ANNUAL REPORT 2015

Translation from Estonian original

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 light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
Address:	Paldiski Str 31, 76 606 Keila, Estonia
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
E-mail:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor:	KPMG Baltics OÜ
Beginning of the reporting period:	1st of January
End of the reporting period:	31st of December

Added documents to the annual report:

- The independent auditor's report
- Profit allocation proposal

CONTENTS

Address by the Chairman of the Supervisory Board	3
Address by the Managing Director/CEO	4
Management report	5
Share and shareholders	30
Corporate Governance	33
Social responsibility report	39
Consolidated financial statements	40
Consolidated statement of financial position	40
Consolidated statement of profit or loss	41
Consolidated statement of comprehensive income	42
Consolidated statement of cash flow	43
Consolidated statement of changes in equity	44
Notes to the consolidated financial statement	46
1. General information	*46*
2. Basis of preparation	*46*
3. Significant accounting policies	*51*
4. Accounting estimates and judgments	*62*
5. Financial risks management	*62*
6. Financial instruments	*66*
7. Cash and cash equivalents	*67*
8. Trade and other receivables	*67*
9. Prepayments	*68*
10. Inventories	*68*
11. Associate	*68*
12. Other long-term financial investments	*69*
13. Investment property	*70*
14. Property, plant and equipment	*71*
15. Operating leases	*72*
16. Intangible assets	*73*
17. Interest-bearing loans and borrowings	*74*
18. Loan collateral and pledged assets	*76*
19. Trade and other payables	*76*
20. Taxes	*77*
21. Provisions	*77*
22. Contingent liabilities	*77*
23. Capital and reserves	*78*
24. Segment reporting	*80*
25. Further information on income statement line items	*82*
26. Income tax and deferred tax	*84*
27. Basic and diluted earnings per share	*85*
28. Government grants	*85*
29. Further information on line items in the statement of cash flows	*86*
30. Related parties	*86*
31. Share-based payments	*87*
32. Business combinations	*88*
33. Post-balance events	*90*
34. Primary financial statements of the Parent	*91*
Management Board's confirmation of the consolidated financial statements	95
Signatures to the annual report of 2015	95
The independent auditor's report	96
Profit allocation proposal	97

ADDRESS BY THE CHAIRMAN OF THE SUPERVISORY BOARD

All in all, the year 2015 was good for the Harju Elekter Group: the sales revenue and the operating profit were at an all time high. This is mainly thanks to the subsidiaries of the Group that operate outside Estonia. The Finnish company, Finnkumu Oy, which was purchased in 2014 has done excellent work. The company was declared for the second year in row the best Finnish company in its region. The decision to increase the Group's holding of the Lithuanian subsidiary, Rifas UAB, to 100% proved to be right as well. The development of this company during the reporting year has been impressive. The Group is constantly looking for new investment opportunities in innovative companies, and by that, will be a driving force that will contribute to the future success of the Estonian economy. In 2015 the Group invested in 10% holding of Skeleton Technologies OÜ which is a company developing super condensers.

The Estonian companies of the Group who were not able to compensate for the drop in orders of sub-stations on the home market that has lasted for couple of last years by replacing them with other products found themselves in a difficult position in 2015. Also, the demand decreased on the Finnish market. Despite these difficulties, I believe in the capability of our team to react quickly and adequately to the changes. Because of the smallness of domestic markets it is difficult to succeed in Lithuania, Latvia and Estonia and in order to accelerate the growth, intensive marketing should be carried out to increase the Group's market share in the neighbouring countries. However, I think it is important to keep the good reputation of the company in the domestic market where AS Harju Elekter has for years been acknowledged as the best and the most reliable manufacturer of electric switchboards. We have to be innovative and flexible, winners in the competition that is becoming tougher and tougher.

The Group's real estate development has been successful ensuring a constant income. In 2015 we built and handed over the first industrial building in the new Allika Industrial Park. The production spaces in Haapsalu left empty by PKC Eesti AS have been accommodated by new leaseholders. AS Harju Elekter has a long-term experience in bringing international industrial enterprises to Estonia and founding (productive) enterprises. If we add the experience in industrial real estate development and property management services, we have created excellent preconditions for the successful completion of the Allika Industrial Park located on the outskirts of Tallinn. We expect that Estonian as well as international companies will participate in the project.

The shares of AS Harju Elekter were first listed on the Tallinn Stock Exchange in 1997. In order to ensure that the company is continually attractive to shareholders we do everything we can to make its business activities successful and transparent. According to the leading business newspaper in Estonia AS Harju Elekter was, continually, the third best company listed in the Tallinn Stock Exchange, ensuring its shareholders 10% return from their investment. The continually high number of shareholders shows that the trustworthiness and solid dividend policy of the company is highly rated. We will continue the payment of dividends every year.

On behalf of the Supervisory Board I would like to thank all our customers, partners, shareholders and employees. We wish to remain a responsible employer, a committed partner to our customers and a stable payer of dividends to our shareholders.

