



AS HARJU ELEKTER

Interim report 1-9/2017

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:	30 th of September 2017

The interim report of Harju Elekter Group on 25 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-9/2017 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, 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 are included in consolidated reports as of 1 April 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 will be included in 2017 Q3 consolidated report.

As of 30 June 2017, AS Harju Elekter has substantial holdings as follows:

Company		Country	30.9.17	31.12.16	30.9.16
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
Energo Veritas OÜ	Subsidiary	Estonia	80.5%	0.0%	0.0%
Satmatic Oy	Subsidiary	Finland	100.0%	100.0%	100.0%
Finnkumu Oy	Satmatic Oy`s subsidiary	Finland	100.0%	100.0%	100.0%
Telesilta Oy	Subsidiary	Finland	100.0%	0.0%	0.0%
Harju Elekter Kiinteistöt Oy	Subsidiary	Finland	100.0%	100.0%	0.0%
Rifas UAB	Subsidiary	Lithuania	100.0%	100.0%	100,00%
Automatikos Iranga UAB	Rifas UAB`s subsidiary	Lithuania	67.0%	67.0%	51.0%
Harju Elekter AB	Subsidiary	Sweden	100.0%	90.0%	90.0%
SIA Energokomplekss	Financial investment	Latvia	14.0%	14.0%	14.0%
Skeleton Tehnologies Group OÜ	Financial investment	Estonia	9.8%	9.8%	10.0%

Economic environment

Similar to the situation in the spring, the July publication of the World Economic Survey 3/2017 by the Munich-based Institute for Economic Research assessed the global economic climate as being satisfactory. The economic climate in the European Union and the euro zone was assessed as being above average, with analysts predicting it will grow by 2% this year. Our main trade partners of Latvia, Lithuania, Finland, and Sweden have also begun to fair significantly better. Export volumes and prices, as well as investments, have begun to grow. The primary hazards cited were geopolitical risks and the migration crisis.

September assessments by experts from the Estonian Institute of Economic Research revealed that Estonia's economic situation has, in comparison with June, improved and economic growth has become more broad-based. Estonia's financial success depends a great deal on the positive changes that have taken place in the EU's economy and the resumption of investments, as well as the decline in political uncertainty and the economic development of Estonia's main trade partners. The acceleration in economic growth has been supported by domestic developments: high rate of employment, salary growth, growth in private consumption, etc. Possible hazards being cited include the aging of the population and the modest level of productivity.

Main events

AS Harju Elekter started negotiations with the Swedish company SEBAB AB, a marketing and engineering company for MV/LV power and distribution solutions for the construction, infrastructure and renewable energy sector. The company is headquartered in Malmö with its sales, production, warehouse and service units. In 2016, the company's turnover amounted to 12.0 million euros. Successful negotiations may lead to the acquisition of the company's shares.

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. Next year, AS Harju Elekter will be building an additional 4000m², followed by another 3000m² of new production space for AS Stera Saue, with the total amount of production space rented by AS Stera Saue growing to 10,400m².

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.

The Group's Lithuanian subsidiary Rifas UAB received a prestigious Rolls-Royce Marine Innovation and Technology Award in June 2017.

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 substation with concrete enclosure, 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 units continued to introduce its products in the international building fair in Tallinn.

On 27 April 2017, the AGM of shareholders of AS Harju Elekter was held; it approved the 2016 annual report and distribution of profit as well as the decision to pay the shareholders a dividend of 0.18 euros per share, or a total of 3.2 million euros, for 2016. The shareholders registered in the shareholders' registry on 11 May 2017 at 23.59 entitled to dividend and the dividends were paid to the shareholders on 16 May 2017. The AGM also appointed a new supervisory board of five members for the next five-year term as follows: Mr. Arvi Hamburg, Mr. Aare Kirsme, Mr. Endel Palla, Mrs. Triinu Tombak and Mr. Andres Toome and approved the remuneration of the Supervisory Board.

In March, AS Harju Elekter purchased an 80.5% holding in Energo Veritas OÜ, a company trading in electrical materials and equipment. Harju Elekter's 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.

In March, KredEx Credit Insurance presented the traditional Export Deed of the Year award, with the recipient this year being AS Harju Elekter, which had concluded outstanding contracts with foreign partners in 2016 and also increased their export.

In January 2017, the subsidiary AS Harju Elekter Elektrotehnika received a large order from Konecranes, for the supply of 86 special substations to the United States. 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 will increase from the current 1100 substations to 2500 substations annually.

