AS HARJU ELEKTER

Interim report 1-9/2014

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
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Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2014
End of the reporting period:	30th of September 2014

The interim report of Harju Elekter Group on 27 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-9/2014 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter AB (until 31.3.2014), Satmatic OY, Finnkumu Oy and Rifas UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method till 30.6.2014.

As of 30 September 2014, AS Harju Elekter has substantial holdings as follows:

Company		Country	30.9.14	31.12.13	30.9.13
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Finnkumu OY	Satmatic Oy’s subsidiary	Finland	100.0%	0.0%	0.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	90.0%
Rifas UAB	subsidiary	Lithuania	62.7%	62.7%	62.7%
AS Draka Keila Cables	associated company	Estonia	0.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	4.6%	5.4%	6.3%

On 17 June 2014, Satmatic Oy purchased all shares of Finnkumu Oy, Finland’s largest pre-fabricated substation producer. The interim report, prepared as at 30 September 2014, comprises, as of 1 July 2014, the financial statements of Finnkumu Oy.

In July 2014**,** Group sold its 34% holding in AS Draka Keila Cables to the core investor Prysmian Group (Note 11).

The shares of PKC Group Oyj are presented in the statement of financial position at their market price. The changes in the market price of the shares can have a substantial effect on the value of the assets and the owners’ equity in the Group.

Economic environment

At the beginning of October, the International Monetary Fund (IMF) cut its economic growth projections for almost all of the world’s major economies, and Finland was stripped of its pristine AAA long-term credit rating by S&P. The decline in German exports during the last months of summer gave even more reason to fear that the Eurozone may fall into recession. Also, the economy in China faced a slowdown, and the rapid growth in other developing markets is coming to an end as well. The only exception in the global economy is the US, the economic growth projections of which the IMF decided to increase. Over the last four months, the price of oil has dropped by 20%, to its lowest level in the last four years, and industrial production, industrial new orders, as well as exports, dropped in August to their lowest levels since 2009.

The situation is also far from rosy in our adjacent markets. Finland’s economy has been struggling with its problems for a number of years now. Optimistic forecasts predict a recovery of the global economy; although, according to analysts, this recovery will be rather modest. Economic growth in Sweden, on the other hand, has been much faster than that of Finland, and it is expected to continue. For Latvia and Lithuania, an overcoming of the crisis can be observed, but even here the signs of setbacks are to be seen. Russia’s economy has shrunk due to the Ukrainian conflict and the related sanctions, and according to the analysts, no economic growth will be seen in the coming years.

The first more serious impacts of the Russian-Ukrainian crises were noticed in Estonia’s economy in Q3, mainly in transport services, the food industry and other export sectors. Trade flows to Russia dropped by as much as 25%; also, transit of oil products decreased notably. Despite the extraordinarily low interest rates, available economic forecasts still do not favour investment decisions aimed at growth. Regardless of major changes in the macro-economy, growth of retail consumption may be observed in the Estonian market, supported by low inflation and strong wage pressure. This year's economic growth in Estonia is mainly based on household consumption.

Main events

In September, an invitation to tender was announced in order to find a contractor for a 3100 m^2 production building to be built in the Allika Industrial Park, resulting in an agreement signed between AS Harju Elekter and Merko Ehitus Eesti AS. The construction works were launched in October. The construction is to be completed in June 2015, and a preliminary lease contract has also been signed.

In Q2 negotiations took place about selling minority stake in the associated company of AS Harju Elekter. On 9th of July 2014 AS Harju Elekter concluded a contract according to which AS Harju Elekter sells their 34% holding in AS Draka Keila Cables to the core investor Prysmian Group. The final price of the sales transaction was established at 6.2 million euros. Selling the holding was a strategic decision of Harju Elekter Group. AS Harju Elekter is going to continue close cooperation with AS Draka Keila Cables in the procurements of low voltage and other cable products; similarly long-term rental contracts of production facilities are going to remain in force.

On 17 June 2014, Satmatic Oy, a subsidiary of AS Harju Elekter in Finland, signed a contract for the purchase of all shares in Finnkumu Oy, Finland's largest pre-fabricated substation producer. After the transaction, Finnkumu Oy continues to operate under its own name and brand as a wholly-owned subsidiary of Satmatic Oy. By purchasing Finnkumu Oy, the Group will increase our market share in Finland as well as elsewhere in Scandinavia and increases the product range.

Krediidiinfo AS awarded to AS Harju Elekter the credit rating AAA (excellent) and to its subsidiary AS Harju Elekter Elektrotehnika AA (very good). The rating of Krediidiinfo AS assesses the activities of the company as a whole and represents an aggregate assessment of the company's economic and financial condition as well as the payment patterns. Less than 10% of the Estonian companies have credit rating AAA or AA.

The Supervisory Board of AS Harju Elekter decided to suspend the activity of Harju Elekter AB for an unspecified term since 1.4.2014. According to the Group's development strategy, Scandinavia and Sweden continue to be significant target markets, but the reason behind this step was the inefficient and cost-intensive business model used between 2011 and 2013. Responsibility for the Group's Sweden-oriented business activity and the local clients was taken over by the sales and development teams of AS Harju Elekter Elektrotehnika, along with partner agents based in Sweden.

In the Group's Estonian and Finnish subsidiaries, the process of implementing the Lean 5S/6S principles of increasing productivity and activities in order to increase profitability and customer satisfaction through the cost-effective use of resources was continued.

In February, our subsidiary Satmatic Oy participated in the International Exhibition of Electricity Telecommunications Light and Audio Visual (Sähkö, Tele, Valo and AV), in Jyväskylä and in Subcontracting Exchibition in Tampere, in September. AS Harju Elekter Elektrotehnika participated in SLO Autumn Exchibition in September and AS Harju Elekter Trade Group presented its products range in the international building fair Estbuild, in April.

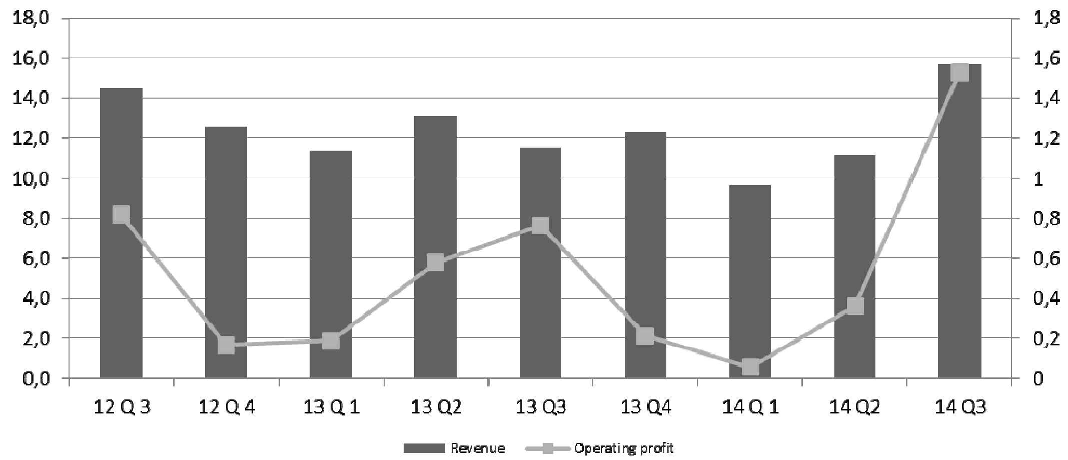
Operating results

The interim report, prepared as at 30 September 2014, comprises, as of 1 July 2014, the financial statements of 100% subsidiary Finnkumu Oy (Note 10), acquired this June, which influenced the consolidated financial results of the reporting quarter as well as the results for the 9-month period.