/signature/

Endel Palla
Chairman of the Supervisory Board

ADDRESS BY THE MANAGING DIRECTOR/CEO

The future will come independently from our wishes. All we can do is to decide whether we want to forecast it in a systemised way or reconcile with the uncertainty proceeding from the chaos. The world around us is in constant transformation and it is not easy to forebode it. It is even more difficult to understand all the variables that influence our customers, markets and people's behaviour in general. The so-called Z-generation of young people whose expectations and assumptions are totally different from previous generation has made a strong entrance. They are not interested in our sophisticated opinions and wooden beliefs. They will come and win and if we will not understand their language and accept their choices they will walk away. It means that, above all, we have seriously to consider the new ways of life – new convictions, new solutions, new economy and substantially more overwhelming of presence of digitalisation. Money and values will obtain totally different dimension. The Harju Elekter Group wants to be ready for all the changes to come.

The previous reporting year of 2015 was positively complex for the Group. Changes were constantly taking place around us, overtaking us sometimes and making decisions for us. However, the year 2015 turned out to be the most successful in the Group's existence. The sales volume increased to 60.7 million euros, which was 20% more than in 2014. The operating profit amounted to 3.3 million euros, exceeding the results of the previous reference period by 47%. Extraordinary financial income had a strong effect on the Group's net profit in 2014, making it considerably higher than in 2015, but the net profit of 3.2 million euros produced in the reporting year is still a remarkable achievement. The year 2015 showed clearly that the real focus of the Group's business activities is and should be outside of Estonia. A total 77% of sales revenues were gained abroad. The local market is shaky and dependant on the moderate investments made by the national network operator, Elektrilevi, i.e. it depends on general political decisions that will affect substantially the security of power supply to Estonian inhabitants and companies. Other product segments in Estonia and in the whole Baltic region are more strongly influenced by the pressure on price than by quality. The companies of the Group have certainly done their best, but market expectations on price, as well as decisions made by purveyors, are often more influenced by economic considerations than technical reliability and quality criteria. The outstanding economic results of the Group were achieved mainly thanks to the Finnish and Lithuanian subsidiaries. Estonian companies' results could have been better. However, we have reacted to market challenges and can be quite content with the changes made. Changes were made in business plans, personnel and organisation. We approach next year with confidence, having prepared a new vision and new plans.

2015 was an eventful year. The Group increased its holding in the Lithuanian subsidiary to 100% and made a strategic 10% investment in a newly started technology company, a manufacturer of super condensers, Skeleton Technologies Group OÜ, which could give us the opportunity to use them in the Group's primary activity – the production of electrical equipment. The business success of Finnkumu Oy, which was purchased in 2014, has continued and brought added value to the Group. Subsidiaries participated in several professional fairs in Sweden, Finland and Estonia. A new production building was handed over to the first leaseholder in the Allika Industrial Park. The Keila shop and storage belonging to the trading group moved into new premises. The companies of the Group were noted for their success in several competitions.

The balance sheet and cash flows of the Group were outstanding all year round. Strong equity and almost non-existent loan commitments ensure the capability to involve debt finance and capital in the future.

The joint achievements gained during the 47th business year of the Harju Elekter Group were only possible thanks to our customers, partners and employees. I want to offer my sincere thanks to all of them. I would also like to thank our loyal shareholders and investors whose strong support enables the Group to move on in a sustainable manner. Our future is in changes and AS Harju Elekter is ready for them. Good luck to all of us in our anticipations and accomplishments!

Andres Allikmäe
Managing Director/CEO

MANAGEMENT REPORT

ORGANISATION

MISSION

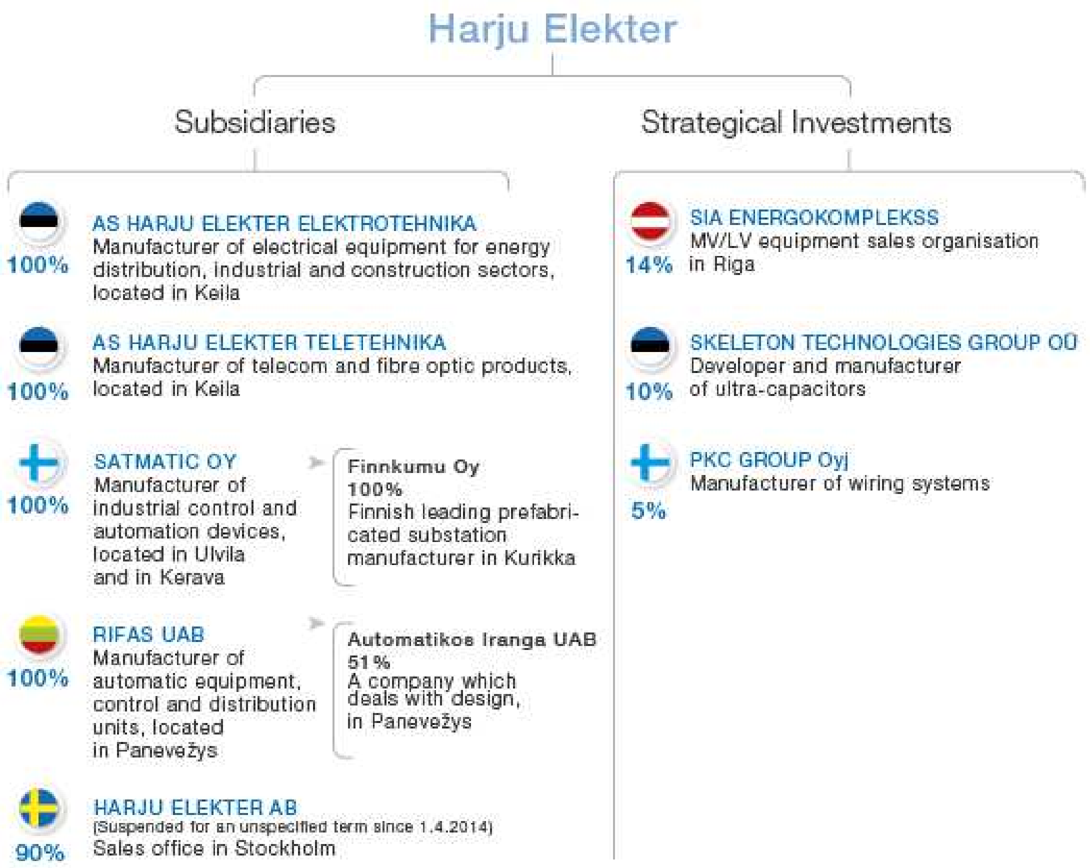
To be well-known and accepted manufacturer of MV/LV electrical equipment and automation solutions in the Baltic Sea region by responding to the clients' needs without delay with competence and quality and by offering added value and reliability to partners in co-operation projects.