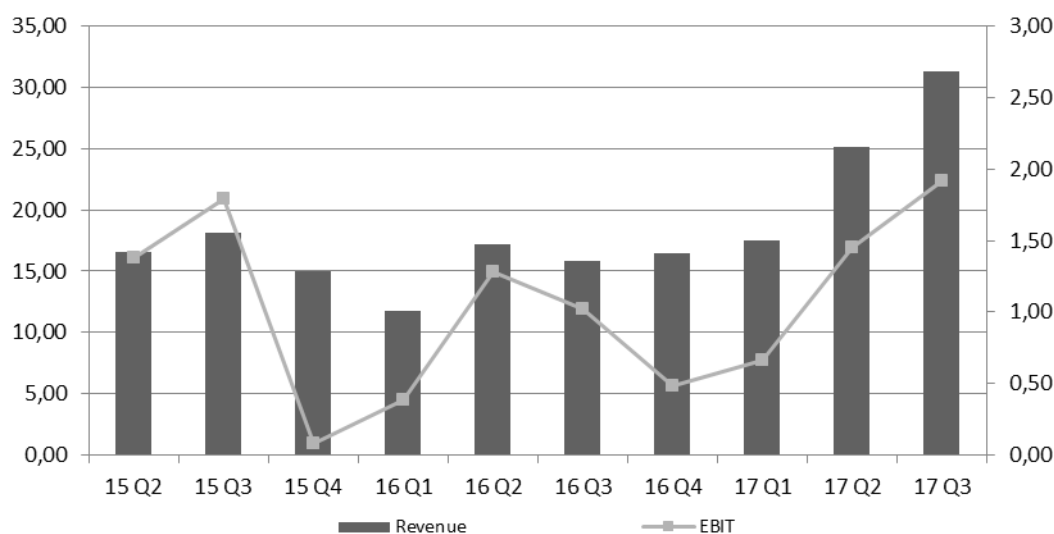
Motherson Sumi Systems Limited and the management board of PKC Group Oyj signed a merger agreement on 19 January 2017 and to the shareholders of PKC Group Oyj was submitted a takeover bid at the price of EUR 23.55 per share. On 22 March 2017, PKC Group Oyj announced that the takeover bid had been successful. 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.

Operating results

The reporting quarter and 9 months in 2017 was successful for the Harju Elekter Group. The large agreements and purchase orders concluded at the end of 2016 increased the sales revenues and operating profit of the Group. The increase in sales volumes and financial results was also influenced by the acquisition of subsidiaries Energo Veritas OÜ and Telesilta Oy in 2017.

KEY INDICATORS

	January - September			Year
	2017	2016	2015	2016
Revenue (EUR'000)	73,850	44,759	45,626	61,167
Gross profit (EUR'000)	11,055	7,852	8,220	10,348
EBITDA (EUR'000)	5,241	3,883	4,321	4,777
EBIT (EUR'000)	4,037	2,694	3,197	3,181
Profit for the period (EUR'000)	28,186	2,849	3,203	3,224
incl attributed to Owners of the Company (EUR'000)	28,153	2,849	3,199	3,219
Revenue growth/decrease (%)	65.0	-1.9	25.2	0.8
Gross profit growth/decrease (%)	40.8	-4.5	19.9	0.5
EBITDA growth/decrease (%)	34.9	-10.1	40.1	-0.9
EBIT growth/decrease (%)	49.8	-15.7	64.4	-2.9
Profit for the period growth/decrease (%)	889.4	-11.0	-66.4	1.2
incl attributed to Owners of the Company (%)	888.0	-10.9	-66.2	0.9
Distribution cost to revenue (%)	3.8	5.0	4.3	5.0
Administrative expenses to revenue (%)	5.6	6.6	6.8	6.8
Labour cost to revenue (%)	17.8	21.8	20.4	22.0
Gross margin (Gross profit/revenue) (%)	15.0	17.5	18.0	16.9
EBITDA margin (EBITDA/revenue) (%)	7.1	8.7	9.5	7.8
Operating margin (EBIT/revenue) (%)	5.5	6.0	7.0	5.2
Net margin (Profit for the period/revenue) (%)	38.2	6.4	7.0	5.3
ROE (Profit for the period/average equity) (%)	43.6	4.8	5.4	5.4

Seasonality of business (million euros)

SALES REVENUE

Consolidated revenue for the reporting quarter was 31.2 (Q3 2016: 15.8) million euros, increasing 97.7% in relation to the comparable period. The Group's revenue for 9 months was 73.9 (9m 2016: 44.8) million euros, increasing 65% in relation to the comparable period. The main reason for the high growth were the contracts concluded at the end of 2016. In the third quarter, by the acquisition of Telesilta Oy an electrical installation service was added, increasing Group's sales revenue by 11.8% in the reporting quarter.

The quarterly sales development by business area:

Business area	Change y-o-y	Q3 2017	Q3 2016	Q3 2015	Year 2016
Electrical equipment	81.8%	24,296	13,363	15,929	52,476
Sheet metal products and services	-34.0%	169	256	210	986
Telecom sector products	-45.2%	206	376	291	1,236
Intermediary sale of electrical products	118.7%	2,132	975	947	3,416
Rental income	-17.2%	463	559	518	2,216
Electrical installation service	-	3,696	-	-	-
Other services	0.4%	266	265	196	837
Total	97.7%	31,228	15,794	18,091	61,167

In the reporting quarter the sale of electrical equipment increased by 10.9 million euros up to 24.3 million euros and in nine months period by 23.0 up to 61.3 million euros.