KEY INDICATORS

	January - September			Year
	2014	**2013**	**2012**	**2013**
Revenue (EUR'000)	36,440	36,000	40,236	48,288
Gross profit (EUR'000)	6,858	6,327	6,694	8,458
EBITDA (EUR'000)	3,084	2,643	2,918	3,269
EBIT (EUR'000)	1,945	1,531	1,822	1,743
Profit for the period (EUR'000)	9,525	4,876	3,431	5,173
incl attributed to Owners of the Company (EUR'000)	9,463	4,835	3,329	5,162
Revenue growth/decrease (%)	1.2	-10.5	19.8	-8.5
Gross profit growth/decrease (%)	8.4	-5.5	18.1	-2.3
EBIDTA growth/decrease (%)	16.7	-9.4	14.7	-4.9
EBIT growth/decrease (%)	27.1	-16.0	20.9	-11.5
Profit for the period growth/decrease (%)	95.3	42.1	47.6	43.6
incl attributed to Owners of the Company (%)	95.7	45.2	51.2	46.8
Distribution cost to revenue (%)	5.4	5.3	5.3	5.4
Administrative expenses to revenue (%)	7.9	8.0	6.9	8.4
Labour cost to revenue (%)	24.2	23.4	22.1	23.5
Gross margin (Gross profit/revenue) (%)	18.8	17.6	16.6	17.5
EBITDA margin (EBITDA/revenue) (%)	8.5	7.3	7.3	6.8
Operating margin (EBIT/revenue) (%)	5.3	4.2	4.5	3.6
Net margin (Profit for the period/revenue) (%)	26.1	13.5	8.5	10.7
ROE (Profit for the period/average equity) (%)	15.6	8.6	7.6	9.1

Seasonality of business (million euros)



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REVENUE

Revenue increased in the reporting quarter compared to the previous quarter by 35.8% to 15.7 million euros, of which 18% went from Finnkumu Oy. Comparable increase in Q3 sales volumes was 10.9%. Consolidated sales revenue for the nine month period reached 36.4 million euros, having increased 1.2% in relation to the comparable period.

The revenue by business segments:

Segment	Q3 2014	Q3 2013	Q3 2012	9M 2014	9M 2013	9M 2012	Year - 2013
Manufacturing	14,459	10,231	13,231	32,899	32,073	36,593	42,936
Real estate	565	573	556	1,787	1,813	1,778	2,432
Unallocated activities	663	747	699	1,754	2,114	1,865	2,920
Total	**15,687**	**11,551**	**14,486**	**36,440**	**36,000**	**40,236**	**48,288**

90% of sales revenue was earned from the Production segment, and Real Estate together with Unallocated Activities contributed 10% of the consolidated sales volume. The Manufacturing segment is engaged in the manufacturing and sales of electricity distribution and control equipment and in related activities. The revenue from the sales of electrical equipment comprised 92.7% of the sales volume for Manufacturing and 83.7% of the consolidated revenue.

The quarterly sales development by business area:

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	change y-o-y
Electrical equipment	9,531	10,157	7,787	9,031	13,683	43.6%
Sheet metal products and services	246	246	209	330	171	-30.5%
Boxes for telecom sector and services	266	300	226	269	303	13.4%
Intermediary sale of electrical products and components	857	821	733	777	878	2.5%
Rental income	549	549	550	550	533	-2.9%
Other services	102	215	156	135	119	16.7%
Total	**11,551**	**12,288**	**9,661**	**11,092**	**15,687**	**35.8%**

Performance by geographical markets:

	Growth		Q3	Q3	9 months		Share	Share
Markets	Q/Q	9M/9M	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Estonia	-24.7%	-22.0%	3,751	4,984	10,939	14,020	30.0%	38.9%
Finland	91.6%	24.3%	10,354	5,405	20,729	16,682	56.9%	46.3%
Lithuania	49.9%	-63.2%	387	258	753	2,048	2.1%	5.7%
Sweden	271.6%	210.2%	773	208	1,846	595	5.0%	1.7%
Other EU countries	57.1%	128.0%	173	110	901	395	2.5%	1.1%
Others	-57.5%	-43.7%	249	586	1,272	2,260	3.5%	6.3%
Total	**35.8%**	**1.2%**	**15,687**	**11,551**	**36,440**	**36,000**	**100.0%**	**100.0%**

Decreased investments in the energy distribution sector in Estonia this year have resulted in a decrease in the sales volumes for medium voltage distribution equipment and substations. By contrast, the comparable period was extraordinarily successful when it comes to medium voltage equipment. On the Estonian market, enquiries about this equipment have dropped. Because of the requirements for medium voltage equipment have declined as well, lower-priced brands with more competitive price-wise from Europe, will qualify in procurements. Overall, the volume of new sales orders for medium voltage equipment has increased during the reporting period, today exceeding the 2013 level by 11%.

In the nine months, 221 fewer substations were sold on the Estonian market, whereas 115 more were sold on the Finnish market compared to the reference period. And as a total, 515 (9M 2013: 636) substations were sold. Furthermore, sales revenue in Estonia for the reference period included a one-off order of 0.9 million euros. Sales on the Estonian market declined 25% in the reporting quarter and 22% during 9 months, decreasing the share of the Estonian market in the consolidated revenue to 30%, as in the reference period it was 39%. All in all, the Group sold 70% of the products and services from abroad. Increasing the share of foreign markets has been, and also will be in the longer term, one of the strategic objectives for the management of the Group.

The Finnish export sector remains in recession, and once again we have to recognise the 10% drop in the sales volumes of the technology sector, compared to the 2013. Sales orders of this sector to the Group’s Finnish company have been 8% lower compared to the same period in last year. At the same time, the Group earned 15.6 million euros in sales revenue from this sector during the 9-month period, being 13% higher than in the comparable period. Sales to the Finnish market almost doubled in the quarter under review and increased by one-quarter in the 9-month period. In the nine months of 2014, 57% (9M 2013: 46%) of the Group’s products and services were sold on the Finnish market. Positive impact on the growth of the Finnish market came from the added sales revenue in Q3 of Finnkumu Oy – a pre-fabricated substation producer, acquired in June –which provided a quarterly increase of 53% and a nine month increase of 17% on the Finnish market. The developments on the Finnish market were also contributed to by the Group’s Estonian and Lithuanian companies. Exports to Finland by the companies of the Estonian segment grew 42%, to 8.6 million euros in the 9-month period, 5.3 million euros of which comprised intra-group sales. In the reporting period, the companies of the Estonian segment sold 79% more products to Finnish companies than in the comparable period. During nine months, export from the Lithuanian segment to Finland increased to 1.6 million euros (9M 2013: 100,000 euros), with intra-segment sales comprising only 5.8%. The sales revenue earned from clients of Estonian and Lithuanian segments, outside the Group in Finland, amounted to 23.3% of the sales volume on the Finnish market for the 9-month period of 2014.

