AS HARJU ELEKTER

Interim report 1-3/2018

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
Commercial registry code:	10029524
Address:	Paldiski mnt.31, 76606 Keila
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor:	KPMG Baltics OÜ
Beginning of the reporting period:	1st of January 2018
End of the reporting period:	31st of March 2018

The interim report of Harju Elekter Group on 27 pages

CONTENTS

EXPLANATORY NOTE ... 3
INTERIM FINANCIAL STATEMENTS ... 12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ... 12
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ... 13
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ... 14
CONSOLIDATED STATEMENT OF CASH FLOWS ... 15
CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY ... 16
NOTES TO INTERIM FINANCIAL STATEMENT ... 17
Note 1 Accounting methods and valuation principles used in the consolidated interim report ... 17
Note 2 Financial investments ... 20
Note 3 Investment property ... 21
Note 4 Property, plant and equipment; intangible assets ... 21
Note 5 Interest-bearing loans and borrowings ... 21
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 Business combinations ... 26
Note 11 Transactions with related parties ... 27
Statement of Management responsibility ... 28

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-3/2018 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, SEBAB AB, Grytek AB, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line.

In the first quarter, AS Harju Elekter purchased an 100% holding in Swedish company SEBAB AB, a provider of sales and technical solutions, and its sister company Grytek AB, a manufacturer of pre-fabricated technical buildings. The transaction was completed as at 8 January 2018. The financial indicators of SEBAB AB and Grytek AB are included in consolidated reports as of 1 January 2018.

As of 31 March 2018, AS Harju Elekter has substantial holdings as follows:

Company		Country	31.3.18	31.12.17	31.3.17
AS Harju Elekter Elektrotehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Teletehnika	Subsidiary	Estonia	100.0%	100.0%	100.0%
Energo Veritas OÜ	Subsidiary	Estonia	80.52%	80.52%	80.52%
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%	100.0%	-
Harju Elekter Kiinteistöt Oy	Subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	Subsidiary	Lithuania	100.0%	100.0%	100.0%
Automatikos Iranga UAB	Rifas UAB`s subsidiary	Lithuania	67.0%	67.0%	67.0%
Harju Elekter AB	Subsidiary	Sweden	100.0%	100.0%	90.0%
SEBAB AB	Subsidiary	Sweden	100.0%	-	-
Grytek AB	Subsidiary	Sweden	100.0%	-	-
SIA Energokomplekss	Financial investment	Latvia	14.0%	14.0%	14.0%
Skeleton Tehnologies Group OÜ	Financial investment	Estonia	9.8%	9.8%	9.8%

Economic environment

The January publication of World Economic Survey No. 1/2018 by the Munich-based Institute for Economic Research (IFO) clearly reveals that the world’s economic climate has improved significantly, and development may be observed in all of the world’s economic regions. Countries in the euro zone enjoyed an above-average situation. A strong global economy serves to promote the economies of the Nordics and the Baltic states, providing the countries here with better export opportunities. The greatest threat to economic growth is the continued rise of populism, increased protectionism and geopolitical tensions. Tensions in the Middle East, the weak dollar and the cooling of fears of a trade war have led to a three-year high in the price of oil (over USD 70/barrel). According to analysts from Swedbank, the rapid economic growth of the Baltic states will continue throughout the year.

Estonia’s economic situation remains good thanks to the positive changes that have taken place within the European Union, but even more directly to the favourable developments that have taken place in the economies of Estonia’s main partner countries. The strengthening of the external environment is reflected in Estonia’s exports and is passed on from there to the domestic economy. This has raised the feeling of security of undertakings as well as families and strengthened their readiness to investment, as presented in the Estonian Institute of Economic Research’s (EKI) publication Konjunktuur. In

March, EKI experts-analysts assessed the current state of the Estonian economy with a maximum of 100 points, which is five points higher than the previous survey in December 2017. The experts also assessed the investment situation as being positive, doing so for the fourth consecutive quarter. The economy has demonstrated stable growth over the past 10 quarters, with the greatest problems continuing to be the lack of innovation by companies, inadequate competitiveness and a shortage of skilled labour.

Main events

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 Tnåa 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.

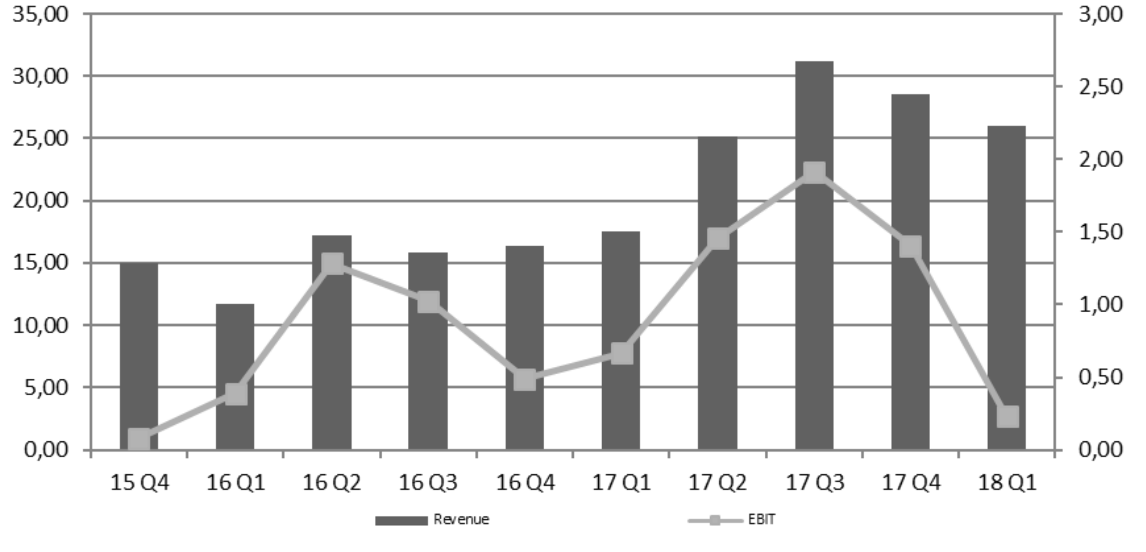
On 18 January 2018, AS Harju Elekter Elektrotehnika signed a contract with Caruna Oy, the largest electrical grid company in Finland, to supply LV cable distribution cabinets and metering boards to them in the course of 2+1+1 years. According to estimates by Caruna Oy, the expected volume of the contract is at least 5 million euros. Harju Elekter Group already has valid contracts in place with the Caruna Group to supply pre-fabricated substations to Finland.