The quarterly sales development by markets:

Markets	Growth		Quarter 3		9 months		Share	
	Q/Q	9m/9m	2017	2016	2017	2016	2017	2016
Estonia	18.5%	31.7%	3,526	2,976	12,305	9,341	16.7%	20.9%
Finland	124.4%	72.7%	24,367	10,859	53,182	30,802	72.0%	68.8%
Lithuania	365.0%	310.8%	651	140	1,312	319	1.8%	0.7%
Sweden	14.2%	40.7%	594	520	2,187	1,554	3.0%	3.5%
Norway	-7.5%	101.5%	1,180	1,275	3,517	1,746	4.7%	3.9%
Others	3691.7%	35.2%	910	24	1,347	997	1.8%	2.2%
Total	97.7%	65.0%	31,228	15,794	73,850	44,759	100.0%	100.0%

Sales on the Estonian market grew by 18.5% up to 3.5 million euros in the reporting quarter, accounting for 11.3% of the consolidated sales revenues of the reporting quarter. In 9 months 2017, sales on the Estonian market grew by 31.7% up to 12.3 million euros, accounting for 16.7% of the consolidated sales revenues.

The Group's sales revenue earned outside Estonia accounted for 88.7% in Q3 2017 (Q3 2016: 81.2%) and 83.3% in 9 months 2017 (9m 2016: 79.1%).

Finland continues as the largest market of the Group. In the reporting quarter, 78.0% of the Group's products and services (Q3 2016: 68.8%) were sold on the Finnish market, growing over the year by 13.5 million euros, i.e. 124.4%. Comparing the reporting 9 months, the increase was 72.7%, i.e. 22.4 million euros up to 53.2 million euros, accounting for 72.0% (9m 2016: 68.8%) of the consolidated sales revenue. The main reason for the growth were the contracts concluded with Finnish network companies at the end of 2016, whose orders began in Q1 of 2017.

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 14.0% up to 0.6 million euros during the reporting period and 40.7% up to 2.2 million euros in the 9 months. Sales revenue on the Norwegian market have doubled, growing up to 3.5 million euros over the 9 months, accounting for 4.7% of the consolidated revenue.

The quarterly sales development by segments:

Markets	Growth		Quarter 3		9 months		Year
	Q/Q	9m/9m	2017	2016	2017	2016	2016
Manufacturing	73.5%	55.6%	24,979	14,400	63,498	40,819	55,790
Real estate	-13.8%	-20.8%	517	599	1,463	1,847	2,480
Unallocated activities	621.0%	324.7%	5,733	795	8,889	2,093	2,897
Total	97.7%	65.0%	31,228	15,794	73,850	44,759	61,167

During the reporting quarter 86.0% (Q3 2016: 91.2%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 14.0% (Q3 2016: 8.8%) of the consolidated sales volume. The sale of electrical equipment provides more than 97% of the sales volume of the Manufacturing segment.

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. The production spaces were taken into use by AS Harju Elekter Elektrotehnika. Since Q3, financial results of Telesilta Oy an electrical engineering company specializing in electrical contracting for the shipbuilding industry acquired in June, was added, which increased the sales revenue of other Unallocated activities during the reporting quarter as well as in 9 months as a whole. 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 beginning of the reporting quarter.

OPERATING EXPENSES

	Growth		Quarter 3		9 months		Year
	Q/Q	9m/9m	2017	2016	2017	2016	2016
Cost of sales	102.4%	70.1%	26,648	13,164	62,795	36,907	50,819
Distribution costs	39.6%	26.7%	983	704	2,807	2,216	3,034
Administrative expenses	79.6%	40.0%	1,658	922	4,162	2,973	4,138
Total expenses	98.0%	65.7%	29,289	14,790	69,764	42,096	57,991
incl. depreciation of fixed assets	15.5%	1.2%	432	374	1,204	1,189	1,596
Total labour cost	36.5%	34.1%	5,128	3,758	13,114	9,778	13,464
inclusive salary cost	47.7%	33.8%	4,020	2,722	9,945	7,430	10,597

Operating expenses increased 98.0% or 14.5 million euros in the reporting quarter compared to the reference period. The increase in 9 months 2017 was 65.7% or 27.7 million euros compared to 9 months 2016. The main reason for the upsurge in costs was the increase in the cost of sales. Cost of sales increased by 13.5 million euros, i.e. 102.4% in Q3 2017, compared to Q3 2016; and 25.9 million euros, i.e. 70.1% in 9 months 2017, compared to 9 months 2016. The cost of sales has grown faster than revenue growth.

In the reporting quarter, labor costs increased 36.5% up to 5.1 million euros and 34.1% up to 13.1 million euros during the first 9 months period. The rate of labour costs accounted for 17.8% of the sales revenue, decreasing by 4.0 percentage points for the comparable period.