A significant part of the Lithuanian segment revenue makes sales of electrical equipment, which is in 9-months period decreased by 8%, mainly due to a decrease of 1.2 million euros in the sales from projects. During 9 months, sales on the Lithuanian market decreased 63%, but in reporting quarter exceeded the previous period figure by half. While the Lithuanian market constituted 51% of the segment’s sales revenue in 2013, then this year it has dropped to 19%. At the same time, companies in the Lithuanian segment have increased their sales volumes to foreign markets by 43%, with exports to Finland increasing from 144,000 euros in 2013 to 1,583,000 euros, of which intra-group sales comprised 92,000 euros.

In Q1, the Group suspended the business operations of its Swedish subsidiary. Since 1.4.2014, the responsibility for the Group’s Sweden-oriented business activity was taken over by the sales and development teams of AS Harju Elekter Elektrotehnika, who were sold 1.8 million euros of the Group’s products on the Swedish market during the 9-months and increase the Q3 sales revenue by more than half million euros. A delivery to Slovakia in the amount of 400,000 euros doubled the sales volume to other EU countries. Supplies to Latvia, Denmark, Poland and Portugal have increased also. All in all, the sales revenue to the other EU countries has increased by 0.5 million euros; because of the tense situation in Ukraine, on the same amount has decreased deliveries in the direction of Eastern Europe.

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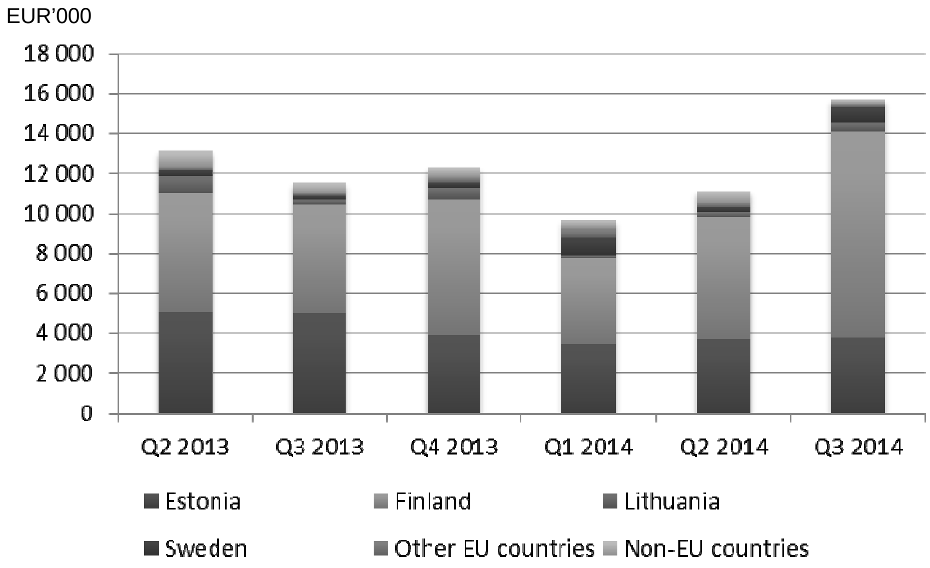
The quarterly sales development by markets



OPERATING EXPENSES AND EARNINGS

	change % y-o-y		1 July – 30 September			1 January – 30 September			year
	Q3	M9	2014	2013	2012	2014	2013	2012	2013
Cost of sales	34.0	-0.3	12,445	9,289	12,051	29,582	29,673	33,542	39,830
Distribution costs	16.0	4.5	680	586	759	1,976	1,890	2,113	2,627
Administrative expenses	5.8	-1.1	966	913	855	2,865	2,897	2,773	4,067
Total expenses	**30.6**	**-0.1**	**14,091**	**10,788**	**13,665**	**34,423**	**34,460**	**38,428**	**46,524**
incl. depreciation of fixed assets	1.8	2.4	380	373	374	1,139	1,112	1,096	1,526
Total labour cost	18.4	4.7	3,042	2,569	2,791	8,819	8,424	8,884	11,350
inclusive salary cost	18.9	4.6	2,361	1,985	2,206	6,692	6,398	6,826	8,645

Cost of sales increased 34% in the reporting quarter and decreased 0.3% in 9-months period, at a rate slightly below the sales revenue by 1.8 percentage points in reporting quarter and by 1.5 percentage point in 9-months. Accordingly, the gross profit of the Group in Q3 was 3.2 (Q3 2013: 2.3) million euros and 9-months gross profit of the Group was 6.9 (9M 2013: 6.3) million euros. In the reporting quarter, the gross profit margin was 20.7% being 1.1 percentage points better compering to the same period a year before. In 9-months, the gross profit margin improved by 1.2 percentage point and was 18.8%.

In the reporting quarter, the number of employees in the Group was an average of 14 more than in the comparable period. The Group companies have recruited new employees, and in Q3 additional temporary staff is traditionally used. Compared to the beginning of the year, the number of employees in the Group has increased by 22, with 18 added to the Group as a result of the acquisition of Finnkumu Oy in Q3. In the second half of 2013, the salaries of the Group's employees were adjusted, which was also the main cause of the increase in fixed costs. That said, the Group has promptly responded to the decrease in sales orders and implemented austerity measures. Labour costs increased in 9-months period by 4.7% to 8.8 million euros. The rate of labour costs to revenue formed 24.2% (9M 2013: 23.4%).

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Distribution costs of the Group amounted to 2.0 million euros, increasing during 9 months by 4.5%. The rate of distribution costs to revenue accounted for 5.4% (9M 2013: 5.3%). Administrative expenses decreased in 9-months period by 1.1% to 2.9 million euros and the rate of administrative expenses to revenue accounted for 7.9%, having decreased by 0.1 percentage points. In Q2, some of the staff was restructured from general administration into sales staff at the Finnish company. In Q3, the Group wrote off 81,000 euros in doubtful debts. In total, distribution costs increased by 94,000 euros up to 680,000 euros in Q3 and general administrative expenses by 53,000 euros to 966,000 euros.

Overall, the growth rate of operating expenses lagged behind that of sales revenue, having increased in the reporting quarter by 30.6%, to 14.1 million euros, but having decreased in the 9-month period by 0.1%, to 34.4 million euros. Accordingly, the Group's operating profit in the reporting quarter was 1.5 (Q3 2013: 0.8) million euros and EBITDA 1.9 (Q3 2013: 1.1) million euros.

Return of sales for the accounting quarter was 9.7% (Q3 2013: 6.6%) and return of sales before depreciation 12.2% being 2.4 per cent point better compering to the same period a year before. During 9-months period, EBITDA as well EBIT increased both by 0.4 million euros to 3.1 million and to 1.9 million euros, respectively.