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 2017, which resulted in the need to expand the working premises. In comparison with the previous 10,400m^2, the new factory has 16,715m^2 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 procurements for the supply of pre-fabricated substations both in Sweden and in Estonia. The framework contract with the largest distribution network enterprise in Sweden E.ON Energidistribution AB was signed in March, based on which more than 2,000 substations will be supplied to Sweden in the 3-year contract period. Also, the 5-year contract in total amount of 2.25 million euros with Elektrilevi OÜ for the supply of 250 kVA prefabricated substations to Estonia was signed in March.

Operating results

Seasonality of business (million euros)



In addition to the regular seasonality, the profitability of the quarter was influenced by postponed installation of works of many clients due to the cold winter months, resulting in a large quantity of production into the warehouse, which will be realised in Q2. In Q1, the heating and electricity costs also increased notably; in addition, several preparations and development works were undertaken to perform the new procurement contracts of Sweden and Finland.

KEY INDICATORS

	January - March			Year
	2018	**2017**	**2016**	**2017**
Revenue (EUR’000)	25,986	17,519	11,757	102,668
Gross profit (EUR’000)	3,344	2,670	2,069	15,625
EBITDA (EUR’000)	849	1,050	780	7,587
EBIT (EUR’000)	231	668	390	5,442
Profit for the period (EUR’000)	102	25,366	311	29,132
incl attributed to Owners of the Company (EUR’000)	133	25,374	324	29,129
Revenue growth/decrease (%)	48.3	49.0	7.4	67.8
Gross profit growth/decrease (%)	25.2	29.0	21.8	50.8
EBITDA growth/decrease (%)	-19.1	34.6	101.0	58.8
EBIT growth/decrease (%)	-65.4	71.3	1,244.8	71.1
Profit for the period growth/decrease (%)	-99.6	8,063.2	3,010.0	803.6
incl attributed to Owners of the Company (%)	-99.5	7,726.0	1,925.0	804.9
Distribution cost to revenue (%)	4.5	4.5	6.1	4.0
Administrative expenses to revenue (%)	7.4	6.7	8.1	5.8
Labour cost to revenue (%)	21.7	21.0	25.1	18.2
Gross margin (Gross profit/revenue) (%)	12.9	15.2	17.6	15.2
EBITDA margin (EBITDA/revenue) (%)	3.3	6.0	6.6	7.4
Operating margin (EBIT/revenue) (%)	0.9	3.8	3.3	5.3
Net margin (Profit for the period/revenue) (%)	0.4	144.8	2.6	28.4
ROE (Profit for the period/average equity) (%)	0.1	39.1	0.5	44.7

SALES REVENUE

The sales revenue of the Group was influenced by the cold winter months, which made it difficult to carry out cable work and installation of substations in the Nordic countries. Seasonality had a major impact on Swedish companies: though increasing their revenues relative to comparable quarter, will accelerate business activity in next periods.

The quarterly sales development by business area:

Business area	Growth Q/Q	Share Q1 2018	Q1 2018	Q1 2017	Q1 2016	Year 2017
Electrical equipment	29.0%	76.2%	19,802	15,345	9,829	82,976
Sheet metal products and services	105.5%	1.5%	385	187	227	709
Telecom sector products	13.4%	1.0%	267	236	236	874
Intermediary sale of electrical products	25.5%	5.3%	1,380	1,100	757	7,473
Rental income	11.7%	1.9%	495	444	551	1,744
Electrical installation service	-	13.1%	3,402	-	-	7,904
Other services	23.1%	1.0%	255	207	157	988
Total	**48.3%**	**100.0%**	**25,986**	**17,519**	**11,757**	**102,668**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

The Group's consolidated revenue increased by 48.3% to 26.0 million euros in the reporting quarter. The increase in sales revenue was supported by the acquisition of new business combinations in the second half of 2017.

Sales revenue increased for the comparable period for all business areas. The biggest contribution to the 8.5 million euros increase came within 52.6% from greater sales volumes of electrical equipment and within 40.2% new electrical installation works, added to the services of the Group in 2017. Sales of electrical equipment increased by 4.5 million euros to 19.8 million euros of quarterly comparison.

