



AS HARJU ELEKTER

Interim report 1-12/2017

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, holding of investments
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Auditor:	KPMG Baltics OÜ
Beginning of the reporting period:	1 st of January 2017
End of the reporting period:	31 st of December 2017

The interim report of Harju Elekter Group on 27 pages

CONTENTS

EXPLANATORY NOTE.....	3
INTERIM FINANCIAL STATEMENTS	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	14
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	15
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	16
CONSOLIDATED STATEMENT OF CASH FLOWS	17
CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY	18
NOTES TO INTERIM FINANCIAL STATEMENT	20
Note 1 Accounting methods and valuation principles used in the consolidated interim report	20
Note 2 Financial investments	20
Note 3 Investment property	21
Note 5 Interest-bearing loans and borrowings.....	22
Note 6 Segment reporting.....	22
Note 7 Finance income and costs	24
Note 8 Basic and diluted earnings per share.....	24
Note 9 Further information on line items in the statement of cash flows.....	25
Note 10 Subsidiaries.....	26
Note 11 Transactions with related parties	26
Note 12 Events after the reporting date	27
Statement of Management responsibility	28

EXPLANATORY NOTE

For Harju Elekter Group, Q4 and 2017 both turned out to be full of changes and extremely successful. The large volume contracts concluded at the end of 2016 and the additional sales orders brought record sales revenue and the biggest profits in history. As discussed with the Supervisory Board, the Management Board proposes to pay 4.3 million euros (0,24 euros per share) in dividends to shareholders, which amounted 100% of the reporting year net profit of regular activities.

Group structure and changes on it

In interim report for 1-12/2017 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Satmatic Oy, Finnkumu Oy, Telesilta Oy, Harju Elekter Kiinteistöt Oy, Harju Elekter AB, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line.

In February 2017, AS Harju Elekter acquired the remaining 10% of shares in Harju Elekter AB, obtaining a 100% ownership after the transaction.

AS Harju Elekter purchased an 80.5% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. The transaction was completed at 29 March 2017. The financial indicators of Energo Veritas OÜ have been included in the consolidated reports since the second quarter of 2017.

In June 2017, AS Harju Elekter purchased all shares in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. The financial indicators of Telesilta Oy have been included in the Group's consolidated reports since the second half of 2017.

As of 31 December 2017, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.12.17	31.12.16
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%
Energo Veritas OÜ	Subsidiary	Estonia	80.52%	-
Satmatic Oy	Subsidiary	Finland	100.0%	100.0%
Finnkumu Oy	Satmatic Oy`s subsidiary	Finland	100.0%	100.0%
Telesilta Oy	Subsidiary	Finland	100.0%	-
Harju Elekter Kiinteistöt Oy	Subsidiary	Finland	100.0%	100.0%
Rifas UAB	Subsidiary	Lithuania	100.0%	100.0%
Automatikos Iranga UAB	Rifas UAB`s subsidiary	Lithuania	67.0%	67.0%
Harju Elekter AB	Subsidiary	Sweden	100.0%	90.0%
SIA Energokomplekss	Financial investment	Latvia	14.0%	14.0%
Skeleton Tehnologies Group OÜ	Financial investment	Estonia	9.8%	9.8%

Economic environment

Positive news regarding the success of the global economy continued in the second half of 2017. Growth in the U.S. exceeded expectations; economic growth in Japan once again grew at a faster pace after a period of many years; in the Eurozone, the economies of Germany and Spain enjoyed excellent momentum, with the situation also improving in France and Italy. Strong economic growth in Europe meant better export opportunities for the Nordic countries and the Baltic states. The main risk factors mentioned were, above all, geopolitical risks, the referendum by Great Britain, Donald Trump's victory in the U.S. presidential election, and Europe's migration crisis. In addition, the situation continued to be aggravated by the Russia-Ukraine conflict. During the accounting year, all of the world's most important stock markets enjoyed solid growth, with the stocks of U.S. companies leading

the way. It was also a good year for raw materials. The biggest increase in demand, more than 30%, was for copper, while gold ended the year up 12% and petroleum rose to a 2.5 year high (USD 66/barrel), rising by 16% during the year. The U.S. dollar lost 9% against other important currencies and the euro rose by 14%. Talk of inflation once again reared its head in 2017, which experts believe will be 1.5% in the Eurozone and 1.7% in the European Union as a whole. According to bank analysts, the global economic growth for 2017 is 3.5%, 2.2% in the European Union and 2.5% in the Eurozone. Economic growth of 3.2% expected in Sweden, 2.9% in Finland, 3.7% in Lithuania, 3.1% in Latvia and 3.5% in Estonia.

Momentum for the current rise of Estonia's economy already began in the second half of 2016 and continued throughout 2017. Exporting companies enjoyed the fruits of economic growth in Europe and the long-awaited rise of the Finnish market. Businesses targeted towards domestic consumption enjoyed continued success, supported by high unemployment and wage growth of nearly 7%. In the second half of 2017, 68% of Estonia's working age population were employed, an indicator that places us at the forefront in Europe. An important change was the return of inflation following years of wage stagnation. The cost of the average consumer basket increased by 3.4%, to which the government also made its own contribution, raising the price of products subject to excise duty (fuel, alcohol). In summary, economic growth of nearly 4% has brought with it a high rate of employment, reduction in unemployment, an improvement in the living conditions of residents and the activation of investments

Main events

Motherson Sumi Systems Limited and the Management Board of PKC Group Oyj signed a merger agreement on 19 January 2017 and to the shareholders of PKC Group Oyj was submitted a takeover bid at the price of 23.55 euros per share. On 22 March 2017, PKC Group Oyj announced that the takeover bid had been successful. AS Harju Elekter owned 1,094,641 PKC Group Oyj shares, of which AS Harju Elekter, received 25.8 million euros on 30 March 2017.

In January 2017, the subsidiary AS Harju Elekter Elektrotehnika received a large order from Konecranes, for the supply of 86 special substations to the USA. Together with the agreements concluded with Finnish distribution networks companies at the end of 2016, the production of substations in the Estonian and Finnish plants of the Group increased to 3000 substations annually.

In March, AS Harju Elekter purchased an 80.52% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. AS Harju Elekter Trading Group and business activities of Energo Veritas OÜ was combined. As of 1 June, the united business activities continue in Group's subsidiary, under the name of Energo Veritas OÜ.

On 27 April 2017, the AGM of shareholders of AS Harju Elekter was held; it approved the 2016 annual report and distribution of profit, appointed a new Supervisory Board and approved the remuneration of the members.