PKC Group Oyj paid dividends to the shareholders 0.70 euros per share. Dividend income from the shares was 907 (2013: 948) thousand euros. In the second quarter, also 200,000 shares of PKC Group Oyj were sold and the financial income from selling the shares was 4.6 (9M 2013: 1.7) million euros. The profit from financial investment totalled 5.5 million euros in the 9-months period; in the comparable period it was 2.6 million euros. During the 9 months, finance income amounted to 5.6 (9M 2013: 2.6) million euros.

In the reporting quarter, the Group sold their 34% holding in AS Draka Keila Cables and the financial income from selling the shares was 1.8 million euros. During the reporting period, the Group consolidated from the associated company a profit of 0.8 (9M 2013: 1.2) million euros.

The consolidated net profit of the reporting quarter was 3.2 (Q3 2013: 2.4) million euros, of which the share of the owners of the Company was 3.1 (Q3 2013: 2.4) million euros. EPS in the Q3 was 0.18 (Q3 2013: 0.14) euros.

Overall, the consolidated net profit of the 9M 2014 was 9.5 million euros, being 2 times higher compared to the previous period. The share of the owners of the Company was 9.5 million euros. EPS in 9 months was 0.54 (9M 2013: 0.28) euros.

Employees and remuneration

In Q3 2014, the average 471 people worked in the Group - on the average by 14 persons more than in the reference period. During 9 months, the average number of employees decreased by 10 to 451.

In the Q3, employee wages and salaries totalled 2,361 (Q3 2013: 1,985) thousand euros and during the 9-months period 6,692 (9M 2013: 6,398) thousand euros. The average wages per employee per month amounted to 1,647 (9M 2013: 1,542) euros.

	Average number of employees				Number of employees at 30.9.			As at 31.
	Q3 14	Q3 13	9M 14	9M 13	Growth	2014	2013	12.2013
Estonia	302	289	292	284	14	307	293	296
Finland	96	86	85	89	11	94	83	76
Lithuania	73	80	74	86	-4	72	76	78
Sweden	0	2	0	2	-2	0	2	1
Total	**471**	**457**	**451**	**461**	**19**	**473**	**454**	**451**

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As at the balance date on 30 September, there were 473 people working in the Group, which were 19 employees more than a year before and 22 employees less than in the beginning of January. With the purchase of Finnkumu Oy, the Group gained 18 employees.

Financial position and cash flows

	Growth y-o-y	Growth 9M 2014	30.9. 2014	30.9. 2013	30.9. 2012	31.12. 2013
Current assets	9,370	11,397	27,296	17,926	17,660	15,899
Non-current assets	-12,373	-12,747	42,425	54,798	41,363	55,172
TOTAL ASSETS	**-3,003**	**-1,350**	**69,721**	**72,724**	**59,023**	**71,071**
Current liabilities	840	2,915	9,026	8,186	8,988	6,111
Non-current liabilities	1,375	1,583	2,724	1,349	1,630	1,141
Equity	-5,218	-5,848	57,971	63,189	48,405	63,819
incl attributable to owners of the Company	-5,195	-5,854	56,625	61,820	46,632	62,479
Equity ratio (%) (Equity/total assets)*100 (%)	-3.8	-6.7	83.1	86.9	82.0	89.8
Current ratio (Average current assets/ Average current liabilities)	0.8	0.6	2.9	2.1	1.8	2.3
Quick ratio (Average liquid assets (current assets – inventories)/Average current liabilities)	0.5	0.4	1.8	1.3	1.0	1.4

During 9-months period, the amount of the consolidated statement of financial position increased by 1.4 million euros and compered to the period under review by 3.0 million euros to 69.7 million euros.

Current assets increased by 9.4 million euros year on year and 11.4 million euros in the first nine months, to 27.3 million euros. The more than 5 million euros growth in current assets resulted from an increase in cash and cash equivalents. In the 9-month period, operating and other claims increased by 2.5 million euros and inventory by 3.9 million euros.

Cost of non-current assets decreased by 12.7 million euros in nine months and by 12.4 million euros compared to the reference period to 42.4 million euros. Most of the changes in the non-current assets derived from value adjustment of long-term financial investments in Helsinki Stock Exchange and the sale of 200,000 shares in Q2 2014. The market price of PKC Group Oyj shares decreased in accounting quarter by 4.91 euros and during nine months totally by 8.18 euros; the share price in Helsinki Stock Exchange in last trading day of September was 16.01 euros. The market price of the share, however, increased by 5.75 and 8.52 euros, respectively, in the comparable period, with the share costing 23.95 euros on the last trading day. The cost of investment in assets and reserves in equity decreased by the loss of 9.0 million euros; within the comparable period increased by the profit of 11.4 million euros. At an extraordinarily high price level, in order to promptly finance the purchase of the Finnish subsidiary, 200,000 shares in PKC Groupi Oyj were sold in May. The book value of the shares sold was 4.8 million euros. In total, the cost of financial investments decreased by 13.8 million euros during 9 months period.

In July 2014, the Group sold their 34% holding in AS Draka Keila Cables. As at the beginning of the year, the book value of the associated company in the statement of financial position was 3.6 million euros. One year ago, it was 3.4 million euros.

During the 9-months period, the Group’s investments to fixed assets amounted to 0.9 (9M 2013: 2.0) million euros. Through business combinations, fixed assets totalling 4.9 million euros were acquired (Note 2, 10).

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As at the reporting date, the Group's liabilities totalling 11.8 million euros, of which short-term liabilities made up 9.0 million euros. Trade payables and other payables grew the most: 2.6 million euros in the 9-months period and 1.1 million euros year on year, to 7.0 million euros.

Short-term liabilities increased by 2.9 million euros during three quarters and by 0.8 million euros year on year, with liabilities of 1.5 million euros added through business combinations.

Average current assets for the 9 months stood at 21.6 (9M 2013: 17.2) million euros, of which liquid assets accounted for 13.8 (9M 2013: 10.4) million euros and short-term liabilities averaged 7.6 (9M 2013: 8.2) million euros. The Group's current ratio for the 9-months period improved by 0.8 compared to the reference period, being 2.9, and the quick ratio was 1.8, improving by 0.5 points compared to the reference period.

The Group had interest-bearing debt obligations totalling 1.5 million euros, with the short-term obligations making up 0.4 million euros; as at 30 September 2013 2.5 million euros and 1.2 million euros, respectively. As at 30 September 2014, interest-bearing debt obligations amounted to 12.8% of the Group's liabilities and 2.2% of the total assets; as at 30 September 2013 25.8% and 3.4%, respectively.

	9 months			Year
Consolidated cash flow statement	**2014**	**2013**	**2012**	**2013**
Cash flows from operating activities	713	730	3,140	2,547
Cash flows from investing activities	6,362	755	488	539
Cash flows from financing activities	-2,039	-1,513	-2,631	-2,324
Net cash flow	**5,036**	**-28**	**997**	**762**

The cash flow from the operating activities for the 9-month period was 700,000 euros, both in the reporting year as well as in the comparable period.