GOAL

To be successful over a long period of time, to increase the company's capital and generate revenue for the owners, as well as the partners, and to provide motivating work, income and development opportunities for the employees.

AS Harju Elekter have been manufacturing electrical equipment since 1968. The Group's main income comes from energy distribution equipment (substations, cable distribution and fuse boxes) and automatic control boards for the energy sector, industry and infrastructure. 77% of the products are marketed outside Estonia.

HARJU ELEKTER GROUP'S ORGANISATIONAL CHART



OVERVIEW OF THE ECONOMIC ENVIRONMENT

Global economy

In 2015, the economic growth was slow or slowing down almost everywhere in the world. Inflation and interest rates had dropped to near zero. Developed countries struggled with the uncertainty and the low level of investment readiness proceeding from it. The economic growth in China slowed down to less than 7%. At the same time, the US economy started to recover and its central bank decided in December to raise, for the first time in ten years, the base rate. However, the central banks in Europe, Japan and China continued to stimulate the economy. The uncertainty was increased by the geo-political tensions in Middle East, as well as by the price of oil that has dropped within the last two years from a level of 98 dollars to 35 dollars a barrel. The drop in the price of oil has complicated the internal situation in Russia at a time when the refugee crisis in Europe has caused lots of political tensions. The global economy was also influenced by the strengthening of the US dollar whose rate against the euro increased within the year by 10%. The level of inflation remained the lowest of the last decades.

Euro area

All in all, the year 2015 was relatively good for the world's third largest economic union. Events and challenges of the previous years had a continuous effect on it, but thanks to the cheap currency, alleviation of debts related problems and the central bank's incentives the situation in the euro area has improved. The growth of GDP remained at the level of 1.6% in 2015. The economy was driven by private as well as public sector consumption. Despite the weakness of the euro which increased the competitiveness of the euro area, exports were hindered by the slowdown in world trade. The economic growth was also helped by a much healthier banking system, an increase in real wages triggered by lower energy prices and the improvement of customer insurance in countries that had gone through hard times in previous years. Interest rates and inflation remained exceptionally low.

Estonia and the Baltic countries

The drivers of economic growth in the Baltic States have been broadly the same: domestic demand, support from the EU, increased productivity of the workforce and foreign trade. Estonia's economic growth in 2015 was 1.2%, the Latvian and Lithuanian economies grew by 2.5% and 1.7%, respectively.

Estonia's economic growth was substantially slower than expected and according to the preliminary estimations of the Statistics Estonia the GDP of Estonia increased by only 1.2% in 2015. The situation was worse only in Finland and Greece. The Estonian economy increased mainly thanks to the domestic consumption. Exports formed 80% of the Estonia's gross domestic product which means that the economy is depending directly on the well-being of its trade partners and the international competitiveness of its exporters. Despite the high employment rate and the increase in wages, the domestic demand could not compensate for the weak foreign trade and the lack of business investments of businesses. The situation where the global trade has slowed down is not beneficial for countries with open economy. The economies of two export countries that are very important for Estonia i.e. Finland and Russia have experienced serious difficulties during the last years. The economic growth of Estonia's most important export partner, Finland, was jeopardised by the structural changes in its economy, the reduced competitiveness of its cost level and the decrease in the number of labour force. The growth of GDP in Estonia was hindered mainly by meagre exports and remarkably reduced amount of investments. Although the interests on loans are at the unexceptionally advantageous level, the external environment today is not secure enough for entrepreneurs to initiate large projects and, thus, neither they, nor the state, has made any large investments. The sales revenue of enterprises was decreasing all through the year 2015. However, wage demands increased rapidly in a market which is governed by diminishing labour force. As to the economic sectors, the slowdown of investment has influenced construction companies more than anybody else. The exports to Russia have been influenced by its political opposition to the European Union and, therefore, Estonia's exports to Russia have decreased almost by 40%. This has had a negative effect on the transit sector, as well as putting Estonian agricultural producers in a difficult situation. The processing industry's production of electronic equipment decreased considerably and the chemical industry was facing difficulties due to the low price of oil.