On 2 June 2017, AS Harju Elekter signed a contract for the purchase of all shares in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. Telesilta Oy continues to operate under its own name and brand as a wholly-owned subsidiary of the Group. The purchase provides new knowledge and skills in manufacture and installation of the electrical and automation equipment for ships and opens the door to the promising Finnish shipbuilding sector.

On 29 August, AS Stera Saue opened a new factory, with 3400m² of production space, in the Allika Industrial Park owned by AS Harju Elekter. During a year, AS Harju Elekter will be building an additional 4,000m², followed by another 3,000m² of new production space for AS Stera Saue, with the total amount of production space rented by AS Stera Saue growing to 10,400m².

In March, AS Harju Elekter received the traditional Export Deed of the Year award from KredEx Credit Insurance. The company was recognized thanks to its outstanding contracts with foreign partners and increased export in 2016.

The Group's Lithuanian subsidiary Rifas UAB received a prestigious Marine Innovation and Technology Award from Rolls-Royce as well as Innovation Award from Panevėžys City Government.

Endel Palla, Chairman of the Management Board of AS Harju Elekter, was awarded the Distinguished Service Medal *Mente et Manu*, the highest form of recognition from TUT, for his long-term fruitful cooperation in the development of curricula and support for students through programs as well as scholarships.

During the year, the Group's subsidiaries participated actively in the professional fairs in Estonia, Finland and Sweden: the largest exhibition of electrical energy and power distribution in the Nordic Countries - Elfack in Gothenburg, presenting a pre-fabricated substation, which has been developed specifically to meet the demands of the local market, the fairs Verkosto and Alihankinta in Tampere as well as Teknologia 17 exhibition in Helsinki. Group's Trade unit continued to introduce its products in the international building fair in Tallinn.

Events after the reporting date

On 12 December 2017, AS Harju Elekter signed a contract to acquire all of the shares of Swedish company SEBAB AB, a provider of sales and technical solutions, and its sister company Grytek AB, a manufacturer of pre-fabricated technical buildings, from the company Tnäa AB. SEBAB AB is a marketing and engineering company for MV/LV power and distribution solutions for the construction, infrastructure and renewable energy sector. The acquired companies will initially continue to use their names and trademarks, operating as 100% subsidiaries of the Group. The transaction completed on 8 January 2018.

On 18 January 2018, AS Harju Elekter Elektrotehnika signed a contract with Caruna Oy, the largest electrical grid company in Finland, to supply LV cable distribution cabinets and metering cabinets to them in the course of 2+1+1 years. According to estimates by Caruna, the expected volume of the contract is at least 5 million euros. Harju Elekter Group already has valid contracts in place with the Caruna Group to supply pre-fabricated substations, due to which the production of substations in the Group's factories in Estonia and Finland has grown from the annual 1,000 substations to 3,000 substations in a single year.

On 1 February 2018, AS Harju Elekter Elektrotehnika opened its new factory in Keila Industrial Park. Thanks to several large orders, the Group's subsidiary, manufacturer of LV/MV distribution and control engineering devices, experienced significant growth in its production volume during the year, which resulted in the need to expand the working premises. Their move, which lasted for nearly six months, was completed in December 2017. In comparison with the previous 10,400 m², the new factory has 16,715 m² of space. The increase in production capacity, along with the growth in the number of employees to 236, including 43 sales, production and R&D engineers, is sufficient to seamlessly fulfil the current sales volume without any interruptions.

AS Harju Elekter Elektrotehnika won a tender for the supply of pre-fabricated substations in Sweden. In February 2018, largest distribution network enterprise in Sweden E.ON Energidistribution AB, made a public announcement on the winner of the tender, based on which more than 2,000 substations will be supplied to Sweden in the 3-year contract period. The framework contract is planned to be concluded in March.

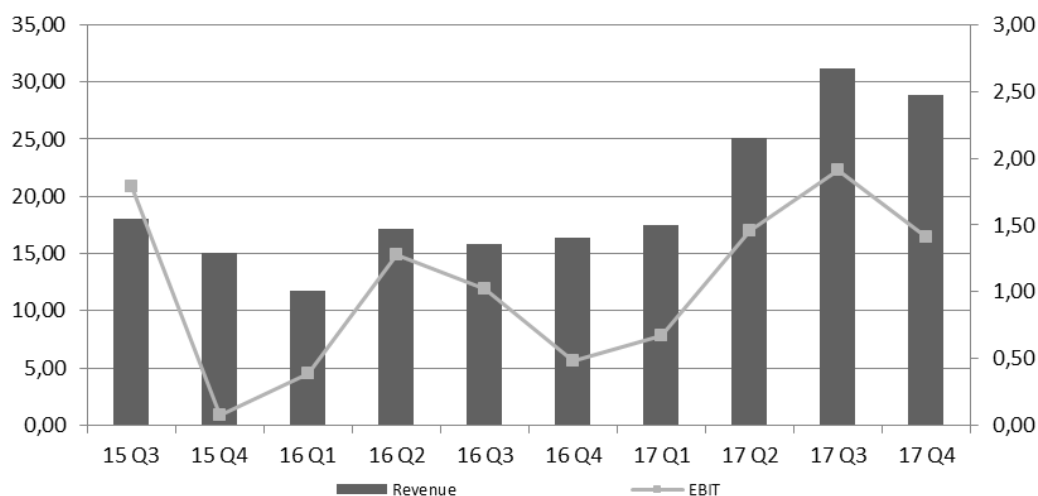
Operating results

The reporting quarter and 12 months in 2017 was very successful for the Harju Elekter Group. Compared to last year, the Group's sales almost doubled, reaching over 100 million euro. The increase in sales volumes and financial results was influenced by the large agreements concluded at the end of 2016 as well as the acquisition of subsidiaries Energo Veritas OÜ and Telesilta Oy in 2017.