The cash flow from investing activities in the nine months of 2014 was 6.4 million euros and 800,000 euros in the comparable period. The largest expenditure in the reporting period was the acquisition of the subsidiary. 6.7 million euros was paid to shareholders for the investment; however, at the moment of acquisition, the company had 1.9 million euros in cash, resulting in a total net cash outflow of 4.8 million euros. The largest revenues came from the sale of financial assets (shares of PKC Group Oyj and the associated company), in the total amount of 11.1 million (9M 2013: 1.8 million) euros. PKC Group Oyj paid dividends to the shareholders 0.70 euros per share. In H1 2014 AS Harju Elekter received dividends in the amount of 910,000 (9M 2013: 950,000) euros.

Financing activities resulted in a net outflow of 2.0 million euros (9M 2013: a net outflow of 1.5 million euros). Dividends distributed in the first half of 2014 totalled 1.8 million euros, 1.6 million euros in the comparable period. During nine months, 0.2 million euros worth of principal amounts of the financial lease were repaid, as well in 2014 and in 2013.

During nine months, cash and cash equivalents increased by 5.0 million euros to 9.1 million euros, within the comparable period decreased by 28.000 euros to 3.3 million euros.

AGM

On 8th of May 2014 the AGM was held where attended by 93 shareholders and their authorised representatives who represented the total 11,409,796 votes, being 65.57% of the total votes.

The general meeting approved the 2013 annual report and profit distribution and decided to pay dividends amounting to 0.10 euros per share, totally 1,740 thousand euros. The shareholders registered in the shareholders' registry on 22.5.2014 at 23.59 entitled to dividend. The dividends transferred to the shareholders bank accounts on 27.5.2014.

Supervisory and management boards

In 2014, there were some changes in Supervisory Board of AS Harju Elekter. Mr Madis Talgre, a member of the Supervisory Board of AS Harju Elekter presented to the company an application for his resignation from the position of AS Harju Elekter Supervisory Board member. AGM elected on its 8th May meeting Mr Aare Kirsme to the position of AS Harju Elekter Supervisory Board member. Since 8th of May, the Supervisory Board has 5 members with the following membership: Mr. Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Mr. Ain Kabal (Hansa Law Offices, legal advisor), Mr. Aare Kirsme (Chairman of the Supervisory Board of AS Harju KEK), Mrs.Triinu Tombak (financial consultant) and Mr. Andres Toome (consultant).

There were no changes in one-member Management Board of AS Harju Elekter. The Managing Director/CEO is Mr Andres Allikmäe. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise.

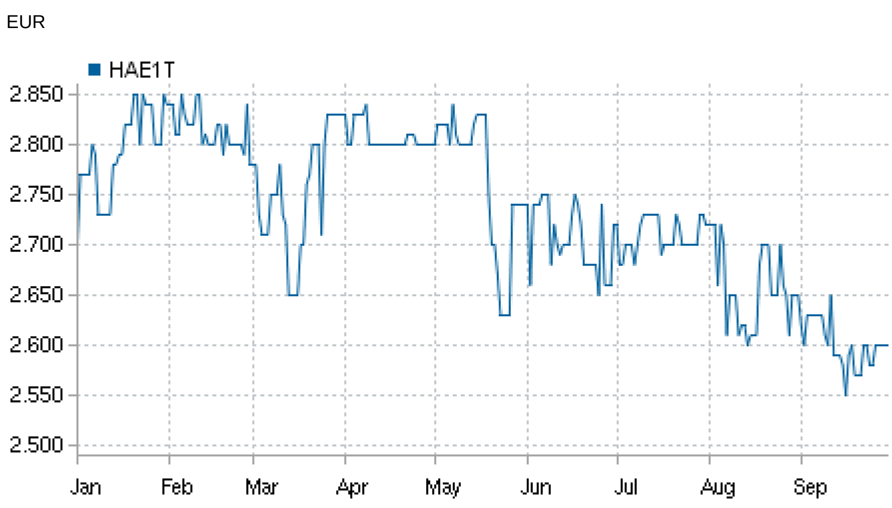
Information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

Shares of Harju Elekter and shareholders

Security trading history:

Price	**2010**	**2011**	**2012**	**2013**	**9M 2014**
Open	2.05	3.10	2.30	2.64	2.77
High	3.14	3.54	2.80	2.92	2.85
Low	2.02	2.19	2.30	2.46	2.52
Last	3.02	2.28	2.64	2.70	2.60
Traded volume	2,039,910	663,917	759,869	936,162	452,054
Turnover, in million euros	5.40	1.88	1.88	2.48	1.24
Capitalisation, in million euros	50.74	38.30	45.94	46.98	45.24
Average number of the shares	16,800,000	16,800,000	17,093,443	17,400,000	17,400,000
EPS, in euros	0.13	0.17	0.21	0.30	0.54

Share price in Tallinn Stock growth/decrease, 1.1.2014 - 30.9.2014



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As at September 30 2014 AS Harju Elekter had 1,481 shareholders. The number of shareholders decreased during the accounting period by 19 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32.0% of AS Harju Elekter's share capital. Members of the supervisory and management boards hold 9.59% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Shareholders structure by size of holding at 30 September 2014

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.14	42.92
1.0 – 10.0%	11	0.74	27.90
0.1 – 1.0 %	61	4.12	15.56
< 0.1%	1,407	95.00	13.62
Total	1,481	100.0	100.0

Shareholders (above 5%) at 30 September 2014

Shareholder	Holding (%)
HARJU KEK AS	32.00
ING LUXEMBOURG S.A.	10.92
Endel Palla	6.32
Tiina Kirsme	5.06
Other	45.70

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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.9.2014	31.12.2013	30.9.2013
Current assets				
Cash and cash equivalents		9,135	4,102	3,320
Available-for-sale financial assets		30	0	0
Trade receivables and other receivables		8,184	5,699	6,867
Prepayments		225	256	507
Income tax prepayments		9	41	46
Inventories		9,713	5,801	7,186
Total current assets		**27,296**	**15,899**	**17,926**
Non-current assets				
Deferred income tax asset		6	7	4
Investments in associate	2	0	3,598	3,445
Other long-term financial investments	2	17,548	31,339	31,028
Investment property	2	11,464	11,663	10,135
Property, plant and equipment	2	8,043	8,129	9,789
Intangible assets	2	5,364	436	397
Total non-current assets		**42,425**	**55,172**	**54,798**
TOTAL ASSETS		**69,721**	**71,071**	**72,724**