YEAR 2015

Finnkumu Oy, part of the Harju Elekter Group, was the second company in its region to be awarded the Entrepreneur of the Year Title by the Entrepreneurs of South Ostrobothnia. Previously, in 2013, Finnkumu Oy was also named the Entrepreneur of the Year for Kurikka and has received a national acknowledgements for the growth in its sales revenues and its strong economic performance. Finnkumu Oy launched operations in 2004 and has been part of the Harju Elekter Group since 2014. Over the past 5 years, Finnkumu's sales revenues have more than doubled.

In April AS Harju Elekter signed a contract to purchase all the shares of Rifas UAB, its Lithuanian subsidiary. Acquiring all the shares of Rifas UAB was a strategic decision of the Group, thereby ensuring its positions in Lithuania and the export markets. The company is going to proceed under its own name and brand as a 100% subsidiary of AS Harju Elekter.

At its 2 June 2015 sitting, the Supervisory Board of AS Harju Elekter decided to approve a strategic investment in Skeleton Technologies Group OÜ, a company developing and manufacturing ultracapacitors, by acquiring a 10% holding in the company. AS Harju Elekter sees the attractiveness of the investment in both an increase of its value as well as the possible participation of the company in the development, production and use of modular systems of ultracapacitors in management and switching systems.

In June the newly completed production building in Allika Industrial Park, owned by AS Harju Elekter, was delivered to the lessee (OÜ Eccua). Allika Industrial Park, with its attractive location at the intersection of the Paldiski highway and Tallinn ring road, has a total of 18 lots fitted with technological utilities. Currently there are two production companies operating in the industrial park.

There were 44 employees participating in the share option programme of 2012–2015 targeted at the members of the governing bodies of the group's companies, its top specialists and engineers, as well as the members of the governing bodies of the affiliates of AS Harju Elekter, with a total of 339,880 shares being subscribed for between 16–30 June. This increase in the share capital of AS Harju Elekter was entered to the commercial register on 22 July 2015, after which the share capital of AS Harju Elekter amounting to 12.42 million euros was divided into 17,739,880 ordinary named shares.

In 2015, the management systems of the subsidiaries in the Group underwent recertification to meet the ISO 9001:2008 and ISO 14001:2004 requirements, whereupon relevant certifications were issued for new terms of validity as follows: AS Harju Elekter Elektrotehnika, through 15 September 2018; Satmatic Oy through 19 July 2018; and Rifas UAB, through 15 September 2018. In addition, the Lithuanian subsidiary was also recertified to meet the OHSAS 18001:2007 standard and was issued with a new certificate valid for 3 years on 17 December 2015. Scheduled annual audits were conducted at AS Harju Elekter Teletehnika.

In August, the electrical materials store of AS Harju Elekter Commerce Group opened its doors at its new modern commercial and storage facilities at Paldiski Rd 35, Keila. The good location and larger facilities create substantially better opportunities for customer service, make it possible to expand the product range and selection and the prompt release of batches of products.

The Group's subsidiaries actively participated in exhibitions and fairs in Estonia, Finland, Germany and Sweden, including in the biggest electricity sector trade fair in the Nordic region – Elfack 2015. There was presented to the visitors a prototype of a LV converter device for a substation with power management capacity, developed in cooperation with the Tallinn University of Technology.

BUSINESS RESULTS

5 years statistical summary

Group	2015	2014	2013	2012	2011
Statement of comprehensive income (million EUR)					
Net sales	60.7	50.6	48.3	52.8	46.7
Operating profit	3.3	2.2	1.7	2.0	2.0
Profit attributable to owners of the Company	3.2	9.7	5.2	3.5	2.8
Statement of financial position at the end of the year (million EUR)					
Total current assets	19.8	25.1	15.9	16.5	15.4
Total fixed assets	46.7	44.7	55.2	43.1	37.5
Total assets	66.5	69.8	71.1	59.6	52.9
Equity attributable to owners of the Company	58.1	58.5	62.5	48.8	40.3
Equity ratio (%)	87.4	83.8	87.9	81.8	76.2
Rates of growth (%, y-o-y)					
Net sales growth	19.9	4.8	-8.5	13.1	14.2
Operating profit growth	47.1	27.8	-11.5	-2.7	33.3
Profit attributable to owners of the Company growth	-67.1	87.9	46.8	26.8	27.6
Assets growth	-4.6	-1.8	19.2	12.7	-4.0
Equity attributable to owners of the Company growth	-0.7	-6.4	28.1	21.1	-8.3
Performance indicators (%)					
Operating margin	5.4	4.4	3.6	3.7	4.3
Net margin	5.3	19.3	10.7	6.8	6.3
Return of assets (ROA)	4.7	13.8	7.9	6.3	5.1
Return of equity (ROE)	5.5	16.0	9.2	7.9	6.6
Shares (EUR)					
Average number of shares (1000 pc)	17,551	17,400	17,400	17,093	16,800
Equity per share	3.32	3.48	3.20	2.61	2.51
The closing price	2.63	2.79	2.70	2.64	2.28
EPS	0.18	0.56	0.30	0.21	0.17
P/E	14.61	4.98	9.00	12.57	13.41
Dividend per share	[1] 0.05	0.15	0.10	0.09	0.07
Liquidity ratio					
Current ratio	2.8	2.8	2.3	1.8	1.8
Quick ratio	1.9	1.9	1.4	1.1	1.0
Personnel and remuneration					
Average number of employees	472	459	455	452	427
Number of employees at the end of the period	470	483	451	478	457
Wages and salaries (million euros)	9.7	9.2	8.6	9.1	7.7