The quarterly sales development by markets:

Markets	Growth Q/Q	Quarter 1 2018	2017	2016	Share Q1 2018	Share Q1 2017	12 months 2017	Share 2017
Estonia	-28.8%	2,825	3,966	3,083	10.9%	22.6%	16,402	16.0%
Finland	54.1%	17,959	11,657	7,410	69.1%	66.5%	74,970	73.0%
Sweden	109.6%	2,001	954	792	7.7%	5.4%	2,706	2.7%
Lithuania	70.4%	197	116	33	0.8%	0.7%	1,371	1.3%
Norway	196.4%	2,082	703	332	8.0%	4.0%	5,852	5.7%
Others	649.6%	922	123	107	3.5%	0.7%	1,367	1.3%
Total	**48.3%**	**25,986**	**17,519**	**11,757**	**100.0%**	**100.0%**	**102,668**	**100.0%**

Regarding to the decrease of investment in the energy distribution sector, sales to the Estonian market in the first quarter decreased by 28.8% to 2.8 million euros and accounted for 10.9% of the consolidated sales revenue of the reporting quarter.

The Group’s sales revenue earned outside Estonia accounted for 89.1% in Q1 2018 (Q1 2017: 77.4%) increasing by 9.6 million to 23.2 million euros.

The Group's largest market is Finland, where 69.1% of the Group's products and services were sold in the reporting quarter (Q1 2017: 66.5%). Comparison of quarters, sales to the Finnish market have increased by 6.3 million euros to 18.0 million euros. The main reason for the growth was the contracts concluded with Finnish network companies at the end of the years 2016 and 2017. A significant contribution to the growth of sales revenue was also provided by the Finnish subsidiary Telesilta Oy, acquired in June 2017.

Compared to Q1 2017, the sales revenue to Swedish market has doubled, to 2.0 million euros. The growth came from Group’s and Harju Elekter Elektrotehnika’s purposeful work to increase market share in Sweden and combining new companies to the Group. AS Harju Elekter Elektrotehnika’s participation in several tenders resulted a 3 year frame agreement to deliver substations to E.ON Energidistribution AB. The deliveries of substation start in Q2.

In the reporting quarter, the Lithuanian subsidiary Rifas UAB continued to increase its order volumes from Norway. Compared to Q1 2017, deliveries to the Norwegian market increased threefold to 2.0 million euros, accounting for 8.0% of consolidated sales revenue (Q1 2017: 4.0%).

Sales from other markets were majority earned from Austria, Denmark and the Netherlands.

The quarterly sales development by segments:

Markets	Growth Q/Q	Quarter 1 2018	2017	2016	12 months 2017
Manufacturing	27.8%	20,593	16,107	10,461	85,420
Real Estate	19.0%	623	524	642	1,991
Unallocated activities	436.9%	4,770	888	654	15,257
Total	**48.3%**	**25,986**	**17,519**	**11,757**	**102,668**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

During the reporting quarter 79.2% (Q1 2017: 91.9%) of revenue was earned from the Manufacturing segment, Real Estate and Unallocated activities contributed 20.8% (Q1 2017: 8.1%) of the consolidated sales volume.

In 2017, 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 at the beginning of 2017. AS Stera Saue opened new production facilities and warehouses in August 2017 and Warehouse hotel was rented out at the end of 2017. The rental income from these premises increased the segment's revenues in Q1.

The sales revenue of Unallocated activities has increased by 3.9 million euros to 4.8 million euros in the quarterly comparison, of which electrical installation work comprised 71.3% (Telesilta Oy acquired in June 2017).

OPERATING EXPENSES

	Growth Q/Q	Quarter 1 2018	2017	2016	12 months 2017
Cost of sales	52.5%	22,642	14,849	9,688	87,043
Distribution costs	45.9%	1,161	796	723	4,132
Administrative expenses	63.2%	1,930	1,182	947	5,981
Total expenses	**52.9%**	**25,732**	**16,827**	**11,358**	**97,156**
incl. depreciation of fixed assets	61.7%	618	382	390	2,145
Total labour cost	53.5%	5,648	3,680	2,950	18,700
inclusive salary cost	67.2%	4,375	2,616	2,374	14,073

Operating expenses increased 52.9%, i.e. 8,9 million euros in the reporting quarter compared to the reference period. The main reason for the upsurge in costs was the increase in the cost of sales by 7.8 million euros in Q1 2018 compared to Q1 2017, exceeding the growth rate of sales revenue, while at the same time decreasing the gross profit margin by 2.3 percentage point compared to the reference period.

In the reporting quarter, labour costs increased by 53.5% up to 5.6 million euros. The rate of labour costs accounted for 21.7% of the reporting quarter sales revenue, increasing by 0.7 percentage points for the comparable period.

The Group's distribution costs increased by 45.9% in the quarterly comparison. The rate of distribution costs accounted for 4.5% of the sales revenue in the reporting quarter (Q1 2017: 4.5%).

Administrative expenses increased by 0.7 million euros in the reporting quarter. In the first quarter, the Group has incurred expenditures on the preparation of new procurements and completing 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. The rate of administrative expenses accounted for 7.4% of the sales revenue of Q1 2018 (Q1 2017: 6.7%).

Depreciation of non-current assets increased by 0.2 million euros to 0.6 million euros in the first 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 0.1 million euros. The new production and warehouses built in the Allika Industrial Park also increased the reporting quarter depreciation.

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

EARNINGS AND MARGINS

In the reporting quarter, the gross profit of the Group was 3,344 (Q1 2017: 2,670) thousand euros. The gross profit margin was 12.9% (Q1 2017: 15.2%). The decline in profitability was caused by wage pressure of employees due to overall economic health and in the comparison of quarters, the price of raw material, above all sheet metal, has increased, which also raised the cost level of goods and services sold. The margins were also influenced by the higher share of low profitability sheet metal products in the sales structure.