LIABILITIES AND EQUITY	Note	30.9.2014	31.12.2013	30.9.2013
Liabilities				
Interest-bearing loans and borrowings	3	412	654	1,155
Trade payables and other payables		7,035	4,437	5,926
Tax liabilities		1,335	969	1,077
Income tax liabilities		221	15	0
Short-term provision		23	36	28
Total current liabilities		**9,026**	**6,111**	**8,186**
Interest-bearing loans and borrowings	3	1,096	1,098	1,306
Other non-current liabilities		1,628	43	43
Non-current liabilities		**2,724**	**1,141**	**1,349**
Total liabilities		**11,750**	**7,252**	**9,535**
Equity				
Share capital		12,180	12,180	12,180
Share premium		240	240	240
Reserves		17,793	31,424	31,111
Retained earnings		26,412	18,635	18,289
Total equity attributable to equity holders of the parent		**56,625**	**62,479**	**61,820**
Non-controlling interests		1,346	1,340	1,369
Total equity		**57,971**	**63,819**	**63,189**
TOTAL LIABILITIES AND EQUITY		**69,721**	**71,071**	**72,724**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	1 July – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2014	1 January – 30 September 2013
Revenue	4	15,687	11,551	36,440	36,000
Cost of sales		-12,445	-9,289	-29,582	-29,673
Gross profit		**3,242**	**2,262**	**6,858**	**6,327**
Distribution costs		-680	-586	-1,976	-1,890
Administrative expenses		-966	-913	-2,865	-2,897
Other income		-20	13	16	32
Other expenses		-49	-13	-88	-41
Operating profit	4	**1,527**	**763**	**1,945**	**1,531**
Finance income	5	79	1,228	5,627	2,645
Finance costs	5	-9	-7	-25	-30
Share of profit of equity-accounted investees	2	1,787	467	2,602	1,150
Profit before tax		**3,384**	**2,451**	**10,149**	**5,296**
Income tax expense	8	-184	-44	-624	-420
Profit for the period		**3,200**	**2,407**	**9,525**	**4,876**
Profit attributable to:					
Owners of the Company		3,102	2,432	9,463	14,550
Non-controlling interests		98	-25	62	42
Profit for the period		**3,200**	**2,407**	**9,525**	**14,592**
Earnings per share					
Basic earnings per share (EUR)	6	0.18	0.14	0.54	0.28
Diluted earnings per share (EUR)	6	0.18	0.14	0.54	0.28

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 July – 30 September 2014	1 July – 30 September 2013	1 January – 30 September 2014	1 January – 30 September 2013
Profit for the period		**3,200**	**2,407**	**9,525**	**4,876**
Other comprehensive income					
Net growth/decrease in fair value of available-for-sale financial assets	2	-5,375	7,627	-9,004	11,379
Realised gain from sale of financial assets (-)		0	-1,223	-4,616	-1,660
Currency translation differences		0	0	-12	-3
Other comprehensive income for the period, net of tax		**-5,375**	**6,404**	**-13,632**	**9,716**
Total comprehensive income for the period		**-2,175**	**8,811**	**-4,107**	**14,592**
Total comprehensive income attributable to:					
Owners of the Company		-2,272	8,836	-4,168	14,550
Non-controlling interests		97	-25	61	42
Total comprehensive income for the period		**-2,175**	**8,811**	**-4,107**	**14,592**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 September	Note	2014	2013
Cash flows from operating activities			
Operating profit	4	1,945	1,531
Adjustments for:			
Depreciation and amortisation	2	1,139	1,112
Gain on sale of property, plant and equipment		-6	-15
Share-based payment transactions		54	54
Growth/decrease in receivables related to operating activity		-1,174	-650
Growth/decrease in inventories		-2,281	-791
Growth/decrease in payables related to operating activity		1,590	52
Corporate income tax paid	8	-532	-540
Interest paid	5	-22	-23
Net cash from operating activities		**713**	**730**
Cash flows from investing activities			
Acquisition of investment property	8	-129	-13
Acquisition of property. plant and equipment	8	-582	-1,929
Acquisition of intangible assets	8	-159	-39
Acquisition of subsidiaries, net of cash acquired	10	-4,847	0
Proceeds from sale of property, plant and equipment	8	16	14
Proceeds from sale of other financial investments		11,133	1,753
Interest received	8	23	21
Dividends received		907	948
Net cash used in investing activities		**6,362**	**755**
Cash flows from financing activities			
Growth/decreases in short-term loans	3	-18	289
Payment of finance lease principal	3	-226	-209
Dividends paid		-1,795	-1,593
Net cash used in financing activities		**-2,039**	**-1,513**
Net cash flows		**5,036**	**-28**
Cash and cash equivalents at beginning of period		**4,102**	**3,352**
Net increase / decrease		5,036	-28
Effect of exchange rate fluctuations on cash held		-3	-4
Cash and cash equivalents at end of period		**9,135**	**3,320**

AS Harju Elekter Interim report 1-9/2014, consolidated (unaudited, in thousand euros)

CONSOLIDATED STATEMENT OF GROWTH/DECREASES IN EQUITY

	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 2012	**12,180**	**240**	**1,176**	**20,176**	**2**	**15,008**	**48,782**	**1,354**	**50,136**
Comprehensive income									
Profit for the period	0	0	0	0	0	4,835	**4,835**	41	**4,876**
Other comprehensive income the period	0	0	0	9,719	-4	0	**9,715**	1	**9,716**
Total comprehensive income	0	0	0	9,719	-4	4,835	**14,550**	42	**14,592**
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	54	**54**	0	**54**
Increase in reserves	0	0	42	0	0	-42	**0**	0	**0**
Dividends	0	0	0	0	0	-1,566	**-1,566**	-27	**-1,593**
At 30 September 2013	**12,180**	**240**	**1,218**	**29,895**	**-2**	**18,289**	**61,820**	**1,369**	**63,189**
At 31 December 2013	**12,180**	**240**	**1,218**	**30,206**	**0**	**18,635**	**62,479**	**1,340**	**63,819**
Comprehensive income									
Profit for the period	0	0	0	0	0	9,463	**9,463**	62	**9,525**
Other comprehensive income for the period	0	0	0	-13,620	-11	0	**-13,631**	-1	**-13,632**
Total comprehensive income	0	0	0	-13,620	-11	9,463	**-4,168**	61	**-4,107**
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	54	**54**	0	**54**
Dividends	0	0	0	0	0	-1,740	**-1,740**	-55	**-1,795**
At 30 September 2014	**12,180**	**240**	**1,218**	**16,586**	**-11**	**26,412**	**56,625**	**1,346**	**57,971**

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.9.2014 comprises AS Harju Elekter (the “Parent Company”) and its subsidiaries AS Harju Elekter Teletehnika, AS Harju Elekter Elektrotehnika, Satmatic Oy and Rifas UAB (together referred to as the Group) and the Group’s interest in associate AS Draka Keila Cables till 30.6.2014. AS Harju Elekter has been listed at Tallinn Stock Exgrowth/decrease since 30 September 1997; 32.0% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 ”Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2013. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2013 annual report.