Operating margin	= Operating profit/Net sales *100
Net margin	= Profit attributable to owners of the Company /Net sales *100
Equity per share	= Average equity attributable to owners of the Company /Average number of shares
Return of assets (ROA)	= Profit attributable to owners of the Company /Average total assets *100
Return of equity (ROE)	= Profit attributable to owners of the Company /Average owner's equity *100
Current ratio	= Average current assets/ Average current liabilities
EPS	= Profit attributable to owners of the Company / Average number of shares
P/E	= Share price/EPS
Equity ratio	= Average equity attributable to owners of the Company/Average total assets *100
Quick ratio	= Average liquid assets (current assets – inventories)/ Average current liabilities

[1] Juhatuse ettepanek

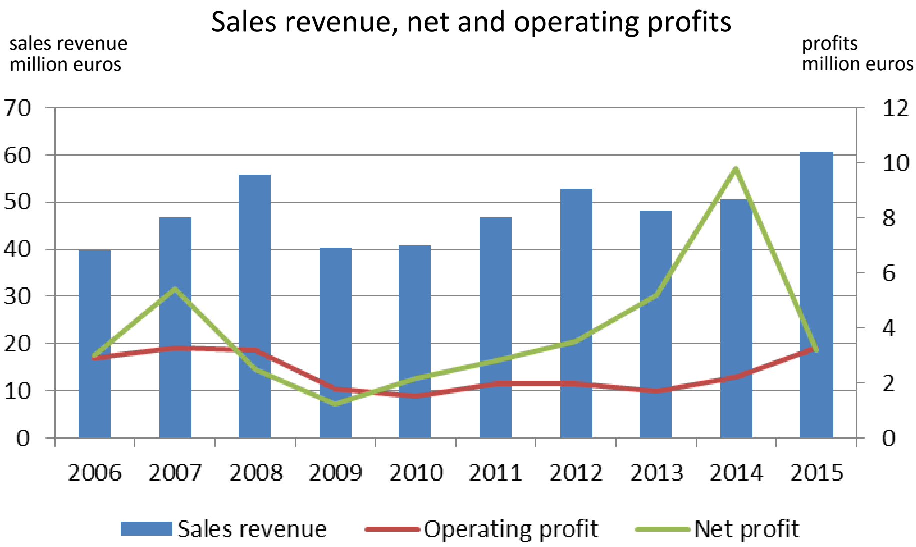
In the 2015 annual report the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries: AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Rifas UAB and Automatikos Iranga UAB are consolidated line-by-line and the results of affiliated company - AS Draka Keila Cables - by the equity method until 30.6.2014.

On 27 April 2015 AS Harju Elekter acquired a holding of 37% in their subsidiary Rifas UAB, in addition to the previously acquired 63%, and became the sole owner of the company.

On 3 June 2015, AS Harju Elekter acquired a 10% holding in Skeleton Technologies Group OÜ, a company developing and manufacturing ultra-capacitors.

AS Harju Elekter has a share of 4.6% in the Finnish company PKC Group Oyj. The company's shares are noted on the Helsinki Stock Exchange. 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.

Earnings and margins



In 2015, the consolidated sales revenue reached 60.7 million euros, having increased by 10.1 million euros or by 19.9% in relation to the comparable period. The Group's operating profit in the reporting year was 3.3 million euros, having increased by 1.0 million euros or by 47.1% in relation to the comparable period.

Out of the consolidated net sales 33.9% (2014: 39.8%) was contributed by the Estonian, 52.2% (2014: 50.2%) by the Finnish and 13.9% (2014: 9.9%) by the Lithuanian companies.

As to the markets, once again the Finnish and Estonian markets were dominant with 87.5% (2014: 88.2%) of the Group's products and services sold there.

During the year, 23.5% (2014: 30.0%) of the Group's products and services were sold on the Estonian market. Year on year, supply to the Estonian market decreased by 1.1 million euros or 6.5%. The decline was mainly caused by decreased investments in the energy distribution sector in Estonia starting from 2014, which has resulted in a decrease in sales volumes for medium voltage distribution equipment and substations. A difficult situation on the Estonian market has given an incentive to find opportunities on other markets.

Finland has growing the biggest market of the Group; 64.1% of the Group's products and services were sold on the Finnish market (2014: 58.2%). Sales to the Finnish market grew by 9.4 million euros, year on year. A biggest impact on the growth of the Finnish market came from the addition of the sales revenue of Finnkumu Oy, a unit substation producer acquired in June, 2014.

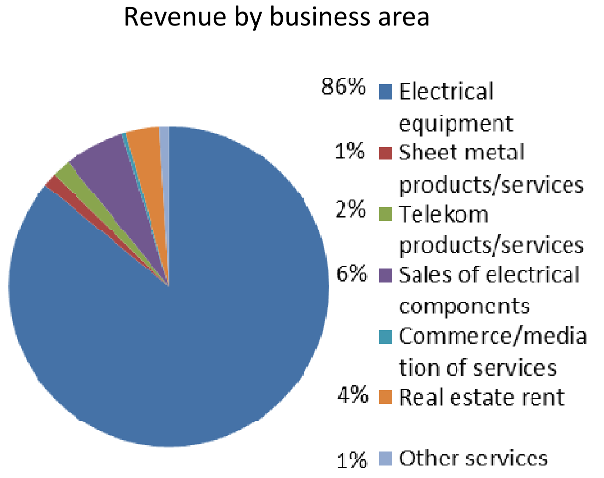
76.5% of the Group’s products and services were sold outside Estonia (70.0% in the reference period).