The continued focus of the Group towards increasing exports has led to a rise in distribution costs, growing by 39.6% in the reporting quarter and by 26.7% in 9 months 2017, in respect to the comparable periods. The rate of distribution costs is in decline and accounted for 3.2% of the sales revenue in reporting quarter (Q3 2016: 4.6%), and 3.8% in 9 months 2017 (9m 2016: 5.0%).

Administrative expenses increased by 79.6%, i.e. 218 thousand euros in the reporting quarter and 40.0%, i.e. 1.2 million euros in 9 months 2017, compared to reference periods. The increase has occurred mainly due to growth in development expenses, including hiring new employees, related to new orders and development of new products. Administrative expenses of the reporting quarter increased by one-time termination payments due to changes of managers in Rifas UAB and AS Harju

Elekter Teletehnika. The rate of administrative expenses to revenue is also in decline and accounted for 5.3% in Q3 2017 and 5.6% in 9 months 2017, having decreased by 0.5 and 1.0 percentage points, respectively, in both reference periods.

EARNINGS AND MARGINS

In the reporting quarter, the gross profit of the Group was 4,580 (Q3 2016: 2,630) thousand euros. The gross profit margin was 14.7% (Q3 2016: 16.7%). In 9 months' period, the gross profit of the Group was 11,055 (9m 2016: 7,852) thousand euros. The gross profit margin was 15.0% (9m 2016: 17.5%).

The Group's operating profit in the reporting quarter was 1,915 (9m 2016: 1,023) thousand euros and EBITDA 2,347 (Q3 2016: 1,397) thousand euros. Return of sales for the reporting quarter was 6.1% (Q3 2016: 6.5%) and return of sales before depreciation 7.5% (Q3 2016: 8.8%).

The operating profit of the Group in the nine months was 4,037 (9m 2016: 2,694) thousand euros and the EBITDA was 5,241 (9m 2016: 3,883) thousand euros. Return of sales for the reporting period was 5.5% (9m 2016: 6.0%) and return of sales before depreciation was 7.1% (9m 2016: 8.7%). 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 1,798 (Q3 2016: 870) thousand euros, of which the share of the owners of the Company was 1,798 (Q3 2016: 862) thousand euros. EPS in the Q3 2017 was 0.10 euros (Q3 2016: 0.05 euros).

Overall, the consolidated net profit of the 9 months 2017 was 28,187 (9m 2016: 2,849) thousand euros. The share of the owners of the Company was 28,154 (9m 2016: 2,850) thousand euros. In 9 months, EPS was 1.59 (9m 2016: 0.16) euros. Large net profit was the result of Motherson Sumi Systems Limited acquiring the shares of PKC Group Oyj at the price of EUR 23.55 per share. AS Harju Elekter owned 1,094,641 shares of PKC Group Oyj. Financial income from the sale of shares was EUR 24,839 thousand euros.

Employees and remuneration

In Q3 2017, an average of 618 employees worked in the Group, which was 171 people more than in the comparable period. In 9 months 2017, an average of 550 employees worked in the Group, which was 99 people more than in the reference period.

In the reporting quarter, 4,020 (Q3 2016: 2,722) thousand euros were paid to the employees as salaries and fees, which was 47.7% higher than in the reference period. The 9 months 2017, to the employees were paid 9,945 (9m 2016: 7,430) thousand euros, being 33.8% more than in the reference period. The growth of wages was due to hiring new employees related to the significant increase in production volumes, being lower from the growth of sales revenue (65%). The average monthly salary for an employee of the Group was 2,010 (9m 2016: 1,829) euros, having increased by 9.9%. The increase in the average wage was influenced by the increase in the share of Finnish employees in the Group as Finland has a significantly higher wage level than in Estonia and Lithuania.

	Average number of employees				Number of employees 30.9.			As at 1.1.2017
	Q3 2017	Q3 2016	9m 2017	9m 2016	Growth	2017	2016	
Estonia	371	265	342	261	104	378	274	295
Finland	135	91	106	91	35	128	93	94
Lithuania	112	91	102	99	30	117	87	91
Sweden	0	0	0	0	1	1	0	0
Total	618	447	550	451	170	624	454	480

At the end of the reporting period, there were 624 people working in the Group, which was 170 persons more than a year earlier, including with the acquisition of Telesilta Oy and Energo Veritas OÜ, added 42 employees to the group. From the beginning of the year, the number of employees increased by 144 people.