According to the assessment of the management board, the interim report for 1-9/2014 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation Group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

The presentation currency is Euro. The consolidated interim financial statement has been drawn up in thousands of Euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Note 2 Non-current assets

For the period 1 January – 30 September	Note	**2014**	**2013**
Investments in associate			
At 1 January		3,598	2,295
Profit under the equity method		817	1,150
Sale of shares at sales price	11	-6,200	0
Sales gain	11	1,785	0
At the end of the period		**0**	**3,445**
Other long-term financial investments			
At 1 January		31,339	21,386
Sale of shares		-4,787	-1,737
Growth/decreases in the fair value reserve		-9,004	11,379
At the end of the period		**17,548**	**31,028**
Investment property			
At 1 January		11,663	10,454
Additions		131	6
Reclassification		0	6
Depreciation charge		-330	-331
At the end of the period		**11,464**	**10,135**

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For the period 1 January – 30 September	Note	2014	2013
Property, plant and equipment			
At 1 January		8,129	8,546
Additions		609	1,935
Acquisitions through business combinations	10	39	0
Disposals		-12	0
Reclassification		0	-6
Depreciation charge		-722	-686
At the end of the period		**8,043**	**9,789**
Intangible assets			
At 1 January		436	451
Additions		155	42
Acquisitions through business combinations	10	4,860	0
Depreciation charge		-87	-95
Currency translation differences[1]		0	-1
At the end of the period		**5,364**	**397**

[1]Amount of currency translation differences comes from conversion of acquisition cost of assets, accumulated depreciation and movements of assets during the reporting period.

Note 3 Interest-bearing loans and borrowings

	30.9.2014	31.12.2013	30.9.2013
Liabilities			
Short-term bank loans	340	358	1,085
Current portion of lease liabilities	72	296	70
Total current liabilities	**412**	**654**	**1,155**
Non-current liabilities			
Lease liabilities	1,096	1,098	1,306
Total non-current liabilities	**1,096**	**1,098**	**1,306**
TOTAL	**1,508**	**1,752**	**2,461**

Growth/decreases during the period 1 January – 30 September

	2014	2013
Loans and borrowings at the beginning of the year	**1,752**	**2,381**
Growth/decreases in short-term loans	-18	289
Payment of finance lease principal	-226	-209
Loans and borrowings at the end of the current period	**1,508**	**2,461**

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Note 4 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.
"*Manufacturing*" – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy and Rifas UAB.
"*Real estate*"– Real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.
Unallocated items – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies; management services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

For the period 1 January – 30 September	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
2014					
Revenue from external customers	32,899	1,787	1,754	0	36,440
Inter-segment revenue	195	718	316	-1,229	0
Total revenue	**33,094**	**2,505**	**2,070**	**-1,229**	**36,440**
Operating profit	1,316	890	-206	-55	1,945
Segment assets	36,154	11,814	8,612	-1,176	55,404
Indivisible assets					14,317
Total assets					**69,721**
2013					
Revenue from external customers	32,073	1,813	2,114	0	36,000
Inter-segment revenue	504	751	274	-1,529	0
Total revenue	**32,577**	**2,564**	**2,388**	**-1,529**	**36,000**
Operating profit	930	932	-276	-55	1,531
Segment assets	27,838	10,543	4,064	-877	41,568
Indivisible assets					31,156
Total assets					**72,724**

Revenue by markets:

For the period 1 January – 30 September	**2014**	**2013**
Estonia	10,939	14,020
Finland	20,729	16,682
Lithuania	753	2,048
Sweden	1,846	595
Other EU countries	901	395
Non-EU countries	1,272	2,260
Total	**36,440**	**36,000**

Revenue by business area:

For the period 1 January – 30 September	**2014**	**2013**
Electrical equipment	30,501	29,812
Sheet metal products and services	710	679
Boxes for telecom sector and services	798	829
Intermediary sale of electrical products and components	2,388	2,625
Commerce and mediation of services	191	192
Rental income	1,633	1,644
Other services	219	219
Total	**36,440**	**36,000**

Note 5 Finance income and costs

For the period 1 January – 30 September	**2014**	**2013**
Interest income	29	21
Other	11	0
Income from sale of investments	4,681	1,676
Dividend income	906	948
Total finance income	**5,627**	**2,645**
Interest expense	-22	-23
Net loss from foreign exchange differences	-3	-7
Total finance costs	**-25**	**-30**

Note 6 Basic and diluted earnings per share

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

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 30.9.2014 the Group had 434.96 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 3 may 2012 the price of a share was established at the level of 2.36 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.50 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 2.86 (2.36+0.50) euros and the potential shares become dilutive only after their average market price of the period exceed 2.86 euros.

The average market price of the share of 1-9/2014 was 2.75 euros and of 1.7.-30.9.2014 it was 2.63 euros. In the comparable periods the average market price of the share remaining at the level of 2.62 euros. Hence, the potential shares did not have any diluting effect.

For the period 1 January – 30 September	Unit	**2014**	**2013**
Profit attributable to equity holders of the parent	EUR‘000	9,463	4,835
Average number of shares outstanding	Pc‘000	17,400	17,400
Basic and diluted earnings per share	EUR	0.54	0.28
1 July – 30 September			
Profit attributable to equity holders of the parent	EUR‘000	3,102	2,432
Adjusted number of shares during the period	Pc‘000	17,400	17,400
Basic and diluted earnings per share	EUR	0.18	0.14

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Note 7 Suspension of the activities of the subsidiary in Sweden

In February 2014 the Group's management decided to reorganise the Group's Sweden-oriented activities, as of 1 April 2014, the activities of Swedish subsidiary Harju Elekter AB was suspended for an unspecified term. The reason behind this step was the inefficient and cost-intensive business model that was implemented between 2011 and 2013.

After the reorganisation, responsibility for the Group's Sweden-oriented business activities and the local clients will be taken over by the sales and development teams of Harju Elekter's subsidiary AS Harju Elekter Elektrotehnika, along with partner agents based in Sweden. All unfinished projects will be carried over to AS Harju Elekter Elektrotehnika, who will continue with active sales and participation in tenders. After the reorganisation, the main focus will be put on efficient development and sales.

Result of discontinued operation	January - September		Year
	2014	**2013**	**2013**
Revenue	15	496	496
Expenses	-58	-629	-630
Result of operating activities	**-43**	**-133**	**-134**

Cash flows from discontinued operation	January - September		Year
	2014	**2013**	**2013**
Net cash used in operating activities	-116	-53	-132
Net cash from investing activities	0	0	0
Net cash from financing activities	0	0	178
Net cash flows for the reporting period	**-116**	**-53**	**46**

Statement of financial position	January - September		Year
	2014	**2013**	**2013**
Cash and cash equivalents	17	212	131
Trade receivables and prepayments	4	103	52
Inventories	0	119	1
Intangible assets	0	21	0
Liabilities	-5	-705	-125
Net assets and liabilities	**16**	**-250**	**59**

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Note 8 Further information on line items in the statement of cash flows

For the period 1 January – 30 September	Note	**2014**	**2013**
Corporate income tax paid			
Income tax expense		-624	-420
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		92	-120
Corporate income tax paid		**-532**	**-540**
Interest received			
Interest income	5	29	21
Receivable increase (-)		-6	0
Interest received		**23**	**21**
Paid for investment property			
Additions of investment property	2	-131	-6
Liability decrease (-)/ increase (+) incurred by purchase		2	-7
Acquisition of investment property		**-129**	**-13**
Paid for property, plant and equipment			
Additions of property, plant and equipment	2	-609	-1 935
Liability decrease (-)/ increase (+) incurred by purchase		27	6
Acquisition of property, plant and equipment		**-582**	**-1 929**
Paid for intangible assets			
Additions of intangible assets	2	-155	-42
Liability decrease (-)/ increase (+) incurred by purchase		-4	3
Acquisition of intangible assets		**-159**	**-39**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	2	12	0
Profit on disposal of property, plant and equipment		6	15
Receivable increase (-)		-2	-1
Proceeds from sale of property, plant and equipment		**16**	**14**