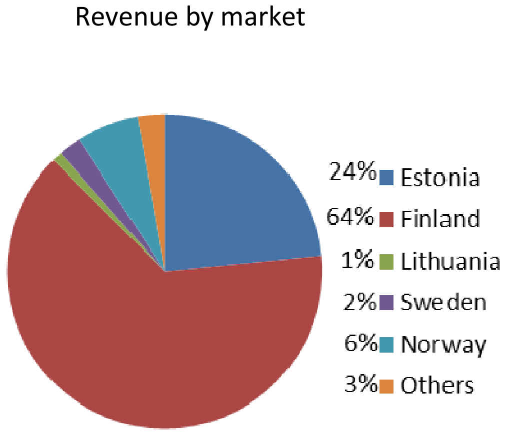
Sales to the Lithuanian market have decreased from year to year. The decline of the Lithuanian market is due a change in the Lithuanian subsidiary’s sales strategy, as a result of which the main focus is on export markets. In the reporting year, the share of foreign markets in the subsidiary’s sales revenues grew to 93% (2014: 81%). Sales to the Norwegian market in the reporting year have grown 2.3 times or by 2.2 million euros, to 3.9 million euros, as a result of which the share of the Norwegian market in the consolidated revenue has grown by 3.1 percentage points, to 6.4%. The growth of the Norwegian market is related to the materialisation of successful projects for the Lithuanian subsidiary. Of the Lithuanian company’s 2015 revenue, 45% (2014: 31%) was earned on the Norwegian market. In addition, the company has grown the volume of its sales to the Finnish market. In 2015, the company sold its Finnish clients outside the Group products worth 1.3 million euros more than in 2014.

Sales revenue from other markets grew by 1.3% up to 1.7 million euros during the year. Sales volumes increased in Latvian as well as in French markets; USA and Spain accrued as a new markets.

The Group’s main area of activity is the production and marketing of electric power distribution and transfer equipment. As usual, these activities made up the largest part of the consolidated revenue, i.e. 91.6%; real estate and other activities accounted for 8.4%.

There has been a growth in revenue among almost all products and services. 86.0% (2014: 84.7%) of the reporting year revenue originated from the sale of electrical equipment, increasing more than one fifth up to 52.1 (2014: 42.9) million euros. The intermediary sale of electric goods has increased by 18.6% by a year, amounting to 3.7 (2014: 3.1) million euros. The rental income has remained at the same level as the previous year, amounting to 2.1 million euros.





Cost of products and services sold increased by 21.3% during the year, remaining 1.4 percentage points below the growth rate of sales revenue in the reporting year. As a result, the consolidated gross profit for the 12-month period was 10.3 (2014: 9.1) million euros. In comparison to the reference period, the gross profit margin drop by 0.9 percentage points with the year, amounting to 17.0%.

The Group’s distribution costs in the reporting year as well as in reference period were 2.7 million euros. The ratio of distribution costs to revenue was 4.4% (2014: 5.4%). General administrative expenses increased by 7.3% to 4.3 million euros during the year. The ratio of general administrative expenses to revenue was 7.2%, having decreased by 0.8 percentage points.

As at the reporting date on 31 December, there were 470 people working in the Group, which were 13 employees less than a year before. Due to the optimisation of their production and a decrease in their production volumes, the Estonian companies had reduced the number of their staff by 38 as at the end of the reporting year. At the same time, the number of employees in the Lithuanian subsidiaries has increased by 27. In the 12-month period, labour costs increased by 4.4%, amounting to 12.6 million euros. The ratio of labour costs to sales revenue was 20.7% (2014: 23.8%). In 2015, employee wages and salaries totalled 9.7 (2014: 9.2) million euros. The average wages per employee per month amounted to 1,712 (2014: 1,669) euros.

Overall, the growth rate of operating expenses lagged behind that of sales revenue, increasing by 18.8% to 57.4 million euros during the year. In the reporting year, EBITDA as well as EBIT increased both by 1.0 million euros, to 4.8 million euros and 3.3 million euros, respectively. Return on sales before depreciation for the 12-month period improved by 0.5 percentage points, amounting to 7.9%, and return of sales by 1 percentage points, amounting to 5.4%.

Dividend income in the reporting period was 0.77 (2014: 0.91) million euros and total financial income in 2015 amounted to 0.8 (2014: 5.7) million euros. In 2014, financial income from selling the PKC Group Oyj shares was 4.6 million euros. At the same year, the Group sold its 34% holding in AS Draka Keila Cables also; the financial income from selling the shares was 1.8 million euros. Until June 30 2014, the Group consolidated a profit of 0.8 million euros from the associated company.

Income tax expense in 2015 was 876,000 (201: 675,000) euros.

The consolidated net profit of the reporting year was 3.2 (2014: 9.8) million euros. EPS was 0.18 (2014: 0.56) euros.

