,125	6,268	6,377
Tax liabilities		1,419	758	930
Income tax liabilities		61	29	11
Short-term provision		17	17	66
Total current liabilities		**10,906**	**9,317**	**9,027**
Interest-bearing loans and borrowings	3	1,585	1,569	1,839
Other non-current liebilities		40	0	30
Non-current liabilities		**1,625**	**1,569**	**1,869**
Total liabilities		**12,531**	**10,886**	**10,896**
Equity				
Share capital		11,760	11,760	11,760
Unregistered share capital		420	0	0
Share premium		240	0	0
Reserves	4	16,685	15,881	21,701
Retained earnings		13,617	12,672	11,104
Total equity attributable to equity holders of the parent		**42,722**	**40,313**	**44,565**
Non-controlling interests		1,703	1,721	1,617
Total equity		**44,425**	**42,034**	**46,182**
TOTAL LIABILITIES AND EQUITY		**56,956**	**52,920**	**57,078**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR (in thousands)	Note	1 April - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2012	1 January - 30 June 2011
Revenue	5	14,079	11,112	25,750	20,539
Cost of sales		-11,716	-9,183	-21,491	-17,208
Gross profit		**2,363**	**1,929**	**4,259**	**3,331**
Distribution costs		-718	-542	-1,355	-1,035
Administrative expenses		-1,043	-819	-1,918	-1,561
Other income		38	4	40	5
Other expenses		-10	-32	-21	-40
Operating profit	5	**630**	**540**	**1,005**	**700**
Net financing income/costs	6	821	781	994	775
Share of profit of equity-accounted investees	2	374	79	453	109
Profit before tax		**1,825**	**1,400**	**2,452**	**1,584**
Income tax expense		-312	-236	-347	-255
Profit for the period		**1,513**	**1,164**	**2,105**	**1,329**
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-7,006	196	969	308
Realised gain from sale of financial assets (-)		0	0	-162	0
Currency translation differences		2	-3	-3	-3
Other comprehensive income for year, net of tax		**-7,004**	**193**	**804**	**305**
Total comprehensive income for the period		**-5,491**	**1,357**	**2,909**	**1,634**
Profit attributable to:					
Owners of the Company		1,493	1,077	2,073	1,258
Non-controlling interests		20	87	32	71
Profit for the period		**1,513**	**1,164**	**2,105**	**1,329**
Total comprehensive income attributable to:					
Owners of the Company		-5,511	1,270	2,877	1,563
Non-controlling interests		20	87	32	71
Total comprehensive income for the period		**-5,491**	**1,357**	**2,909**	**1,634**
Earnings per share					
Basic earnings per share (EUR)	7	0.09	0.06	0.12	0.07
Diluted earnings per share (EUR)	7	0.09	0.06	0.12	0.07

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 June	Note	EUR (in thousands) 2012	2011
Cash flows from operating activities			
Operating profit	5	1,005	700
Adjustments for:			
Depreciation and amortisation	2	722	697
Gain on sale of property, plant and equipment	8	-4	0
Share-based payment transactions		48	53
Change in receivables related to operating activity		-390	-470
Change in inventories		-2,404	-2,257
Change in payables related to operating activity		2,531	1,185
Effect of exchange rate fluctuations on cash held	6	3	-2
Corporate income tax paid	8	-327	-290
Interest paid	8	-29	-27
Net cash from operating activities		**1,155**	**-411**
Cash flows from investing activities			
Acquisition of investment property	8	-51	-1,053
Acquisition of property. plant and equipment	8	-189	-280
Acquisition of intangible assets	8	-76	-28
Proceeds from sale of property, plant and equipment	8	5	0
Proceeds from sale of other financial investments		189	0
Interest received	6	11	7
Dividends received	6	831	795
Net cash used in investing activities		**720**	**-559**
Cash flows from financing activities			
Changes in short-term loans	3	-834	289
Other long-term liabilities		40	0
Receipts from contribution into share capital		660	0
Repayment of borrowings	3	0	-49
Payment of finance lease principal	3	-139	-138
Dividends paid		-1,226	-1,051
Net cash used in financing activities		**-1,499**	**-949**
Net cash flows		**376**	**-1,919**
Cash and cash equivalents at beginning of period		**815**	**2,400**
Net increase / decrease		376	-1,919
Currency translation differences	4	-3	-3
Cash and cash equivalents at end of period		**1,188**	**478**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Share capital	**Unregis-tered share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-control-ling interests**	**TOTAL**
At 31.12.2010	**10,737**	**0**	**384**	**21,396**	**11,440**	**43,957**	**1,589**	**45,546**
Profit for the period	0	0	0	0	1,258	1,258	71	**1,329**
Other comprehensive income	0	0	0	305	0	305	0	**305**
Comprehensive income for the period	0	0	0	305	1,258	1,563	71	**1,634**
Increase of share capital	1,023	0	-384	0	-639	0	0	**0**
Share-based payment transactions	0	0	0	0	53	53	0	**53**
Dividends	0	0	0	0	-1,008	-1,008	-43	**-1,051**
At 30.6.2011	**11,760**	**0**	**0**	**21,701**	**11,104**	**44,565**	**1,617**	**46,182**
At 31.12.2011	**11,760**	**0**	**0**	**15,881**	**12,672**	**40,313**	**1,721**	**42,034**
Profit for the period	0	0	0	0	2,073	**2,073**	32	**2,105**
Other comprehensive income	0	0	0	804	0	**804**	0	**804**
Comprehensive income for the period	0	0	0	804	2,073	**2,877**	32	**2,909**
Unregistered share capital	0	420	240	0	0	**660**	0	**660**
Share-based payment transactions	0	0	0	0	48	**48**	0	**48**
Dividends	0	0	0	0	-1,176	**-1,176**	-50	**-1,226**
At 30.6.2012	**11,760**	**420**	**240**	**16,685**	**13,617**	**42,722**	**1,703**	**44,425**