KEY INDICATORS

	January - December		
	2017	2016	2015
Revenue (EUR'000)	102,668	61,167	60,656
Gross profit (EUR'000)	15,625	10,361	10,299
EBITDA (EUR'000)	7,587	4,777	4,819
EBIT (EUR'000)	5,442	3,181	3,276
Profit for the period (EUR'000)	29,132	3,224	3,186
incl attributed to Owners of the Company (EUR'000)	29,129	3,219	3,190
<i>Profit for the period without extraordinary income (EUR'000)</i>	<i>4,293</i>	<i>3,224</i>	<i>3,186</i>
Revenue growth/decrease (%)	67.8	0.8	19.9
Gross profit growth/decrease (%)	50.8	0.5	13.4
EBITDA growth/decrease (%)	58.8	-0.9	28.8
EBIT growth/decrease (%)	71.1	-2.9	47.0
Profit for the period growth/decrease (%)	803.6	1.2	-67.4
incl attributed to Owners of the Company (%)	804.9	0.9	-67.1
<i>Profit for the period growth/decrease without extraordinary income (%)</i>	<i>33.2</i>	<i>1.2</i>	<i>-67.4</i>
Distribution cost to revenue (%)	4.0	5.0	4.4
Administrative expenses to revenue (%)	6.3	6.8	7.2
Labour cost to revenue (%)	18.2	22.0	20.7
Gross margin (Gross profit/revenue) (%)	15.2	16.9	17.0
EBITDA margin (EBITDA/revenue) (%)	7.4	7.8	7.9
Operating margin (EBIT/revenue) (%)	5.3	5.2	5.4
Net margin (Profit for the period/revenue) (%)	28.4	5.3	5.3
<i>Net margin without extraordinary income (%)</i>	<i>4.2</i>	<i>5.3</i>	<i>5.3</i>
ROE (Profit for the period/average equity) (%)	44.7	5.4	5.4
<i>ROE without extraordinary income (%)</i>	<i>6.6</i>	<i>5.4</i>	<i>5.4</i>

Seasonality of business (million euros)



SALES REVENUE

Consolidated revenue for the reporting quarter was 28.8 (Q4 2016: 16.4) million euros, increasing by 75.6% in relation to the comparable period. The Group's revenue for 12 months was 102.7 (2016: 61.2) million euros, increasing by 67.8% in relation to the comparable period. The main reason for the high growth were the contracts concluded at the end of 2016 and received a major order for the special purpose substations delivery to the North America in January 2017. In the third quarter, by the acquisition of Telesilta Oy an electrical installation service was added, accounting for 14.6% of the Group's sales revenue in the reporting quarter and 7.7% in the reporting year.

The quarterly sales development by business area:

Business area	Growth		Q4 2017	Q4 2016	Q4 2015	Year 2017	Year 2016
	Q/Q	12m/12m					
Electrical equipment	53.3%	58.1%	21,724	14,175	12,920	82,976	52,476
Sheet metal products and services	-44.2%	-28.1%	121	216	187	709	986
Telecom sector products	-45.0%	-29.3%	177	322	257	874	1,236
Intermediary sale of electrical products	109.3%	118.8%	1,873	895	937	7,473	3,416
Rental income	-15.5%	-21.3%	463	548	541	1,744	2,216
Electrical installation service	-	-	4,207	-	-	7,904	-
Other services	0.6%	18.0%	253	252	188	988	837
Total	75.6%	67.8%	28,818	16,408	15,030	102,668	61,167

In the reporting quarter the sale of electrical equipment increased by 7.5 million euros up to 21.7 million euros and in 12 months period by 30.5 up to 83.0 million euros. The acquisition of subsidiary Energo Veritas OÜ, the wholesaler of electrical materials and equipment, doubled the intermediary sale of electrical products in the reporting quarter, by 0.9 million euros to 1.9 million euros and an annual comparison of 4.1 million euros to 7.5 million euros.

The quarterly sales development by markets:

Markets	Growth		Quarter 4		12 months		Share	
	Q/Q	12m/12m	2017	2016	2017	2016	2017	2016
Estonia	1.6%	22.7%	4,097	4,030	16,402	13,371	16.0%	21.9%
Finland	113.6%	82.8%	21,788	10,202	74,970	41,004	73.0%	67.0%
Lithuania	-78.4%	131.5%	59	273	1,371	592	1.3%	1.0%
Sweden	-5.6%	28.6%	519	550	2,706	2,104	2.7%	3.4%
Norway	109.0%	104.4%	2,335	1,117	5,852	2,863	5.7%	4.7%
Others	-91.3%	10.4%	21	236	1,367	1,233	1.3%	2.0%
Total	75.6%	67.8%	28,818	16,408	102,668	61,167	100.0%	100.0%

Sales on the Estonian market grew by 1.6% up to 4.1 million euros in the reporting quarter, accounting for 14.2% of the consolidated sales revenues of the reporting quarter. In total, sales to the Estonian market grew by 22.7% up to 16.4 million euros in 2017, accounting for 16.0% of the consolidated sales revenues.

The Group's sales revenue earned outside Estonia accounted for 85.8% in Q4 2017 (Q4 2016: 75.4%) and 84.0% in 2017 (2016: 78.1%).

Finland continues as the largest market of the Group. In the reporting quarter, 75.6% of the Group's products and services (Q4 2016: 62.2%) were sold on the Finnish market, growing over the year by 11.6 million euros, i.e. 113.6%. Comparing the reporting 12 months, the increase was 34.0 million euros up to 75.0 million euros, accounting for 73.0% (2016: 67.0%) of the consolidated sales revenue. The main reason for the growth was the contracts concluded with Finnish network companies at the end of 2016, whose orders began in Q1 of 2017. The acquisition of the new subsidiary Telesilta Oy

also made a significant contribution to the growth of the Finnish market, increasing Group's sales revenue by 12.9% year-on-year.

Growing the sales volume on the Swedish market is a continuous priority of the Group and AS Harju Elekter Elektrotehnika. Sales on the Swedish market increased by 0.6 million euros up to 2.7 million euros during the 12 months period.

Sales to the Norwegian market doubled to 5.9 million euros a year, accounting for 5.7% of consolidated sales revenue. The main reason for the growth was the increase in the order volumes of the Lithuanian subsidiary Rifas UAB in the Norwegian market.

The quarterly sales development by segments:

Markets	Growth		Quarter 4			12 months		
	Q/Q	12m/12m	2017	2016	2015	2017	2016	2015
Manufacturing	46.4%	53.1%	21,923	14,971	13,608	85,420	55,790	55,556
Real Estate	-16.6%	-19.7%	528	633	626	1,991	2,480	2,353
Unallocated activities	692.3%	426.7%	6,367	804	796	15,257	2,897	2,747
Total	75.6%	67.8%	28,818	16,408	15,030	102,668	61,167	60,656

During the reporting quarter 76.1% (Q4 2016: 91.2%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 23.9% (Q4 2016: 8.8%) of the consolidated sales volume. Over the year, the sales of the Manufacturing segment increased by 29.6 million euros to 85.4 million euros, of which 97.1% was from the sale of electrical equipment.

The decrease in Real Estate segment sales was caused by PKC Group Oyj ceasing its production activities in Estonia and leaving from the Group's rental premises. In the fourth quarter 2017, the production spaces were finally taken into use by AS Harju Elekter Elektrotehnika. In August, AS Stera Saue opened new production hall and warehouse in the Allika Industrial Park owned by AS Harju Elekter. Rental income reflected in the Group's revenue as well as in income of Real Estate segment from the third quarter.