Other comprehensive income

The market price of a share of PKC Group Oyj on the Helsinki Stock Exchange decreased during the period of 12 moths by 1.24 euros and closed at 16.23 euros (2014: decreased by 6.72 euros to 17.47 euros). Other comprehensive loss from the revaluation of financial assets amounted to 1.4 (2014: 7.4) million euros in the reporting year. 4.6 million euros of revaluation profit were earned from the sales of shares of PKC Group Oyj. As a whole, the revaluation reserve in the owner's equity decreased by 1.4 (2014: 12.0) million euros.

Financial position

At the end of reporting period current assets amounted to 30% (2014: 36%) and fixed assets to 70% (2014:64%), while foreign capital accounted for 13% (2014: 14%) and owner's equity 87% (2014: 86%) of total assets.

As of 31.12.2015 the value of assets of the Group amounted to 66.5 million euros which is 3.2 million euros less than a year before. Current assets decreased during the year by 5.3 million euros, of which inventories 1.0 million euros and cash 4.3 million euros. The value of fixed assets in the statement of the financial position increased within 12 month by a total of 2.1 million euros, amounting to 46.7 million euros.

Most of the changes in the fixed assets derived from the changes in other long-term financial investments. During the reporting period new financial assets were obtained for total value of 2.4 million euros. However, the market price of PKC Group Oyj shares decreased during 12 month by 1.24, costing on the last trading day of the Helsinki Stock Exchange 16.23 euros against 17.47 euros a year ago. Other comprehensive losses from the revaluation of financial assets amounted to 1.4 million euros, by which the value of financial investment in fixed assets and the revaluation reserve in the owner's equity decreased. The value of long-term financial investments increased by 1.0 million euros, amounting to 20.2 million euros.

The value of investment property and property, plant and equipment increased by a total of 0.9 million euros. During the reporting period 1.4 (2014: 0.8) million euros were invested in real estate, most of which was spent on completing the construction of the production building of the Allika Industrial Park located in Saue municipality. Property, plant and equipment were purchased for 1.0 (2014: 0.8) million euros, of which 0.6 million euros were spent on the purchase of machinery.

In 2015 the Group’s investments in fixed assets amounted to 4.9 million euros (2014: 6.8 million euros, incl. 4.9 million euros were made through business combinations).

By the end of the year interest-bearing debt obligations amounted to 1.2 (31.12.2014: 1.1) million euros, with short-term obligations making up 0.3 million euros in the reporting years, as well as in the reference year of 2014. As at 31.12.2015, interest-bearing debt obligations formed 14.4% of the Group’s liabilities and 1.8% of the cost of assets. As at 31.12.2014, these figures were 11.0% and 1.6% respectively.

As at the reporting date, the Group’s liabilities totalled 8.4 million euros, of which short-term liabilities made up 7.5 million euros. The Group’s liabilities decreased by 1.6 million euros with the year, including trade payables and other payables by 0.9 million euros, reaching 6.0 million euros. Long-term liabilities decreased by 0.6 million euros, amounting to 0.9 million euros.

During the year, the equity of the Group decreased by 1.6 million euros, including non-controlling interest by 1.2 million euros and amounting to 58.2 million euros by the end of the year.

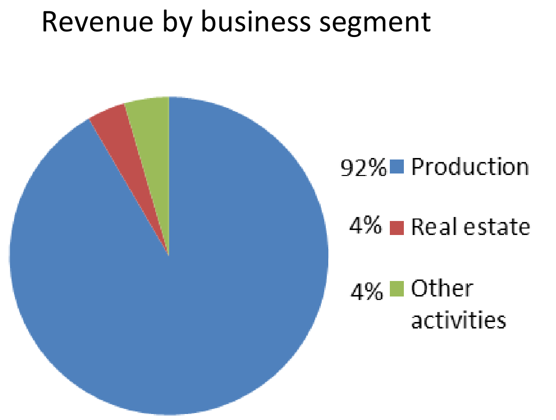
In the reporting year, net cash from operating activities was 4.3 (2014: 2.8) million euros.

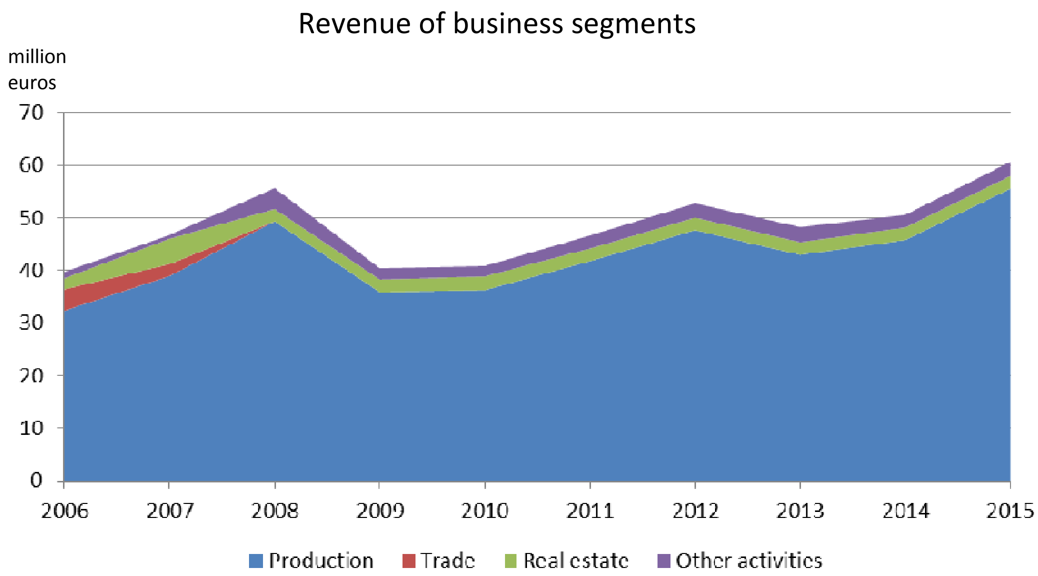
During the reporting year, a total of 3.3 million euros was paid for financial investments. The Group acquired a 10% holding of Skeleton Technologies OÜ, which is a company developing and manufacturing ultracapacitors, and paid the complementary part of the payment for the shares of Finnkumu Oy (see note 32). A total, net cash used in investing activities was -4.7 million euros in 2015, while in 2014 the total amount of 5.6 million euros was received.