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 30.6.2012 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; 32.83% 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 1-6/2012 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 June	EUR (in thousands)	**2012**	**2011**
Investments in associate			
At 1 January		1,177	680
Profit/loss(-)under the equity method		453	109
At the end of the period		**1,630**	**789**
Other long-term financial investments			
At 1 January		16,023	21,539
Sale of shares		-175	0
Changes in the fair value reserve		969	308
At the end of the period		**16,817**	**21,847**
Investment property			
At 1 January		10,833	8,711
Additions		26	1,057
Depreciation charge		-220	-202
At the end of the period		**10,639**	**9,566**

Note 2 Non-current assets (continued)

For the period 1 January – 30 June EUR (in thousands)	**2012**	**2011**
Property, plant and equipment		
At 1 January	8,985	9,350
Additions	221	294
Disposals	-5	0
Depreciation charge	-449	-443
At the end of the period	**8,752**	**9,201**
Intangible assets		
At 1 January	422	421
Additions	84	67
Depreciation charge	-53	-52
At the end of the period	**453**	**436**
Total non-current assets	**38,291**	**41,839**

Note 3 Interest-bearing loans and borrowings

EUR (in thousands)	**30.06.2012**	**31.12.2011**	**30.06.2011**
Liabilities			
Short-term bank loans	1,141	1,975	1,493
Current portion of long-term bank loans	0	0	16
Current portion of lease liabilities	143	270	134
Total current liabilities	**1,284**	**2,245**	**1,643**
Non-current liabilities			
Lease liabilities	1,585	1,569	1,839
Total non-current liabilities	**1,585**	**1,569**	**1,839**
TOTAL	**2,869**	**3,814**	**3,482**

Changes during the period 1 January – 30 June

EUR (in thousands)	**2012**	**2011**
Loans and borrowings at the beginning of the year	**3,814**	**3,367**
Changes in short-term loans	-834	289
Long-term loan repaid	0	-49
New finance lease	28	13
Payment of finance lease principal	-139	-138
Loans and borrowings at the end of the current period	**2,869**	**3,482**

Note 4 Owner's equity

Share capital

	Unit	30.06.2012	31.12.2011	30.06.2011
Share capital	EUR'000	11,760	11,760	11,760
Number of shares issued	PC'000	16,800	16,800	16,800
Par value of a share	EUR	0.70	0.70	0.70
Unregistered share capital	EUR'000	420	0	0

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

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

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

Reserves

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	308	-3	305
At 30.06.2011	**1,073**	**20,624**	**4**	**21,701**
At 31.12.2011	1,073	14,800	8	15,881
Other comprehensive income	0	807	-3	804
At 30.06.2012	**1,073**	**15,607**	**5**	**16,685**