In the reporting quarter, the Group's operating profit was 231 (Q1 2017: 668) thousand euros and EBITDA 849 (Q1 2017: 1,050) thousand euros. Return of sales for the reporting quarter was 0.9% (Q1 2017: 3.8%) and return of sales before depreciation 3.3% (Q1 2017: 6.0%). In Q1, several Group's companies were influenced by the lower than expected volume of orders due to seasonality, being the main cause of the decline in profitability. Preparations for new procurements continue, leading to higher development costs, also several professionals have been hired.

The profit before taxes for the reporting quarter was 229 (Q1 2017: 25,505) thousand euros. The calculated income tax expense of three months was 127 (Q1 2017: 139) thousand euros.

In the reporting quarter, the consolidated net profit was 102 (Q1 2017: 25,366) thousand euros, of which the share of the owners of the Company was 133 (Q1 2017: 25,374) thousand euros. EPS in the Q1 2018 was 0.01 euros (Q1 2017: 1.43 euros). The consolidated net profit without extraordinary income of the Q1 2017 (the result of one-time financial income from the sale of the PKC Group Oyj shares in amount of 24,839 thousand euros) was 527 thousand euros.

Employees and remuneration

In Q1 2018, an average of 679 employees worked in the Group, which was 189 people more than in the comparable period. At the end of the reporting period, there were 699 people working in the Group, which was 182 persons more than a year earlier. With the acquisition of SEBAB AB and Grytek AB, 42 employees were added to the Group in Q1.

	Average number of employees		Number of employees			As at
	Q1 2018	Q1 2017	Growth	Q1 2018	Q1 2017	31.12.2017
Estonia	372	305	54	388	334	372
Finland	129	90	45	135	90	137
Lithuania	132	95	38	131	93	120
Sweden	46	0	45	45	0	1
Total	**679**	**490**	**182**	**699**	**517**	**630**

In the reporting quarter, 4,375 (Q1 2017: 2,616) thousand euros were paid to the employees as salaries and fees. The growth of salary cost was due to hiring new employees related to the significant increase in production volumes and the acquisition of new Swedish subsidiaries. In the reporting quarter, the average monthly salary per employee of the Group was 2,147 euros, an average increase of 367 euros for the comparable period.

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

Financial position and cash flows

	Growth y-o-y	Growth 3 months 2018	31.3. 2018	31.3. 2017	31.3. 2016	31.12. 2017
Current assets	2,181	4,223	52,936	50,755	22,020	48,713
Non-current assets	7,208	1,698	42,962	35,754	45,683	41,264
TOTAL ASSETS	9,389	5,921	**95,898**	**86,509**	**67,703**	**89,977**
Current liabilities	9,149	6,116	23,252	14,103	8,988	17,136
Non-current liabilities	-294	-190	2,720	3,014	912	2,910
Equity	534	-5	69,926	69,392	57,803	69,931
incl. attributable to owners of the Company	587	26	69,898	69,311	57,698	69,872
Equity ratio (%) (Equity/total assets) *100 (%)	-7.3	-4.8	72.9	80.2	85.4	77.7
Current ratio (Average current assets/ Average current liabilities)	-0.3	0.1	2.5	2.8	2.5	2.4
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	-0.2	0.1	1.7	1.9	1.6	1.6

The Group's assets increased by 9.4 million euros to 95.9 million euros a year.

During the year, the current assets increased by 2.2 million euros to 52.9 million euros. The inventories increased by 5.2 million euros up to 18.2 million euros and trade receivables and other receivables by 6.0 million euros up to 19.5 million euros. Increase in inventories and receivables is related to the increase of sales orders and production volumes and acquisition of new Swedish subsidiaries. The cost of finished goods and work in progress in inventories has increased by 2.2 million euros to 6.1 million euros over the 12 months.

The cost of the non-current assets in the statement of financial position increased by 1.7 million euros to 43.0 million euros. During the reporting year, the Group has made a total of 2.3 (Q1 2017: 1.7) million euros worth of investments to fixed assets, incl. acquisitions through business combinations amounted to 1.0 (Q1 2017: 0.4) 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 26.0 million euros, of which short-term part made up 89.5%. Short-term liabilities increased by 9.1 million euros, incl. trade and other payables increased by 5.8 million euros to 16.4 million euros.

In Q1 2018, the current ratio of the Group was 2.5 (Q1 2017: 2.8) and the quick ratio was 1.7 (Q1 2017: 1.9).

As at 31 March 2018, interest-bearing loans and borrowings made up 20.1% of the Group's liabilities and 5.4% of the cost of its assets; 21.8% and 4.3%, respectively, as at 31 March 2017. The Group had interest-bearing loans and borrowings totalling 5.2 (31.03.2017: 3.7) million euros, of which the short-term obligations making up 2.5 (31.03.2017: 0.7) million euros.

Consolidated Statement of Cash Flows	3 months **2018**	3 months **2017**	3 months **2016**	Year **2017**
Cash flows from operating activities	-5,485	-851	-78	4,560
Cash flows from investing activities	-3,135	23,569	-46	6,284
Cash flows from financing activities	1,513	521	-74	-3,126
Net cash flow	**-7,107**	**23,239**	**-198**	**7,718**

Cash flows out from operating activities were 5.5 (Q1 2017: 0.9) million euros in 3 months.