The inclusion since Q3 of the financial indicators of Finnish company Telesilta OY, acquired in June, brought with it a growth in the sales revenue for Unallocated activities during the accounting quarter, as well as the accounting year as a whole. Electrical installation works comprised 66.0% among Unallocated activities sale revenue during the accounting quarter and 51.8% in the 12 month accounting and 27.3% and 35.0% from the intermediate sale of electrical products due to the acquisition of Energo Veritas OÜ.

OPERATING EXPENSES

	Growth		Quarter 4			12 months		
	Q/Q	12m/12m	2017	2016	2015	2017	2016	2015
Cost of sales	74.8%	71.3%	24,248	13,912	12,951	87,043	50,806	50,357
Distribution costs	62.0%	36.2%	1,325	818	696	4,132	3,034	2,657
Administrative expenses	56.1%	44.5%	1,820	1,165	1,249	5,981	4,138	4,337
Total expenses	72.5%	67.6%	27,393	15,895	14,896	97,156	57,978	57,351
incl. depreciation of fixed assets	131.3%	34.4%	941	407	418	2,145	1,596	1,543
Total labour cost	51.6%	38.9%	5,585	3,685	3,263	18,700	13,464	12,555
inclusive salary cost	30.3%	32.8%	4,127	3,167	2,439	14,073	10,597	9,695

In 2017, the operating expenses have increased synchronously with the increase in sales revenue. Operating expenses increased 72.3%, i.e. 11.5 million euros in the reporting quarter compared to the

reference period and in a year-on-year comparison, by 67.6% i.e. 39.2 million euros. The main reason for the upsurge in costs was the increase in the cost of sales. Cost of sales increased by 10.3 million euros in Q4 2017 compared to Q4 2016 and 36.2 million euros in a year-on-year comparison, surpassing the growth rate of sales revenue.

In the reporting quarter, labour costs increased by 51.6% up to 5.6 million euros and 38.9% up to 18.7 million euros during the 12 months period. The rate of labour costs accounted for 18.2% of the reporting year sales revenue, decreasing by 3.8 percentage points for the comparable period.

The Group's distribution costs increased by 62.0% in the reporting quarter and 36.2% in the year on year. The rate of distribution costs is in decline and accounted for 4.6% of the sales revenue in the reporting quarter (Q4 2016: 5.0%), and 4.0% in the reporting year (2016: 5.0%).

Administrative expenses increased by 0.7 million euros in the reporting quarter and 1.8 million euros in a year-on-year comparison. In the last quarter, the Group has incurred expenditures on the preparation of new procurements and the acquisition of new subsidiaries in 2018. The growth in administrative expenses is mainly due to the increase in development costs. The exponential rise in the volume of specific orders has brought with it the need to hire additional specialists, which was accompanied by training and new job preparation costs. In connection with the rise in financial results, performance pay for 2017 and the reserves created at the end of the year have also increased. The rate of administrative expenses to revenue is also in decline and accounted for 6.3% in Q4 2017 (Q4 2016: 7.1%) and 5.8% in year 2017 (2016: 6.8%).

Depreciation of fixed assets experienced exponential growth in Q4, growing from 0.4 million euros in 2016 to 0.9 million euros in the accounting quarter. With the acquisition of the subsidiary Telesilta Oy in 2017, customer agreements in the amount of 1.2 million euros were recognised as intangible assets, which will be depreciated into costs over the three years. In the reporting quarter, the cost was 455 thousand euros.

EARNINGS AND MARGINS

In the reporting quarter, the gross profit of the Group was 4,570 (Q4 2016: 2,496) thousand euros. The gross profit margin was 15.9% (Q4 2016: 15.2%). In the reporting year, the gross profit of the Group was 15,625 (2016: 10,361) thousand euros. The gross profit margin was 15.2% (2016: 16.9%).

In the reporting quarter, the Group's operating profit was 1,404 (Q4 2016: 487) thousand euros and EBITDA 2,345 (Q4 2016: 894) thousand euros. Return of sales for the reporting quarter was 4.9% (Q4 2016: 3.0%) and return of sales before depreciation 8.1% (Q4 2016: 5.5%).

The Group's operating profit of 2017 was 5,442 (2016: 3,181) thousand euros and EBITDA 7,587 (2016: 4,777) thousand euros. Return of sales for the reporting 12 months period was 5.3% (2016: 5.2%) and return of sales before depreciation was 7.4% (2016: 7.8%). Return of sales has decreased due to less rental income as PKC Group Oyj moved out from the Group's rental premises in the beginning of 2017 and the increase in global commodity prices. European sheet metal producers raised their prices in the first half of the year, affecting the cost of sales of the Group. Also, the non-recurrent expenses occurred in AS Harju Elekter Elektrotehnika, resulting from moving to new production facilities, had effect on return of sales.

In the reporting quarter, the consolidated net profit was 946 (Q4 2016: 375) thousand euros, of which the share of the owners of the Company was 976 (Q4 2016: 369) thousand euros. EPS in the Q4 2017 was 0.06 euros (Q4 2016: 0.02 euros).

Overall, the consolidated net profit of the year 2017 was 29,132 (2016: 3,224) thousand euros. The share of the owners of the Company was 29,129 (2016: 3,219) thousand euros. EPS for the 12 months period was 1.64 (2016: 0.18) euros. Large net profit was the result of one-time financial income from the sale of the PKC Group Oyj shares in amount of 24,839 thousand euros. The consolidated net profit

without extraordinary income of the year 2017 was 4,293 (2016:3,224) thousand euros and EPS was 0.24 (2016: 0.18) euros.

Employees and remuneration

In Q4 2017, an average of 620 employees worked in the Group, which was 153 people more than in the comparable period. In year-on-year comparison, an average of 567 employees worked in the Group, which was on average 112 people more than in the reference period.

	Average number of employees				Number of employees 31.12.		
	Q4 2017	Q4 2016	12m 2017	12m 2016	Growth	2017	2016
Estonia	365	275	348	265	77	372	295
Finland	135	100	113	93	43	137	94
Lithuania	119	92	106	97	29	120	91
Sweden	1	0	0	0	1	1	0
Total	620	467	567	455	150	630	480

In the reporting quarter, 4,127 (Q3 2016: 3,167) thousand euros were paid to the employees as salaries and fees, in total 14,073 (2016: 10,597) thousand euros during the year. The growth of salary cost was due to hiring new employees related to the significant increase in production volumes, being lower from the growth of sales revenue (67.8%). In 2017, the average monthly salary per employee of the Group was 2,067 euros, an average increase of 76 euros. The increase in the average wage was influenced by an increase in the share of Finnish employees in the Group as Finland has a significantly higher wage level than in Estonia and Lithuania.