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 June	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
2011					
Revenue from external customers	18,207	1,276	1,056	0	20,539
Inter-segment revenue	164	493	147	-804	0
Total revenue	**18,371**	**1,769**	**1,203**	**-804**	**20,539**
Operating profit	296	603	-142	-57	**700**
Segment assets	23,721	9,905	2,124	-455	35,295
Indivisible assets					21,783
Total assets					**57,078**
2012					
Revenue from external customers	23,362	1,222	1,166	0	25,750
Inter-segment revenue	149	510	150	-809	0
Total revenue	**23,511**	**1,732**	**1,316**	**-809**	**25,750**
Operating profit	649	581	-177	-48	1,005
Segment assets	26,931	11,026	2,960	-852	40,065
Indivisible assets					16,891
Total assets					**56,956**

Revenue by markets:

For the period	1 January – 30 June	
EUR (in thousands)	**2012**	**2011**
Estonia	8,977	7,610
Finland	12,544	9,287
Lithuania	1,100	1,940
Sweden	765	158
Other EU countries	473	260
Non-EU countries	1,891	1,284
Total	**25,750**	**20,539**

Revenue by business area:

For the period	1 January – 30 June	
EUR (in thousands)	**2012**	**2011**
Electrical equipment	21,498	16,365
Sheet metal products and services	562	500
Boxes for telecom sector and services	491	427
Intermediary sale of electrical products and components	1,660	1,793
Commerce and mediation of services	282	268
Rental income	1,088	1,033
Other services	169	153
Total	**25,750**	**20,539**

Note 6 Net financing income/costs

For the period	1 January – 30 June	
EUR (in thousands)	**2012**	**2011**
Interest income	11	7
Interest expense	-26	-25
Dividend income	831	795
Net loss from foreign exchange differences	3	-2
Marketable investments:		
Income from sale of investments	175	0
TOTAL	**994**	**775**

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 30.6.2012 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. The potential shares become dilutive only after their average market price of the period the subscription of shares.

In the period 18.6.-29.6.2012, the average market price per share was 2.34 euros. Hence, the potential shares did not have any diluting effect.

Note 7 Basic and diluted earnings per share (continued)

For the period 1 January – 30 June	Unit	**2012**	**2011**
Profit attributable to equity holders of the parent	EUR'000	2,073	1,258
Average number of shares outstanding	Pc'000	16,800	16,800
Basic earnings per share	EUR	0.12	0.07
1 April – 30 June			
Profit attributable to equity holders of the parent	EUR'000	1,493	1,077
Average number of shares outstanding	Pc'000	16,800	16,800
Basic earnings per share	EUR	0.09	0.06

Note 8 Cash flow statement line items

For the period EUR (in thousands)	Note	1 January – 30 June **2012**	 **2011**
Corporate income tax paid			
Income tax expense		-347	-255
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		20	-35
Corporate income tax paid		**-327**	**-290**
Interest paid			
Interest expense	6	-26	-25
Liability decrease incurred by purchase		-3	-2
Interest paid		**-29**	**-27**
Paid for investment property			
Additions of investment property	2	-26	-1,057
Liability decrease (-)/ increase (+) incurred by purchase		-25	4
Acquisition of investment property		**-51**	**-1,053**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-221	-294
Acquired with finance lease		28	13
Liability decrease (-)/ increase (+) incurred by purchase		4	1
Acquisition of property, plant and equipment		**-189**	**-280**
Paid for intangible assets			
Additions of intangible assets	2	-84	-67
Liability decrease (-)/ increase (+) incurred by purchase		8	39
Acquisition of intangible assets		**-76**	**-28**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	5	0
Profit on disposal of property, plant and equipment		4	0
Receivables increase (-)		-4	0
Proceeds from sale of property, plant and equipment		**5**	**0**

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 32.83% 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	
EUR (in thousands)	**2012**	**2011**
Purchase of goods and services from related parties:		
- from associates	277	200
- from Harju KEK	34	35
TOTAL	311	235
Inclusive:		
- goods and materials for manufacturing	276	200
- lease of property, plant and equipment	33	33
- other	2	2
Sale of goods and services to related parties:		
- to associates	364	386
- to Harju KEK	2	2
TOTAL	366	388
Inclusive:		
- goods and materials for manufacturing	8	20
- lease of property, plant and equipment	341	343
- other	17	25
Balances with related parties at 30 June		
Receivables with associates: goods and services	215	213
Payables with associates: goods and services	55	75

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/2012 as set out on pages 3 to 21 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
„1st“August 2012