Cash flows out from investing activities were 3.1 million euros. In the comparable period, cash yielded money in the amount of 23.6 million euros. In the reporting quarter, a total of 1.2 (Q1 2017: 1.9) million euros were paid for investments. Acquisition of business combinations generated a net outflow of 2.0 (Q1 2017: 0.4) million. In Q1 2017, the sale of PKC Group Oyj's shares amounted to 25.8 million euros.

In Q1 2018, cash yielded money in the amount of 1.5 (Q1 2017: 0.5) million euros from financing activities. In the reporting quarter, 1.7 million euros proceeded from short-term bank loans.

Cash and cash equivalents decreased by 7.1 million euros to 3.8 million euros in the reporting year and increased by 23.2 million euros to 26.5 million euros in the comparable period.

Supervisory and Management Boards

The Supervisory Board of AS Harju Elekter has 5 members with the fallowing membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter), Mr. Arvi Hamburg (Tallinn University of Technology, Member of Board of Governors and Visiting Professor), Mr. Aare Kirsme (Member 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 of OÜ Tradematic).

Management Board of AS Harju Elekter has 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:	**2014**	**2015**	**2016**	**2017**	**Q1 2018**
Opening price	2.77	2.79	2.62	2.85	5.00
Highest price	2.85	3.14	2.94	5.08	6.68
Lowest price	2.52	2.49	2.43	2.80	5.00
Closing price	2.79	2.63	2.83	5.00	6.24
Traded shares (pc)	800,823	1,086,451	947,294	1,349,617	364,226
Turnover (in million euros)	2.17	2.98	2.45	5.46	2.22
Capitalisation (in million euros)	48.55	46.16	50.20	88.70	110.7
Overage number of the shares	17,400,000	17,550,851	17,739,880	17,739,880	17,739,880
EPS	0.56	0.18	0.18	1.64	0.01

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

Share price (in euros) in Tallinn Stock growth/decrease, 1 October 2017– 31 March 2018 (Nasdaq Tallinn, www.nasdaqbaltic.com)

As at 31 March 2018 AS Harju Elekter had 2,738 shareholders. The number of shareholders increased during the accounting quarter by 270 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 March 2018, 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 March 2018:

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.07	42.10
1.0 – 10.0%	8	0.29	21.83
0.1 – 1.0 %	64	2.34	18.46
< 0.1%	2,664	97.30	17.61
Total	2,738	100.0	100.0

Shareholders (above 5%) at 31 March 2017:

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

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	**31.3.2018**	**31.12.2017**	**31.3.2017**
Current assets				
Cash and cash equivalents		3,778	10,992	26,517
Short-term financial investments	2	9,845	9,935	0
Trade receivables and other receivables		19,540	13,575	11,458
Prepayments		1,289	1,118	793
Income tax prepayments	9	236	56	70
Inventories		18,248	13,037	11,917
Total current assets		**52,936**	**48,713**	**50,755**
Non-current assets				
Deferred income tax asset		56	56	37
Other long-term financial investments	2	4,696	4,684	4,684
Investment property	3	18,374	17,881	14,181
Property, plant and equipment	4	12,359	11,983	11,004
Intangible assets	4	7,477	6,660	5,848
Total non-current assets		**42,962**	**41,264**	**35,754**
TOTAL ASSETS		**95,898**	**89,977**	**86,509**
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	5	2,500	625	720
Advances from customers		1,518	1,088	1,104
Trade payables and other payables		16,368	12,802	10,528
Tax liabilities		2,806	2,106	1,675
Income tax liabilities	9	11	270	61
Short-term provision		49	245	15
Total current liabilities		**23,252**	**17,136**	**14,103**
Interest-bearing loans and borrowings	5	2,720	2,910	3,014
Non-current liabilities		**2,720**	**2,910**	**3,014**
Total liabilities		**25,972**	**20,046**	**17,117**
Equity				
Share capital		11,176	11,176	11,176
Share premium		804	804	804
Reserves		2,737	2,844	2,844
Retained earnings		55,181	55,048	54,487
Total equity attributable to equity holders of the parent		**69,898**	**69,872**	**69,311**
Non-controlling interests		28	59	81
Total equity		**69,926**	**69,931**	**69,392**
TOTAL LIABILITIES AND EQUITY		**95,898**	**89,977**	**86,509**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the period 1 January –31 March	Note	**2018**	**2017**
Revenue	6	25,986	17,519
Cost of sales		-22,642	-14,849
Gross profit		**3,344**	**2,670**
Distribution costs		-1,161	-796
Administrative expenses		-1,930	-1,182
Other income		14	2
Other expenses		-36	-26
Operating profit	6	**231**	**668**
Finance income	7	102	24,846
Finance costs	7	-104	-9
Profit before tax		**229**	**25,505**
Income tax expense	9	-127	-139
Profit for the period		**102**	**25,366**
Profit attributable to:			
Owners of the Company		133	25,374
Non-controlling interests		-31	-8
Profit for the period		**102**	**25,366**
Earnings per share			
Basic earnings per share (EUR)	8	0.01	1.43
Diluted earnings per share (EUR)	8	0.01	1.43