At the end of the reporting period, there were 630 people working in the Group, which was 150 persons more than a year earlier, including with the acquisition of Telesilta Oy and Energo Veritas OÜ, added 42 employees to the group.

Financial position and cash flows

	Growth y-o-y	31.12.2017	31.12.2016	30.9.2015
Current assets	26,448	48,713	22,265	19,843
Non-current assets	-10,439	41,264	51,703	46,736
TOTAL ASSETS	16,009	89,977	73,968	66,579
Current liabilities	4,727	17,136	12,409	7,463
Non-current liabilities	1,743	2,910	1,167	912
Equity	9,539	69,931	60,392	58,204
incl. attributable to owners of the Company	9,566	69,872	60,307	58,086
Equity ratio (%) (Equity/total assets) *100 (%)	-3.9	77.7	81.6	87.4
Current ratio (Average current assets/ Average current liabilities)	0.3	2.4	2.1	2.8
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.3	1.6	1.3	1.9

The Group's assets increased by 16.0 million euros to 90.0 million euros a year.

During the year, the current assets increased by 26.4 million euros to 48.7 million euros. The inventories increased by 3.3 million euros up to 13.0 million euros and trade receivables and other receivables by 5.1 million euros up to 13.6 million euros. Increase in inventories and receivables is related to the increase of sales orders and production volumes.

The cost of the non-current assets in the statement of financial position decreased by 10.4 million euros to 41.3 million euros. The majority of the change in non-current assets was due to the sale of PKC Group Oyj shares in the first quarter of 2017, resulting in a decrease in the cost of long-term financial investments by 17.3 million euros.

During the reporting year, the Group has made a total of 7.3 (2016: 4.8) million euros worth of investments to fixed assets, incl. acquisitions through business combinations amounted to 1.8 (2016: 0.9) million euros. Investment growth is related to the ongoing developments of Allika Industrial Park and investments into the production.

As at the reporting date, the Group's liabilities totalled 20.0 million euros, of which short-term part made up 85.5%. Short-term liabilities increased by 4.7 million euros, incl. trade and other payables increased by 4.5 million euros to 12.8 million euros.

In 2017, the current ratio of the Group was 2.4 (2016: 2.1) and the quick ratio was 1.6 (2016: 1.3).

As at 31 December 2017, interest-bearing debt obligations made up 17.6% of the Group's liabilities and 3.9% of the cost of its assets; 14.5% and 2.7%, respectively, as at 31 December 2016. The Group had interest-bearing debt obligations totalling 3.5 (31.12.2016: 2.0) million euros, of which the short-term obligations making up 0.6 (31.12.2016: 0.8) million euros.

<i>Consolidated Statement of Cash Flows</i>	12 months		
	2017	2016	2015
Cash flows from operating activities	4,560	2,571	4,825
Cash flows from investing activities	6,284	-4,530	-6,473
Cash flows from financing activities	-3,126	-474	-2,622
Net cash flow	7,718	-2,433	-4,270

Cash flows from operating activities yielded money in the amount of 4.6 (2016: 2.6) million euros in 12 months.

Cash flows from investing activities yielded money in the amount of 6.3 (2016: -4.5) million euros. In 2017, the sale of PKC Group Oyj's shares amounted to 25.8 million euros. In the reporting year, a total of 19.6 (2016: -5.2) million euros were paid for investments.

Cash flows from financing activities in 2017 were -3.1 (2016: -0.5) million euros. The dividends in the amount of 3.2 (2016: 0.9) million euros was paid in 2017 for financial year 2016. On 28 April 2016, the AGM of shareholders was held; it decided to pay the shareholders a dividend of 0.05 euros per share, or a total of 0.9 million euros, for 2015 and reduce the share capital by 1.2 million euros, paying out 0.07 euros per share to the shareholders. Payments to the shareholders was made in January 2017. During the accounting year, a long-term loan of 2.6 million euros was taken out, in the comparable period 0.1 million euros, and a short-term loan of 0.6 million euros.

Cash and cash equivalents increased by 7.7 million euros to 11.0 million euros in the reporting year and decreased by 2.4 million euros to 3.3 million euros in the comparable period.

AGM

On 27th of April 2017 the AGM was held where attended by 97 shareholders and their authorised representatives who represented the total 12,980,332 votes, being 73.17% of the total votes.

The general meeting approved the 2016 annual report and profit distribution and decided to pay dividends amounting to 0.18 euros per share, totally 3.2 million euros. The shareholders registered in the shareholders' registry on 11.5.2017 at 23.59 entitled to dividend. The dividends transferred to the shareholders' bank accounts on 16.5.2017.

The AGM also appointed a new Supervisory Board of five members for the next five-year term.

Supervisory and Management Boards

Due to the expiry of authorisation of the Supervisory Board, on 27 April 2017 the General Meeting of Shareholders elected a new Supervisory Board of five members for the next five years: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (Tallinn University of Technology, Member of Board of Governors and Visiting Professor), Mr. Aare Kirsme (Chairman of the Supervisory Board of AS Harju KEK), Mrs. Triinu Tombak (financial consultant, Managing Director of TH Consulting OÜ) and Mr. Andres Toome (consultant, Managing Director OÜ Tradematic).

There were no changes in the Management Board of AS Harju Elekter. The Management Board of AS Harju Elekter continues with three members: Mr. Andres Allikmäe (Chairman and CEO of the Group), Mr. Tiit Atso (CFO of the Group) and Aron Kuhi-Thalfeldt (Head of real estate and energy services). The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise.

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

Shares of Harju Elekter and shareholders

Security trading history:	2013	2014	2015	2016	2017
Opening price	2.64	2.77	2.79	2.62	2.85
Highest price	2.92	2.85	3.14	2.94	5.08
Lowest price	2.46	2.52	2.49	2.43	2.80
Closing price	2.70	2.79	2.63	2.83	5.00
Traded shares (pc)	936,162	800,823	1,086,451	947,294	1,349,617
Turnover (in million euros)	2.48	2.17	2.98	2.45	5.46
Capitalisation (in million euros)	46.98	48.55	46.16	50.20	88.70
Overage number of the shares	17,400,000	17,400,000	17,550,851	17,739,880	17,739,880
EPS	0.30	0.56	0.18	0.18	1.64

Share price (in euros) in Tallinn Stock growth/decrease, 1 January 2017– 31 December 2017
(Nasdaq Tallinn, www.nasdaqbaltic.com)



As at 31 December 2017 AS Harju Elekter had 2,468 shareholders. The number of shareholders increased during the accounting quarter by 111 persons. And during the 12 months period by 543 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.39% of AS Harju Elekter's share capital. At 31 December 2017, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 10.66% of AS Harju Elekter shares. The comprehensive list of shareholders is available at the website of the Estonian Central Securities Register (www.e-register.ee).