Financial position and cash flows

	Growth		30.9. 2017	30.9. 2016	30.9. 2015	31.12. 2016
	y-o-y	9m 2017				
Current assets	28,143	28,325	50,590	22,447	22,078	22,265
Non-current assets	-9,965	-11,368	40,335	50,300	46,855	51,703
TOTAL ASSETS	18,178	16,957	90,925	72,747	68,933	73,968
Current liabilities	8,678	6,517	18,926	10,248	8,812	12,408
Non-current liabilities	2,102	1,847	3,014	912	1,956	1,167
Equity	7,398	8,593	68,985	62,587	58,165	60,392
incl. attributable to owners of the Company	7,426	8,589	68,896	61,470	58,028	60,307
Equity ratio (%) (Equity/total assets) *100 (%)	-8.8	-5.7	75.9	84.7	84.4	81.6
Current ratio (Average current assets/ Average current liabilities)	-0.1	0.2	2.3	2.4	2.7	2.1
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.2	0.3	1.6	1.4	1.7	1.3

During 9 months, the amount of the Group's assets increased by 17.0 million euros and compared to the reference period by 18.1 million euros up to 90.9 million euros.

The current assets increased by 28.1 million euros in a year to 50.6 million euros. The inventories increased by 3.0 million euros up to 13.2 million euros and trade receivables and other receivables by 8.6 million euros up to 17.8 million euros. Increase of stock and receivables is related to the increase of sales orders and volumes. During the reporting quarter, the Group placed 5 million euros into liquid shares of Finnish public companies and global equity funds, whose market value increased by 117 thousand euros in the reporting quarter.

As at the reporting date, the Group's cash and bank balance was 13.3 million euros, which was 10.7 million euros more than the year before. The increase was related to cash received from the sale of shares of PKC Group Oyj.

The cost of the non-current assets in the statement of financial position decreased by 11.4 million euros in 9 months, and with respect to the comparable period by 10.0 million euros to 40.3 million euros. The majority of the changes in the non-current assets were due to sale of long-term financial investments. PKC Group Oyj share was recognised at the market price for financial investments, which was 17.20 euros on the Helsinki Stock Exchange as at 30.9.2016 and 15.81 euros as at 31.12.2016. In total, the cost of financial investments decreased by 17.3 million euros to 4.7 million euros in 12 months.

In 9 months period, the Group has made a total of 7.2 (Q3 2016: 1.4) million euros worth of investments to non-current assets, incl. acquisitions through business combinations amounted to 1.7 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 totaled 21.9 million euros, of which short-term part made up 86.3%. Short-term liabilities increased by 8.7 million euros, incl. trade and other payables increased by 7.0 million euros to 14.5 million euros.

In 9 months 2017, the current ratio of the Group was 2.3 (9m 2016: 2.4) and the quick ratio was 1.6 (9m 2016: 1.4).

As at the reporting date, interest-bearing debt obligations made up 14.2% of the Group's liabilities and 3.4% of the cost of its assets; 8.8% and 1.4%, respectively, as at 30 September 2016. The Group had interest-bearing debt obligations totaling 3.1 (30.9.2016: 1.0) million euros, with the short-term obligations making up 0.1 (30.9.2016: 0.1) million euros. Over a period of 9 months, short-term loans decreased by EUR 0.6 million euros; long-term debt obligations increased by EUR 1.8 million, to EUR 3.0 million.

<i>Consolidated Statement of Cash Flows</i>	9 months			Year
	2017	2016	2015	2016
Cash flows from operating activities	-212	97	-1,234	2,686
Cash flows from investing activities	13,762	-2,106	-6,157	-4,580
Cash flows from financing activities	-3,556	-1,108	-1,561	-539
Net cash flow	9,994	-3,117	-7,952	-2,433

Cash flows from operating activities were -0.2 (9m 2016: 0.1) million euros in nine months. Cash flows from operating activities is mainly affected by increase in trade receivables and inventories, related to increase in orders in hand. Cash flows from investing activities yielded money in the amount of 13.8 (9m 2016: -2.1) million euros, which was most affected by money received from the sale of the PKC Group Oyj shares in Q1 2017. Cash flows from financing activities in 9 months 2017 were -3.6 (9m 2016: -1.1) million euros. The dividends in the amount of 3.2 million euros was paid in 2017 for financial year 2016, which were 3.6 times more than a year before. 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. Payments to the shareholders was made in January 2017.

Cash and cash equivalents increased in the reporting 9 months by 10.0 million euros to 13.3 million euros, and decreased in the period of comparison by 3.1 million euros to 2.6 million euros.

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 as follows: Mr. Endel Palla, Mr. Arvi Hamburg, Mr. Aare Kirsme, Mrs. Triinu Tombak and Mr. Andres Toome and approved the procedure for remuneration of the Supervisory Board.