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period 1 January –31 March	Note	**2018**	**2017**
Profit for the period		**102**	**25,366**
Other comprehensive income			
Gain/loss on sale of financial assets (-)		0	-16,367
Currency translation differences		-107	-3
Other comprehensive income for the period, net of tax		**-107**	**-16,370**
Total comprehensive income for the period		**-5**	**8,996**
Total comprehensive income attributable to:			
Owners of the Company		26	9,004
Non-controlling interests		-31	-8
Total comprehensive income for the period		**-5**	**8,996**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 March	Note	**2018**	**2017**
Cash flows from operating activities			
Profit for the period	6	102	25,366
Adjustments for:			
Depreciation and amortization	3.4	618	382
Gain on sale of property, plant and equipment	9	-9	0
Finance income	7	-102	-24,846
Finance costs	7	104	9
Income tax expense	9	127	139
Changes in:			
Growth/decrease in receivables related to operating activity		-3 713	-2,432
Growth/decrease in inventories		-3 087	-1,900
Growth/decrease in payables related to operating activity		933	2,696
Corporate income tax paid	9	-448	-257
Interest paid	7	-10	-8
Net cash from operating activities		**-5 485**	**-853**
Cash flows from investing activities			
Acquisition of investment property	9	-521	-1,548
Acquisition of property. plant and equipment	9	-548	-250
Acquisition of intangible assets	9	-106	-60
Acquisition of subsidiaries, net of cash acquired		-2 018	-359
Proceeds from sale of property, plant and equipment	9	32	0
Proceeds from sale of other financial investments		0	25,779
Interest received	7.9	1	7
Dividends received		25	0
Net cash used in investing activities		**-3 135**	**-23,569**
Cash flows from financing activities			
Growth/decreases in short-term loans	5	1 717	-187
Proceeds from borrowings	5	0	2,037
Repayment of borrowings	5	-128	-13
Payment of finance lease principal	5	-76	-74
Reduction of share capital		0	-1,242
Net cash used in financing activities		**1,513**	**521**
Net cash flows		**-7,107**	**23,239**
Cash and cash equivalents at beginning of period		**10,992**	**3,278**
Net increase / decrease		-7,107	23,239
Effect of growth/decrease rate fluctuations on cash held	7	-107	
Cash and cash equivalents at end of period		**3,778**	**26,517**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

For the period 1 January – 31 March	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**TOTAL**	**Non-Controlling interests**	**TOTAL**
At 31. December 2017	**11,176**	**804**	**1,242**	**1,602**	**0**	**55,048**	**69,872**	**59**	**69,931**
Comprehensive income 2018									
Profit for the period	0	0	0	0	0	133	133	-31	102
Other comprehensive income for the period	0	0	0	0	-107	0	-107	0	-107
Total comprehensive income	**0**	**0**	**0**	**0**	**-107**	**133**	**26**	**-31**	**-5**
Transaction with the owners of the Company, recognized directly in equity									
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0
Total transaction with the owners of the Company	**0**	**0**	**0**	**0**	**0**	**0**	**-0**	**0**	**0**
At 31 March 2018	**11,176**	**804**	**1,242**	**1,602**	**-107**	**55,181**	**69,898**	**28**	**69,926**
At 31. December 2016	**11,176**	**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	25,374	**25,374**	-8	**25,366**
Other comprehensive income for the period	0	0	0	-16,367	-3	0	**-16,370**	0	**-16,370**
Total comprehensive income	**0**	**0**	**0**	**-16,367**	**-3**	**25,374**	**9,004**	-8	**8,996**
Acquisition of non-controlling interest	0	0	0	0	0	0	0	4	4
Total transaction with the owners of the Company	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**	**4**
At 31 March 2017	**11,176**	**804**	**1,242**	**1,602**	**0**	**54,487**	**69,311**	**81**	**69,392**

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 31.03.2018 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, SEBAB AB, Grytek 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 2017. The interim report should be read in conjunction with the Group's annual report of 2017, which is prepared in accordance with International Financial Reporting Standards (IFRS).

According to the assessment of the Management Board, the interim report for 1-3/2018 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.

Changes in significant accounting policies

AS Harju Elekter has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. The application of IFRS 15 and IFRS 9 did not have any material effect on the Group's financial statements as at 01.01.2018 and no adjustments to the equity have been made as of that date.

IFRS 15, „Revenue from Contracts with Customers"

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Harju Elekter Group has adopted IFRS 15 using modified retrospective approach which requires that the cumulative effect of initially applying this standard is recognised in retained earnings at the date of initial application (i.e. 1 January 2018) and the information presented for 2017 is restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. There were no adjustments as the impact of IFRS 15 to the retained earnings as at 1 January 2018 was not material, therefore no adjustments to the equity have been made.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

(a) Sale of goods – wholesale and retail
The Group manufactures and sells electrical distribution systems and control panels and various metal products. Sale of goods is recognised when a Group entity has delivered products to the buyer, the buyer has full discretion over the products and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Revenue is not recognised until all significant risks and rewards of ownership have been transferred to the buyer and either the buyer has accepted the products in accordance with the terms of the sales contract, the time period for rejection has elapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on the prices specified in the sales contracts.

The Group operates a chain of retail outlets for electrical appliances. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually settled in cash or by debit or credit card.

The assessment of the probability of returning goods is based on prior experience. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a client's right to the returned goods. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(b) Rendering of services
Revenue from the rendering of services is recognised when the service has been rendered or during the period, based on the percentage of completion of the product at balance date. The percentage of completion method is applied to the project products if customers are entitled to make substantial changes in them during the whole production process and if there is no alternative use of the property and the Group is entitled to receive remuneration for work performed until the premature termination of the contract. The cost method is applied in order to determine the percentage of completion.

(c) Rental income
Rentals earned on investment property are recognised in revenue on a straight-line basis over the lease term.

Variable fees arising from the agreement are only recorded in the transaction price (as sales revenue), if there is a high probability that it will not be cancelled later. The assessment is based on the estimated value or the most likely amount and this is assessed at each reporting date.