Shareholders structure by size of holding at 31 December 2017:

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.08	42.10
1.0 – 10.0%	8	0.32	22.15
0.1 – 1.0 %	66	2.67	18.82
< 0.1%	2,392	96.92	16.93
Total	2,468	100.0	100.0

Shareholders (above 5%) at 31 December 2017:

Shareholder	Holding (%)
HARJU KEK AS	31.39
ING LUXEMBOURG S.A.	10.71
Endel Palla	6.90
Shareholders holding under 5%	51.00

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.12.2017	31.12.2016
Current assets			
Cash and cash equivalents		10,992	3,278
Short-term financial investments	2	9,935	0
Trade receivables and other receivables		13,575	8,480
Prepayments		1,118	771
Income tax prepayments	9	56	24
Inventories		13,037	9,712
Total current assets		48,713	22,265
Non-current assets			
Deferred income tax asset		56	37
Other long-term financial investments	2	4,684	21,990
Investment property	3	17,881	13,273
Property, plant and equipment	4	11,983	10,972
Intangible assets	4	6,660	5,431
Total non-current assets		41,264	51,703
TOTAL ASSETS		89,977	73,968
LIABILITIES AND EQUITY			
Liabilities			
Interest-bearing loans and borrowings	5	625	804
Advances from customers		1,088	857
Trade payables and other payables		12,802	8,283
Payables to shareholders		0	1,242
Tax liabilities		2,106	1,075
Income tax liabilities	9	270	133
Short-term provision		245	15
Total current liabilities		17,136	12,409
Interest-bearing loans and borrowings	5	2,910	1,167
Non-current liabilities		2,910	1,167
Total liabilities		20,046	13,576
Equity			
Share capital		11,176	11,176
Share premium		804	804
Reserves		2,844	19,214
Retained earnings		55,048	29,113
Total equity attributable to equity holders of the parent		69,872	60,307
Non-controlling interests		59	85
Total equity		69,931	60,392
TOTAL LIABILITIES AND EQUITY		89,977	73,968

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 October- 31 December		1 January- 31 December	
		2017	2016	2017	2016
Revenue	6	28,818	16,408	102,668	61,167
Cost of sales		-24,248	-13,912	-87,043	-50,806
Gross profit		4,570	2,496	15,625	10,361
Distribution costs		-1,325	-818	-4,132	-3,034
Administrative expenses		-1,820	-1,165	-5,981	-4,138
Other income		10	10	50	76
Other expenses		-31	-36	-120	-84
Operating profit	6	1,404	487	5,442	3,181
Finance income	7	20	6	24,869	775
Finance costs	7	-190	-7	-96	-24
Profit before tax		1,234	486	30,215	3,932
Income tax expense	9	-288	-111	-1,083	-708
Profit for the period		946	375	29,132	3,224
Profit attributable to:					
Owners of the Company		976	369	29,129	3,219
Non-controlling interests		-30	6	3	5
Profit for the period		946	375	29,132	3,224
Earnings per share					
Basic earnings per share (EUR)	8	0.06	0.02	1.64	0.18
Diluted earnings per share (EUR)	8	0.06	0.02	1.64	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 October- 31 December		1 January – 31 December	
		2017	2016	2017	2016
Profit for the period		946	375	29,132	3,224
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	0	-1,522	0	1,142
Gain/loss on sale of financial assets (-)		0	0	-16,367	0
Currency translation differences		0	1	0	1
Other comprehensive income for the period, net of tax		0	-1,521	-16,367	1,143
Total comprehensive income for the period		946	-1,146	12,765	4,367
Total comprehensive income attributable to:					
Owners of the Company		976	-1,152	12,762	4,362
Non-controlling interests		-30	6	3	5
Total comprehensive income for the period		946	-1,146	12,765	4,367

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	2017	2016
Cash flows from operating activities			
Profit for the period	6	29,132	3,224
<u>Adjustments for:</u>			
Depreciation and amortization	3.4	2,145	1,596
Gain on sale of property, plant and equipment	9	-13	-31
Finance income	7	-24,869	-775
Finance costs	7	96	24
Income tax expense	9	1,083	708
<u>Changes in:</u>			
Growth/decrease in receivables related to operating activity		-3,643	-2,301
Growth/decrease in inventories		-2,971	-2,564
Growth/decrease in payables related to operating activity		4,425	3,315
Corporate income tax paid	9	-797	-601
Interest paid	7	-28	-24
Net cash from operating activities		4,560	2,571
Cash flows from investing activities			
Acquisition of investment property	9	-4,350	-2,539
Acquisition of property, plant and equipment	9	-3,102	-662
Acquisition of intangible assets	9	-163	-142
Acquisition of subsidiaries, net of cash acquired		-2,008	-1,224
Acquisition of other financial investments	2	-9,999	-660
Proceeds from sale of property, plant and equipment	9	108	34
Proceeds from sale of other financial investments		25,779	0
Interest received	7.9	8	12
Dividends received		11	651
Net cash used in investing activities		6,284	-4,530
Cash flows from financing activities			
Growth/decreases in short-term loans	5	-642	642
Proceeds from borrowings	5	2,630	129
Repayment of borrowings	5	-127	-12
Payment of finance lease principal	5	-297	-296
Reduction of share capital		-1,241	0
Acquisition of non-controlling interests		-5	-50
Dividends paid		-3,226	-887
Dividends income tax paid	9	-218	0
Net cash used in financing activities		-3,126	-474
Net cash flows		7,718	-2,433
Cash and cash equivalents at beginning of period			
Net increase / decrease		7,718	-2,433
Effect of growth/decrease rate fluctuations on cash held	7	-4	0
Cash and cash equivalents at end of period		10,992	3,278