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	9m 2017
Opening price	2.64	2.77	2.79	2.62	2.85
Highest price	2.92	2.85	3.14	2.94	4.60
Lowest price	2.46	2.52	2.49	2.43	2.80
Closing price	2.70	2.79	2.63	2.83	4.45
Traded shares (pc)	936,162	800,823	1,086,451	947,294	1,118,427
Turnover (in million euros)	2.48	2.17	2.98	2.45	4.35
Capitalisation (in million euros)	46.98	48.55	46.16	50.20	78.94
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	1.59

Share price (in euros) in Tallinn Stock growth/decrease, 1 October 2016 – 30 September 2017
(Nasdaq Tallinn, www.nasdaqbaltic.com)



As at 30 September 2017 AS Harju Elekter had 2,357 shareholders. The number of shareholders increased during the accounting quarter by 131 persons. And during the 9 months' period by 432 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 31.4% of AS Harju Elekter's share capital. At 30 September 2017, the members of the Supervisory and Management Boards owned in accordance with their direct and indirect ownerships totally 11.15% 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 30 September 2017:

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.08	42.10
1.0 – 10.0%	8	0.34	22.15
0.1 – 1.0 %	61	2.59	18.35
< 0.1%	2,286	96.99	17.40
Total	2,357	100.0	100.0

Shareholders (above 5%) at 30 June September 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	30.9.2017	31.12.2016	30.9.2016
Current assets				
Cash and cash equivalents		13,271	3,278	2,593
Short-term financial investments	2	5,116	0	0
Trade receivables and other receivables		17,769	8,480	9,219
Prepayments		1,097	771	440
Income tax prepayments	9	113	24	26
Inventories		13,224	9,712	10,169
Total current assets		50,590	22,265	22,447
Non-current assets				
Deferred income tax asset		37	37	57
Other long-term financial investments	2	4,684	21,990	23,512
Investment property	3	15,983	13,273	13,493
Property, plant and equipment	4	12,598	10,972	7,802
Intangible assets	4	7,033	5,431	5,436
Total non-current assets		40,335	51,703	50,300
TOTAL ASSETS		90,925	73,968	72,747
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	5	92	804	75
Advances from customers		1,177	857	0
Trade payables and other payables		14,468	8,283	7,470
Payables to shareholders		0	1,242	1,242
Tax liabilities		2,724	1,075	1,307
Income tax liabilities	9	320	133	138
Short-term provision		145	15	16
Total current liabilities		18,926	12,409	10,248
Interest-bearing loans and borrowings	5	3,014	1,167	912
Non-current liabilities		3,014	1,167	912
Total liabilities		21,940	13,576	11,160
Equity				
Share capital		11,176	11,176	12,418
Unregistered share capital		0	0	-1,242
Share premium		804	804	804
Reserves		2,846	19,214	20,734
Retained earnings		54,070	29,113	28,756
Total equity attributable to equity holders of the parent		68,896	60,307	61,470
Non-controlling interests		89	85	117
Total equity		68,985	60,392	61,587
TOTAL LIABILITIES AND EQUITY		90,925	73,968	72,747

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 July- 30 September		1 January- 30 September	
		2017	2016	2017	2016
Revenue	6	31,228	15,794	73,850	44,759
Cost of sales		-26,648	-13,164	-62,795	-36,907
Gross profit		4,580	2,630	11,055	7,852
Distribution costs		-983	-704	-2,807	-2,216
Administrative expenses		-1,658	-922	-4,162	-2,973
Other income		9	31	39	83
Other expenses		-33	-12	-88	-52
Operating profit	6	1,915	1,023	4,037	2,694
Finance income	7	120	2	24,966	769
Finance costs	7	-7	-6	-23	-17
Profit before tax		2,028	1,019	28,980	3,446
Income tax expense	9	-230	-149	-794	-597
Profit for the period		1,798	870	28,186	2,849
Profit attributable to:					
Owners of the Company		1,798	862	28,153	2,850
Non-controlling interests		0	8	33	-1
Profit for the period		1,798	870	28,186	2,849
Earnings per share					
Basic earnings per share (EUR)	8	0.10	0.05	1.59	0.16
Diluted earnings per share (EUR)	8	0.10	0.05	1.59	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 July– 30 September 2017	1 July– 30 September 2016	1 January – 30 September 2017	1 January – 30 September 2016
Profit for the period		1,798	870	28,186	2,849
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	0	1,898	0	2,664
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	1,897	-16,367	2,663
Total comprehensive income for the period		1,798	2,767	11,819	5,512
Total comprehensive income attributable to:					
Owners of the Company		1 798	2,759	11 786	5,513
Non-controlling interests		0	8	33	-1
Total comprehensive income for the period		1 798	2,767	11 819	5,512