IFRS 9 Financial Instruments

This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement,* except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

EUR'000	IAS 39	IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	10,992	10,992
Trade and other receivables	Loans and receivables	Amortised cost	13,575	13,575
Available-for-sale financial assets (fair value; listed)	Available for sale financial assets	Fair value through profit or loss	4,935	4,935
Available-for-sale financial assets (fair value; unlisted)	Available for sale financial assets	Fair value through other comprehensive income	9,662	9,662
Available-for-sale financial assets (cost method)	Available for sale financial assets	Available for sale financial assets	22	22
Total financial assets			**39,186**	**39,186**

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

Under IFRS 9, loss allowances are measured from initial recognition of the financial assets, on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances as follows:

- for trade receivables at an amount equal to lifetime ECLs;
- for cash and cash equivalents that are determined to have low credit risk at the reporting date at an amount equal to 12-month ECLs

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

- for all other financial assets at an amount of 12-month ECLs, if the credit has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, with some exemptions. Changes in accounting policies did not have a material impact on the Group's financial statements on the adoption at 1 January 2018.

A number of other new standards are effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

Note 2 Financial investments

As at 31 March	Note	**2018**	**2017**
Current financial assets		9,845	0
Available-for-sale equity securities (fair value)		4,674	4,662
Available-for-sale financial assets (cost method)		22	22
Total		**14,541**	**4,684**

For the period 1 January – 31 March	Note	**2018**	**2017**
1. Current financial assets at fair value through profit and loss			
Carrying amount at 1 January		9,935	-
Gain on change in fair value	7	-90	-
At the end of the period		**9,845**	**-**
2. Available-for-sale equity securities (fair value)			
Carrying amount at 1 January		4,662	21,969
Acquisitions through business combinations		12	0
Sale of shares at sales price		0	-17,307
At the end of the period		**4,674**	**4,662**
3. Available-for-sale financial assets (cost method)			
Carrying amount at 1 January		22	22
At the end of the period		**22**	**22**
Total carrying amount at the end of the period		**14,541**	**4,684**

In April 2017, the Group opened a one-year term deposit from LHV Bank for a value of 5.0 million euros. The deposit term ends on April 13, 2018.

In Q3 2017, the Group placed 5 million euros into liquid equities listed on the Helsinki stock exchange. The fair value of the short-term financial assets decreased by 90 thousand euros in the reporting quarter. The change in fair value was reflected in the loss of the reporting period.

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

Note 3 Investment property

For the period 1 January – 31 March	2018	2017
At 1 January	17,881	13,273
Additions	665	1,007
Depreciation charge	-172	-99
At the end of the period	**18,374**	**14,181**

Note 4 Property, plant and equipment; intangible assets

For the period 1 January – 31 March	Note	2018	2017
1. Property, plant and equipment			
At 1 January		11,983	10,972
Additions		549	251
Acquisitions through business combinations	10	126	13
Disposals		-23	0
Depreciation charge		-276	-232
At the end of the period		**12,359**	**11,004**
2. Intangible assets			
At 1 January		6,660	5,431
Additions		106	55
Acquisitions through business combinations	10	881	413
Depreciation charge		-170	-51
At the end of the period		**7,477**	**5,848**

Note 5 Interest-bearing loans and borrowings

	31.3.2018	31.12.2017	31.3.2017
Short-term liabilities			
Short-term bank loans	1,889	0	455
Current portion of long-term bank loans	383	511	41
Current portion of lease liabilities	228	114	224
Total current liabilities	**2,500**	**625**	**720**
Non-current liabilities			
Long-term bank loans	2,409	2,409	2,400
Lease liabilities	311	501	614
Total non-current liabilities	**2,720**	**2,910**	**3,014**
TOTAL	**5,220**	**3,535**	**3,734**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

Growth/decreases during the period 1 January – 31 March	Note	**2018**	**2017**
Loans and borrowings at the beginning of the year		**3,535**	**1,971**
Growth/decreases in short-term loans		1717	-187
Received long-term loans		172	0
Received short-term loans through business combinations	10	0	2,037
Long-term loan repaid		-128	-13
Payment of finance lease principal		-76	-74
Loans and borrowings at the end of the current period		**5,220**	**3,734**

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, Rifas UAB, Automatikos Iranga UAB, Harju Elekter Kiinteistöt Oy, Satmatic Oy, Finnkumu Oy, SEBAB AB ja Grytek AB.

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. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

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

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

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

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

For the period 1 January – 31 March	Note	Manu-facturing	Real Estate	Other activities	Elimi-nations	Consoli-dated
2018						
Revenue from external customers		20,593	623	4,770	0	25,986
Inter-segment revenue		339	346	148	-833	
Total revenue		**20,932**	**969**	**4,918**	**-833**	**25,986**
Operating profit		**261**	**10**	**-45**	**5**	**231**
Finance income	7					102
Finance costs	7					-104
Profit before tax						**229**
Income tax						-127
Profit for the period						**102**
Segment assets		60,753	18,778	7,901	-10,662	76,770
Indivisible assets						19,128
Total assets						**95,898**
Capital expenditure	3.4	1,632	665	30	0	2,327
Depreciation charge for the year	3.4	264	172	188	-6	618
2017						
Revenue from external customers		16,107	524	888	0	17,519
Inter-segment revenue		76	277	98	-451	0
Total revenue		**16,183**	**801**	**986**	**-451**	**17,519**
Operating profit		**655**	**141**	**-137**	**9**	**668**
Finance income	7					24,846
Finance costs	7					-9
Profit before tax						**25,505**
Income tax				17		-139
Profit for a period						**25,366**
Segment assets		43,539	14,513	28,129	-7,742	78,438
Indivisible assets						8,071
Total assets						**86,509**
Capital expenditure	2.3.4	236	1,007	496	0	**1,739**
Depreciation charge for the year	3.4	226	99	62	-5	**382**