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

For the period 1 January – 31 December	Attributable to owners of the Company									Non- Controlling interests	TOTAL
	Share capital	Unregis- tered share capital	Share premium	Capital reserve	Fair value reserve	Translation reserve	Retained earnings	TOTAL			
At 31. December 2016	11,176	0	804	1,242	17,969	3	29,113	60,307	85	60,392	
Comprehensive income 2017											
Profit for the period	0	0	0	0	0	0	29,129	29,129	3	29,132	
Other comprehensive income for the period	0	0	0	0	-16,367	-3	3	-16,367	0	-16,367	
Total comprehensive income	0	0	0	0	-16,367	-3	29,131	12,762	3	12,765	
Transaction with the owners of the Company, recognised directly in equity											
Acquisition of non-controlling interest	0	0	0	0	0	0	-4	-4	4	0	
Dividends	0	0	0	0	0	0	-3,193	-3,193	-33	-3,226	
Total transaction with the owners of the Company	0	0	0	0	0	0	-3,197	-3,197	-29	-3,226	
At 31. December 2017	11,176	0	804	1,242	1,602	0	55,048	69,872	59	69,931	

For the period 1 January – 31 December	Attributable to owners of the Company								Non- Controlling interests	TOTAL
	Share capital	Unregis- -tered share capital	Share premium	Capital reserve	Fair value reserve	Translation reserve	Retained earnings	TOTAL		
At 31. December 2015	12,418	0	804	1,218	16,827	2	26,817	58,086	118	58,204
Comprehensive income 2016										
Profit for the period	0	0	0	0	0	0	3,219	3,219	5	3,224
Other comprehensive income for the period	0	0	0	0	1,142	1	0	1,143	0	1,143
Total comprehensive income	0	0	0	0	1,142	1	3,219	4,362	5	4,367
Transaction with the owners of the Company, recognized directly in equity										
Increase of capital reserve	0	0	0	24	0	0	-24	0	0	0
Reduction of unregistered share capital	0	-1,242	0	0	0	0	0	-1,242	0	-1,242
Dividends	0	0	0	0	0	0	-887	-887	0	-887
Acquisition of non-controlling interest	0	0	0	0	0	0	-12	-12	-38	-50
Total transaction with the owners of the Company	0	-1,242	0	24	0	0	-923	-2,141	-38	-2,179
At 31 December 2016	12,418	-1,242	804	1,242	17,969	3	29,113	60,307	85	60,392

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31.12.2017 comprises AS Harju Elekter (the "Parent Company") and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy (subsidiary of Satmatic Oy), Telesilta Oy, Harju Elekter AB, Rifas UAB and Automatikos Iranga UAB (subsidiary of Rifas UAB) (together referred to as the Group). AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 31.39% 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 December 2016. The interim report should be read in conjunction with the Group's annual report of 2016, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for 1-12/2017 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 Financial investments

	Note	2017	2016
As at 31 December			
Current financial assets		9,935	0
Available-for-sale equity securities (fair value)		4,663	21,969
Available-for-sale financial assets (cost method)		21	21
Total		14,619	21,990
<hr/>			
For the period 1 January – 31 December		2017	2016
<hr/>			
1. Current financial assets at fair value through profit and loss			
Carrying amount at 1 January		-	-
Additions		9,999	-
Gain on change in fair value	7	-64	-
At the end of the period		9,935	-

For the period 1 January – 31 December	2017	2016
2. Available-for-sale equity securities (fair value)		
Carrying amount at 1 January	21,969	20,167
Additions	0	660
Gain on change in fair value	0	1,142
Sale of shares at sales price	-17,306	0
At the end of the period	4,663	21,969
3. Available-for-sale financial assets (cost method)		
Carrying amount at 1 January	21	21
At the end of the period	21	21
Total carrying amount at the end of the period	14,619	21,990

In April of reporting year, the Group opened a one-year term deposit from LHV Bank for a value of 5.0 million euros. The interest income from short-term investments at the end of the year was 11 thousand euros.

In the third quarter, the Group placed 5 million euros into liquid shares of Finnish public companies and global equity funds. The fair value of the short-term financial assets decreased by -180 thousand euros in the last quarter, totalling decreased -64 thousand euros in the reporting year. The change in fair value was reflected in the loss of the reporting period.

Note 3 Investment property

For the period 1 January – 31 December	2017	2016
Investment property		
At 1 January	13,273	12,990
Additions	4,065	3,111
Reclassification	1,033	-2,319
Depreciation charge	-490	-509
At the end of the period	17,881	13,273

Note 4 Property, plant and equipment; intangible assets

For the period 1 January – 31 December	2017	2016
1. Property, plant and equipment		
At 1 January	10,972	8,010
Additions	3,088	675
Acquisitions through business combinations	34	851
Disposals	-95	-3
Reclassification	-1,033	2,319
Depreciation charge	-983	-880
At the end of the period	11,983	10,792

For the period 1 January – 31 December	2017	2016
2.Intangible assets		
At 1 January	5,431	5,491
Additions	158	147
Acquisitions through business combinations	1,743	0
Depreciation charge	-672	-207
At the end of the period	6,660	5,431

Note 5 Interest-bearing loans and borrowings

	31.12.2017	31.12.2016
Liabilities		
Short-term bank loans	0	642
Current portion of long-term bank loans	511	54
Current portion of lease liabilities	114	108
Total current liabilities	625	804
Non-current liabilities		
Long-term bank loans	2,409	363
Lease liabilities	501	804
Total non-current liabilities	2,910	1,167
TOTAL	3,535	1,971

Growth/decreases during the period 1 January – 31 December	2017	2016
Loans and borrowings at the beginning of the year	1,971	1 208
Growth/decreases in short-term loans	-642	642
Received long-term loans	2,630	129
Received long-term loans through acquisition of subsidiaries	0	300
Long-term loan repaid	-127	-12
Payment of finance lease principal	-297	-296
Loans and borrowings at the end of the current period	3,535	1 971

Note 6 Segment reporting

Three segments- Manufacturing, Real Estate and Other activities are distinguished in the consolidated financial statements.

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

Real Estate – Real estate development, maintenance and rental, services related to managing real estate and production capacities and intermediation of services. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

Other activities – The segment is involved in selling products of the Group and companies related to the Group as well as other goods necessary for electrical installation works mainly to retail customers and small- and medium-sized electrical installation companies and in providing management services as well as electrical installation works for the shipbuilding. The entities in these activities are Parent company and Group's companies Energo Veritas OÜ, Harju Elekter AB and Telesilta Oy.