Note 9 Transactions with related parties

The related party of AS Harju Elekter includes members of the management and supervisory boards and their close family members, AS Harju KEK which owns 32.0% of the shares of AS Harju Elekter and until 30.6.2014 associated company AS Draka Keila Cables (see Note 11). The Group's management comprises members of the Parent company's supervisory and management boards. The management board has one member and 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	**2014**	**2013**
Purchase of goods and services from related parties:		
- from associates	248	138
- from Harju KEK	173	1,686
TOTAL	421	1,824
Inclusive:		
- goods and materials for manufacturing	248	138
- lease of property, plant and equipment	49	47
- purchase of land	123	1,638
- other	1	1

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For the period 1 January – 30 September	**2014**	**2013**
Sale of goods and services to related parties:		
- to associates	378	585
- to Harju KEK	2	18
TOTAL	380	603
Inclusive:		
- goods and materials for manufacturing	17	18
- lease of property, plant and equipment	339	515
- other	24	70
Balances with related parties at 30 September		
Receivables with associates: goods and services	0	220
Payables with associates: goods and services	0	47
Remuneration of the management and supervisory boards		
- salaries, bonuses, additional remuneration	162	139
- social security and other taxes on salaries	53	47
TOTAL	215	186

The member/Chairman of the Management Board receives remuneration in accordance with the contract and is also entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the management board. The member/Chairman of the Management Board has no rights related to pension. During the first half of the year, no other transactions were made with members of the Group's directing bodies and the persons connected with them.

Share-based payments

In 2012, option contracts were concluded with the Group's employees and the members of the directing bodies of Group-related companies. Each member of the management and supervisory boards was issued an option for the subscription of up to 20 thousand shares, i.e. 120 thousand shares in aggregate.

During the conclusion period of preliminary contracts, from 18 June to 29 June 2012, the subscription rights for a total of 434,960 shares were registered. The issue price of the shares was determined to be the average price of the share of AS Harju Elekter in euros on the Tallinn Stock Exchange during the trading days of 01.06.-15.06.2012. Thus, the issue price of the share amounted to 2.36 euros.

IFRS 2 principles are used to record the subscription rights for shares. In evaluating the services (labour input) received from the employees for the shares, the Group used the fair value of the subscription right at the moment of concluding the preliminary contracts, the value of which was estimated at 0.50 euros per subscription right by an independent expert. Fair value was assessed using the Black-Scholes pricing model. In determining the price, the weighted average market price of the share (2.36 euros), estimated volatility of the share (35%), risk-free interest rate (1%), forecasted dividends and the length of period between the conclusion of preliminary contracts and the planned subscription moment of shares (3 years) has been taken into account.

In nine months 2014, the Group recorded 54,000 (54,000 y-o-y) euros as labour costs and share-based benefits under shareholder's equity and retained earnings.

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Note 10 Business combinations

On 17 June 2014, Satmatic Oy (Finland) signed a contract for the purchase of all shares in Finnkumu Oy, Finland's largest pre-fabricated substation producer. After the transaction, Finnkumu Oy will continue to operate under its own name and brand as a wholly-owned subsidiary of Satmatic Oy. By purchasing Finnkumu Oy, the Group will increase our market share in Finland as well as elsewhere in Scandinavia and increases the product range. The transaction took effect on 17 June 2014, which is also when accounts were settled. For the purchase transaction, EUR 6,716 thousand was paid. Pursuant to the contract, after the audited annual report is approved, in 2015 an additional 50% of the company's operating profit in 2014, and in 2016 an additional 40% of the company's operating profit in 2015 shall be paid to the sellers. The purchase transaction was funded out of the own funds of AS Harju Elekter.

Since the end of the previous financial year there are no significant changes in the Finnkumu's business activities. We confirm that there are no valid contracts between AS Harju Elekter and Finnkumu Oy, and Finnkumu Oy has no loans or any court or arbitration proceedings involving the commercial undertaking.

Financial summary 2011 - 2013

	2013	**2012**	**2011**
Cash and cash equivalents	820	413	512
Securities	374	174	155
Receivables and prepayments	811	935	389
Inventories	1,504	925	532
Non-current assets	43	32	31
Total assets	**3,552**	**2,479**	**1,619**
Current liabilities	**804**	**834**	**327**
Equity	**2,748**	**1,645**	**1,292**
Inclusive share capital	24	24	254
Sales revenue	10,391	6,634	4,126
Operating profit	1,626	884	419
Profit for the period	1,250	664	273
EPS (EUR)	511	271	108
Number of shares	2,448	2,448	2,540
Dividend per share	88	60	45

Influence of purchase to the Group's assets, liabilities and cash flow at 30.9.2014

Assets and liabilities	Pre-aquisition carryng amount	Total fair value	Recognised value on acquisition
Cash and cash equivalents	1,869	1,869	1,869
Securities	112	112	112
Receivables and prepayments	1,264	1,264	1,264
Inventories	1,630	1,630	1,630
Non-current assets	39	39	39
Trade payables and other payables	-1,337	-1,337	-1,337
Income tax liabilities	-136	-136	-136
Net assets	**3,441**	**3,441**	**3,441**
Purchase price			8,300
Goodwill			4,860

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Influence of purchase to the Group's assets, liabilities and cash flow at 30.9.2014 (continued)

Cash flow	
Money paid (-)	-6,716
Balance of sums of purchase(+)	1,869
Net cash flow	**-4,847**

If the Group had acquired Finnkumu Oy at the beginning of 2014, Group revenue for 2014 would have been higher by approximately 5,024,000 euros, operating profit by 1,027,000 euros and net profit would have been higher by 1,134,000 euros.

Note 11 The sale of shares in associated company

On 9th of July 2014 AS Harju Elekter and Prysmian Finland Oy concluded a contract according to which AS Harju Elekter sold their 34% holding in AS Draka Keila Cables to the core investor Prysmian Group. In the negotiations, the final price of the sales transaction was established at 6.2 million euros. According to the first semi-annual consolidated financial report of AS Harju Elekter, the carrying amount of AS Draka Keila Cables was 4.4 million euros. This means that the presumed profit from the transaction is 1.8 million euros (see Note 2), which will be written under finance income in the Group's profit report for the third quarter.

Selling the holding was a strategic decision of Harju Elekter Group, making it possible to put more focus on the management of the enterprises in its main activity area and the expansion to the field of electrical engineering. AS Harju Elekter is going to continue close cooperation with AS Draka Keila Cables in the procurements of low voltage and other cable products; similarly long-term rental contracts of production facilities are going to remain in force.

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/2014 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
„5th“November 2014