Revenue by markets:

For the period 1 January – 31 March	2018	2017
Estonia	2,825	3,966
Finland	17,959	11,657
Sweden	2,001	954
Lithuania	197	116
Norway	2,082	703
Other countries	922	123
Total	**25,986**	**17,519**

Revenue by business area:

For the period 1 January – 31 March	2018	2017
Electrical equipment	19,802	15,345
Sheet metal products and services	385	187
Telecom sector products and services	267	236
Intermediary sale of electrical products	1,380	1,100
Rental income	495	444
Electrical installation service	3,402	-
Other services	255	207
Total	**25,986**	**17,519**

Note 7 Finance income and costs

For the period 1 January – 31 March	Note	2018	2017
Interest income		0	7
Finance income from sale of PKC Group Oyj's shares		0	24,839
Dividend income		102	0
Total finance income		**102**	**24,846**
Loss from fair value of short-term financial investments	2	-90	0
Interest expense		-9	-9
Net loss from foreign exchange differences		-5	0
Total finance costs		**-104**	**-9**

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 March 2018, 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 March	Unit	2018	2017
Profit attributable to equity holders of the parent	EUR‘000	133	25,374
Average number of shares outstanding	Pc‘000	17,740	17,740
Basic and diluted earnings per share	EUR	0.01	1.43

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

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

For the period 1 January – 31 March	Note	**2018**	**2017**
Corporate income tax paid			
Income tax expense		-127	-139
Prepayment decrease (+)/ increase (-), liability decrease (-)/ increase (+)		-440	-118
Acquired liability through business combinations		112	0
Income tax expense on dividends		7	0
Corporate income tax paid		**-448**	**-257**
Interest paid			
Interest expense	7	-9	-8
Liability increase (-)		-1	0
Interest paid		**-10**	**-8**
Interest received			
Interest income	7	0	7
Receivable increase (-)		1	0
Interest received		**1**	**7**
Paid for investment property			
Additions of investment property	3	-665	-1,007
Liability decrease (-)/ increase (+) incurred by purchase		144	-541
Acquisition of investment property		**-521**	**-1,548**
Paid for property, plant and equipment			
Additions of property, plant and equipment	4	-549	-251
Liability decrease (-)/ increase (+) incurred by purchase		1	1
Acquisition of property, plant and equipment		**-548**	**-250**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	4	23	0
Profit on disposal of property, plant and equipment		9	0
Proceeds from sale of property, plant and equipment		**32**	**0**
Paid for intangible assets			
Additions of intangible assets	4	-106	-55
Liability decrease (-)/ increase (+) incurred by purchase		-0	-5
Acquisition of intangible assets		**-106**	**-60**

Note 10 Business combinations

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 Tnåa AB. The final purchase transaction price for the two companies was 3.8 million euros (SEK 37.5 million), of which 3.1 million euros (SEK 30.1 million) was 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.

Harju Elekter Group has been active on the Swedish market since 2010, delivering substations and industrial automation solutions to Swedish clients. As a result of this transaction, new prospective market segments will be entered in Sweden, and the Group's product portfolio will be expanded. Concurrently, Harju Elekter Group's capability to offer its Swedish clients more complete technical solutions and turn-key projects as well as service support will increase.

AS Harju Elekter recognizes for the acquisition of the new subsidiaries in accordance with IFRS 3, carrying out a purchase price allocation which included measuring the value of the assets of the new subsidiary's group. Assets are carried at fair value at the acquisition date. The purchase price allocation was carried out based on financial information as at 31 December 2017, i.e. reliable financial information closest to the date of acquisition.

The Group is still measuring the fair values of assets and liabilities acquired in the business combination and has not completed identifying and measuring the fair values of all assets accounted for off the statement of financial position.

The acquisition of business combinations gave rise to goodwill of 0.8 million euros which was the difference between the contractual transaction price and the fair value of the net assets acquired.

Influence of purchase to the Group's assets, liabilities and cash flow

Assets and liabilities (EUR '000)	Note	Recognised value on acquisition
Cash and cash equivalents		1,055
Trade receivables		2,198
Other short-term receivables and prepayments		522
Inventories		2124
Financial investments		14
Property, plant and equipment	4	126
Intangible assets	4	58
Interest-bearing loans and borrowings	5	-172
Trade payables and other payables		-2,942
Net assets		**2,983**
Purchase price		3,806
Goodwill	4	823
Cash flow		
Money paid (-)		-3,073
Balance of sums of purchase (+)		1,055
Net cash flow		**-2,018**

AS Harju Elekter Interim report 1-3/2018,consolidated (unaudited, in thousand euros)

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.

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

For the period 1 January – 31 March	**2018**	**2017**
Purchase of goods and services from related parties:		
- from Harju KEK	27	26
Inclusive:		
- lease of property, plant and equipment	27	26
Sale of goods and services to related parties:		
- to Harju KEK	1	1
Inclusive:		
- other services	1	1
Remuneration of the Management and Supervisory Boards		
- salaries, bonuses, additional remuneration	139	96
- social security and other taxes on salaries	46	32
TOTAL	185	128

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 1-3/2018 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
„25th“ April 2018