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

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

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

For the period 1 January – 31 December	Note	Manu- facturin g	Real Estate	Other activities	Elimi- nations	Consoli- dated
2017						
Revenue from external customers		85,420	1,991	15,257	0	102,668
Inter-segment revenue		835	1,233	551	-2,619	
Total revenue		86,255	3,224	15,808	-2,619	102,668
Operating profit		5,709	280	-567	20	5,442
Finance income	7					24,869
Finance costs	7					-96
Profit before tax						30,215
Income tax						-1,083
Profit for the period						29,132
Segment assets		51,650	18,248	10,008	-9,173	70,733
Indivisible assets						19,244
Total assets						89,977
Capital expenditure	3.4	3,384	3,665	2,039	0	9,088
Depreciation charge for the year	3.4	963	490	721	-29	2,145
2016						
Revenue from external customers		55,791	2,480	2,896	0	61,167
Inter-segment revenue		144	978	402	-1,524	0
Total revenue		55,935	3,458	3,298	-1,524	61,167
Operating profit		2,502	1,112	-241	-192	3,181
Finance income	7					775
Finance costs	7					-24
Profit before tax						3,932
Income tax						-708
Profit for a period						3,224
Segment assets		38,713	13,742	4,738	-6,920	50,273
Indivisible assets						23,695
Total assets						73,968
Capital expenditure	2.3.4	1,509	3,113	822	0	5,444
Depreciation charge for the year	3.4	862	509	238	-13	1,596

Revenue by markets:

For the period 1 January – 31 December	2017	2016
Estonia	16,402	13,371
Finland	74,970	41,004
Sweden	2,706	2,104
Lithuania	1,371	592
Norway	5,852	2,863
Other countries	1,367	1,233
Total	102,668	61,167

Revenue by business area:

For the period 1 January – 31 December	2017	2016
Electrical equipment	82,976	52,476
Sheet metal products and services	709	986
Telecom sector products and services	874	1,236
Intermediary sale of electrical products	7,473	3,416
Rental income	1,744	2,216
Electrical installation service	7,904	-
Other services	988	837
Total	102,668	61,167

Note 7 Finance income and costs

For the period 1 January – 31 December	Note	2017	2016
Interest income		19	9
Finance income from sale of PKC Group Oyj's shares		24,839	0
Dividend income		11	766
Total finance income		24,896	775
Loss from fair value of short-term financial investments	2	-64	0
Interest expense		-28	-24
Net loss from foreign exchange differences		-4	0
Total finance costs		-96	-24

Note 8 Basic and diluted earnings per share

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. At 31 December 2017, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

For the period			
1 January – 31 December	Unit	2017	2016
Profit attributable to equity holders of the parent	EUR'000	29,129	3,219
Average number of shares outstanding	Pc'000	17,740	17,740
Basic and diluted earnings per share	EUR	1.64	0.18
1 October – 31 December			
Profit attributable to equity holders of the parent	EUR'000	976	369
Adjusted number of shares during the period	Pc'000	17,740	17,740
Basic and diluted earnings per share	EUR	0.06	0.02

Note 9 Further information on line items in the statement of cash flows

For the period 1 January – 31 December	Note	2017	2016
Corporate income tax paid			
Income tax expense		-1,083	-708
Prepayment decrease (+)/ increase (-), liability decrease (-)/ increase (+)		105	-9
Acquired liability through acquisition of subsidiaries		-18	-19
Income tax expense on dividends		218	115
Deferred income tax expense (+)/income (-)		-19	20
Corporate income tax paid		-797	-601
Interest received			
Interest income	7	19	9
Receivable increase (-)		-11	3
Interest received		8	12
Paid for investment property			
Additions of investment property	3	-4,065	-3,111
Liability decrease (-)/ increase (+) incurred by purchase		-285	570
Acquisition of investment property		-4,350	-2,539
Paid for property, plant and equipment			
Additions of property, plant and equipment	4	-3,088	-675
Liability decrease (-)/ increase (+) incurred by purchase		-14	13
Acquisition of property, plant and equipment		-3,102	-662
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	4	95	3
Profit on disposal of property, plant and equipment		13	31
Proceeds from sale of property, plant and equipment		108	34
Paid for intangible assets			
Additions of intangible assets	4	-158	-147
Liability decrease (-)/ increase (+) incurred by purchase		-5	5
Acquisition of intangible assets		-163	-142

Note 10 Subsidiaries

In February 2017, AS Harju Elekter acquired the remaining 10% of shares in Harju Elekter AB, obtaining a 100% ownership after the transaction.

AS Harju Elekter purchased an 80.52% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. The transaction was completed as at 29 March 2017, when monetary settlements were also made. Energo Veritas OÜ will be included in consolidated reports as of 1 April 2017. Goodwill in amount of 0.4 million euros was acquired during business combination.

AS Harju Elekter purchased a 100% holding in Telesilta Oy, an electrical engineering company specializing in electrical contracting for the shipbuilding industry. The transaction was completed as at 2 June 2017. Telesilta Oy will be included in consolidated reports as of 1 July 2017. With the acquisition of the subsidiary Telesilta Oy in 2017, customer agreements in the amount of 1.2 million euros were recognised as intangible property, which will be depreciated into costs over the three years. Goodwill in amount of 0.1 million euros was acquired during business combination.

Note 11 Transactions with related parties

The related party of AS Harju Elekter includes, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 31.39% of the shares of AS Harju Elekter. The Group's management comprises members of the Parent company's Supervisory and Management Boards. Since 1st November 2016 the Management Board has three members. The Supervisory Board has five members.

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

For the period 1 January – 31 December	2017	2016
Purchase of goods and services from related parties:		
- from Harju KEK	106	105
<i>Inclusive:</i>		
- lease of property, plant and equipment	106	105
Sale of goods and services to related parties:		
- to Harju KEK	4	4
<i>Inclusive:</i>		
- other services	4	4
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	395	235
- social security and other taxes on salaries	131	78
TOTAL	526	313

The members of the Management Board receive remuneration in accordance with the contract and are also entitled to receive a severance payment: Chairman in the amount of 10 months and other members 8 months remuneration of a member of the Management Board. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthlies remuneration of a development manager. Members of the Management Board have 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.

Note 12 Events after the reporting date

On 12 December 2017, AS Harju Elekter signed a contract to acquire all the shares of Swedish company SEBAB AB, a provider of sales and technical solutions, and its sister company Grytek AB, a manufacturer of pre-fabricated technical buildings, from the company Tnäa AB. The transaction price for the two companies was 3.6 million euros (SEK 36.0 million), of which 3.0 million euros (SEK 30.1 million) will be paid on 8 January 2018, the date of entry into force of the transaction, with the delayed part of payment being payable in accordance with the agreement. The financial results of SEBAB AB and Grytek AB will be included in the consolidated reports of Harju Elekter as of 1 January 2018.

Statement of Management responsibility

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2017 as set out on pages 3 to 27 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

„28th“ February 2018