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 September	Note	2017	2016
Cash flows from operating activities			
Profit for the period	6	28,186	2849
<u>Adjustments for:</u>			
Depreciation and amortisation	3.4	1,204	1,189
Gain on sale of property, plant and equipment	9	-9	-27
Finance income	7	-24,966	-769
Finance costs	7	23	17
Income tax expense	9	794	597
<u>Changes in:</u>			
Growth/decrease in receivables related to operating activity		-7,719	-2,707
Growth/decrease in inventories		-3,158	-3,021
Growth/decrease in payables related to operating activity		5,953	2,474
Corporate income tax paid	9	-497	-488
Interest paid	7	-23	-17
Net cash from operating activities		-212	97
Cash flows from investing activities			
Acquisition of investment property	9	-3,169	-872
Acquisition of property, plant and equipment	9	-1,825	-460
Acquisition of intangible assets	9	-127	-87
Acquisition of subsidiaries, net of cash acquired		-2,008	-713
Acquisition of other financial investments	2	-4,999	-660
Proceeds from sale of property, plant and equipment	9	101	29
Proceeds from sale of other financial investments		25,779	0
Interest received	7.9	10	6
Dividends received		0	651
Net cash used in investing activities		13,762	-2,106
Cash flows from financing activities			
Growth/decreases in short-term loans	5	-642	0
Proceeds from borrowings	5	2,037	0
Repayment of borrowings	5	-38	0
Payment of finance lease principal	5	-222	-221
Reduction of share capital		-1,242	0
Acquisition of non-controlling interests		-5	0
Dividends paid		-3,226	-887
Dividends income tax paid	9	-218	0
Net cash used in financing activities		-3,556	-1,108
Net cash flows		9,994	-3,117
Cash and cash equivalents at beginning of period		3,278	5,711
Net increase / decrease		9,994	-3,117
Effect of growth/decrease rate fluctuations on cash held		-1	-1
Cash and cash equivalents at end of period		13,271	2,593

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

For the period 1 January – 30 September	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	28,153	28,153	33	28,186	
Other comprehensive income for the period	0	0	0	0	-16,367	0	0	-16,367	0	-16,367	
Total comprehensive income	0	0	0	0	-16,367	0	28,153	11,786	33	11,819	
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 30 September 2017	11,176	0	804	1,242	1,602	3	54,069	68,896	89	68,985	

For the period 1 January – 30 September	Attributable to owners of the Company								Non-Controlling interests	TOTAL
	Share capital	Unregistered 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	2,850	2,849	-1	2,849
Other comprehensive income for the period	0	0	0	0	2,664	-1	0	2,663	0	2,663
Total comprehensive income	0	0	0	0	2,664	-1	2,850	5,513	-1	5,512
Transaction with the owners of the Company, recognised directly in equity										
Increase of capital reserve	0	0	0	23	0	0	-23	0	0	0
Reduction of unregistered share capital	0	-1,242	0	0	0	0	0	-1,242	0	-1,242
Dividends	0	0	0	0	0	0	-887	-887	0	-887
Total transaction with the owners of the Company	0	-1,242	0	23	0	0	-910	-2,129	0	-2,129
At 30 September 2016	12,418	-1,242	804	1,241	19,491	1	28,757	61,470	117	61,587

NOTES TO INTERIM FINANCIAL STATEMENT**Note 1 Accounting methods and valuation principles used in the consolidated interim report**

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.6.2016 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Energo Veritas OÜ, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy (subsidiary of Satmatic Oy), Telesilta Oy, 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; 31.4% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 “Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31 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 1-6/2017 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

	2017	2016
As at 30 September		
Current financial assets	5,116	-
Available-for-sale equity securities (fair value)	4,663	23,491
Available-for-sale financial assets (cost method)	21	21
Total	9,800	23,512
<hr/>		
For the period 1 January – 30 September	2017	2016
<hr/>		
1. Current financial assets at fair value through profit and loss		
Carrying amount at 1 January	-	-
Additions	4,999	-
Gain on change in fair value	117	-
At the end of the period	5,116	-

For the period 1 January – 30 September	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	2,664
Sale of shares at sales price	-17,306	0
At the end of the period	4,663	23,491
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	9,800	23,512

During the reporting 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 grew by 117 thousand euros during the reporting quarter. The gain on change in fair value was reflected in the profit for the reporting period.

Note 3 Investment property

For the period 1 January – 30 September	2017	2016
Investment property		
At 1 January	13,273	12,990
Additions	2,645	876
Reclassification	399	3
Depreciation charge	-334	-376
At the end of the period	15,983	13,493

Note 4 Property, plant and equipment; intangible assets

For the period 1 January – 30 September	2017	2016
1. Property, plant and equipment		
At 1 January	10,972	8,010
Additions	2,797	460
Acquisitions through business combinations	34	0
Disposals	-92	-2
Reclassification	-399	-3
Depreciation charge	-714	-663
At the end of the period	12,598	7,802
2. Intangible assets		
At 1 January	5,432	5,491
Additions	123	95
Acquisitions through business combinations	1,634	0
Depreciation charge	-156	-150
At the end of the period	7,033	5,436

Note 5 Interest-bearing loans and borrowings

	30.9.2017	31.12.2016	30.9.2016
Liabilities			
Short-term bank loans	0	642	0
Current portion of long-term bank loans	16	54	0
Current portion of lease liabilities	76	108	75
Total current liabilities	92	804	75
Non-current liabilities			
Long-term bank loans	2,400	363	0
Lease liabilities	614	804	912
Total non-current liabilities	3,014	1,167	912
TOTAL	3,106	1,971	987
Growth/decreases during the period 1 January – 30 September			
		2017	2016
Loans and borrowings at the beginning of the year		1,971	1,208
Growth/decreases in short-term loans		-642	0
Received long-term loans		2,037	0
Long-term loan repaid		-38	0
Payment of finance lease principal		-222	-221
Loans and borrowings at the end of the current period		3,106	987

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 and intermediary sale of components. 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. 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 Energo Veritas OÜ 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 – 30 September	Note	Manu- facturing	Real estate	Other activities	Elimi- nations	Consoli- dated
2017						
Revenue from external customers		67,194	1,463	5,193	0	73,850
Inter-segment revenue		289	871	419	-1,579	
Total revenue		67,483	2,334	5,612	-1,579	73,850
Operating profit		4,052	376	-408	17	4,037
Finance income	7					24,966
Finance costs	7					-23
Profit before tax						28,980
Income tax						-794
Profit for the period						28,186
Segment assets		54,422	16,332	15,586	-10,469	75,872
Indivisible assets						15,053
Total assets						90,925
Capital expenditure	3.4	2,159	2,645	2,429	0	7,233
Depreciation charge for the year	3.4	707	333	181	-17	1,204
2016						
Revenue from external customers		40,819	1,847	2,093	0	44,759
Inter-segment revenue		109	709	266	-1,084	0
Total revenue		40,928	2,556	2,359	-1,084	44,759
Operating profit		2,257	815	-189	-189	2,694
Finance income	7					769
Finance costs	7					-17
Profit before tax						3,446
Income tax						-597
Profit for a period						2,849
Segment assets		36,590	13,818	4,302	-7,833	46,877
Indivisible assets						25,870
Total assets						72,747
Capital expenditure	3.4	145	876	410	0	1,431
Investments in financial assets	2					660
Depreciation charge for the year	3.4	533	376	280	0	1,189

Revenue by markets:

For the period 1 January – 30 September	2017	2016
Estonia	12,305	9,341
Finland	53,182	30,802
Lithuania	1,312	319
Sweden	2,187	1,554
Norway	3,517	1,746
Other countries	1,347	997
Total	73,850	44,759

Revenue by business area:

For the period 1 January – 30 September	2017	2016
Electrical equipment	61,251	38,301
Sheet metal products and services	589	770
Telecom sector products and services	697	914
Intermediary sale of electrical products	5,600	2,521
Commerce and mediation of services	245	287
Rental income	1,282	1,668
Electrical installation service	3,696	0
Other services	490	298
Total	73,850	44,759

Note 7 Finance income and costs

For the period 1 January – 30 September	2017	2016
Interest income	10	3
Finance income from sale of PKC Group Oyj's shares	24,839	0
Dividend income	0	766
Growth in the fair value of short-term financial investments	117	0
Total finance income	24,966	769
Interest expense	-23	-17
Total finance costs	-23	-17

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 30 September 2017, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

For the period	Unit	2017	2016
1 January – 30 September			
Profit attributable to equity holders of the parent	EUR'000	28,153	2,850
Average number of shares outstanding	Pc'000	17,740	17,740
Basic and diluted earnings per share	EUR	1.59	0.16
1 July – 30 September			
Profit attributable to equity holders of the parent	EUR'000	1,797	862
Adjusted number of shares during the period	Pc'000	17,740	17,740
Basic and diluted earnings per share	EUR	0.10	0.05

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

For the period 1 January – 30 September	Note	2017	2016
Corporate income tax paid			
Income tax expense		-794	-597
Prepayment decrease (+)/ increase (-), liability decrease (-)/ increase (+)		98	-6
Acquired liability through acquisition of subsidiaries		-18	0
Income tax expense on dividends		218	115
Corporate income tax paid		-497	-488
Interest received			
Interest income	7	10	3
Receivable increase (-)		0	3
Interest received		10	6
Paid for investment property			
Additions of investment property	3	-2,645	-876
Liability decrease (-)/ increase (+) incurred by purchase		-524	4
Acquisition of investment property		-3,169	-872
Paid for property, plant and equipment			
Additions of property, plant and equipment	4	-2,797	-460
Liability decrease (-)/ increase (+) incurred by purchase		972	0
Acquisition of property, plant and equipment		-1825	-460
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	4	92	2
Profit on disposal of property, plant and equipment		9	27
Proceeds from sale of property, plant and equipment		101	29
Paid for intangible assets			
Additions of intangible assets	4	-123	-95
Liability decrease (-)/ increase (+) incurred by purchase		-4	8
Acquisition of intangible assets		-127	-87

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 80.5% 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. Goodwill in amount of 1.2 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 31.4% 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 – 30 September	2017	2016
Purchase of goods and services from related parties:		
- from Harju KEK	51	79
<i>Inclusive:</i>		
- lease of property, plant and equipment	51	79
Sale of goods and services to related parties:		
- to Harju KEK	4	2
<i>Inclusive:</i>		
- other services	4	2
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	295	165
- social security and other taxes on salaries	98	54
TOTAL	393	219

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.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/2017 as set out on pages 3 to 25 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
25th October 2017