In June 2015 a total of 0.8 million euros was received for the issue of shares. The 12 months’ payment of finance lease principal amounted to 0.3 (2014: 0.3) million euros. In 2015, the Group paid dividends of 2.7 (2014: 1.8) million euros. On April 27, AS Harju Elekter purchased in addition to its 63% holding in is subsidiary Rifas UAB another 37% of the company, paying 1.7 million euros for it (note 32). All in all, net cash used in financing activities was -3.9 (2014: -2.5) million euros.

BUSINESS SEGMENTS

As of 31 December 2015 the Group was active in two fields – production and real estate – where the accompanying risks and rewards were very different and both fields of activity had enough weight to form a separate segment. The share of the trading group operating within the parent company and has during the last years (including 2015) remained below the essential 10% and, therefore, it was recognised as within the composition of other fields of activities.

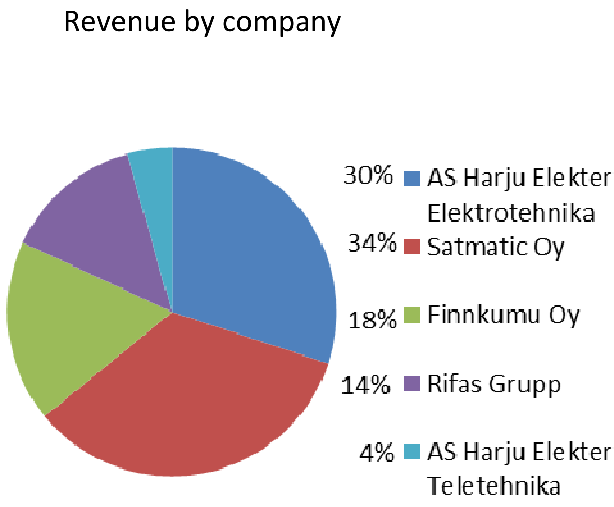




PRODUCTION

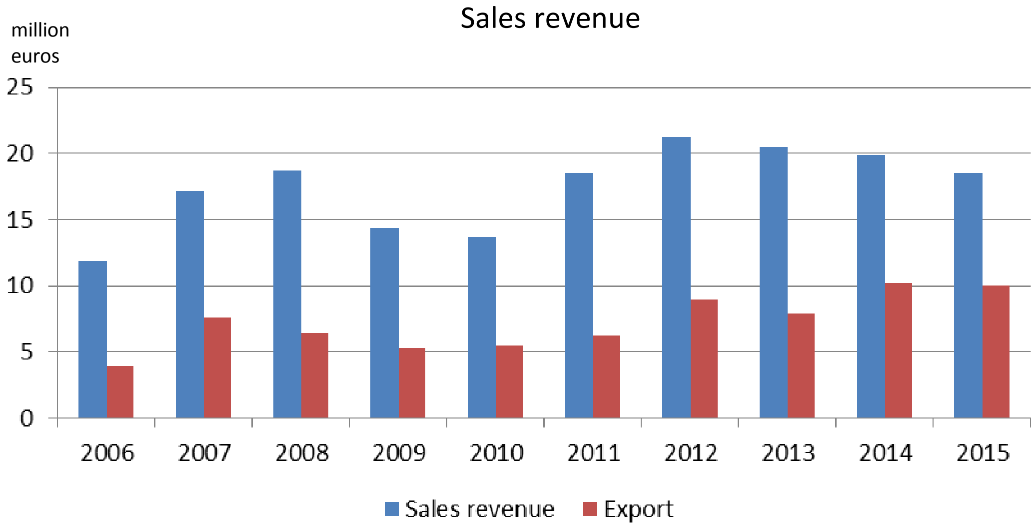
The production segment includes electrical equipment factories in Estonia (AS Harju Elekter Elektrotehnika), Finland (Satmatic Oy, Finnkumu Oy) and Lithuania (Rifas UAB) which produce mainly electric power distribution equipment (substations, cable distribution and fuse boxes) and automatic and control boards for the energy sector, industry and infrastructure. AS Harju Elekter Teletehnika in Estonia which manufactures products for the data and telecommunication sector as well as electro-technical sector, also belongs in this segment.

In 2015 production gave 91.6% (2014: 90.5%) of the consolidated sales revenue. The segment's volume of sales decreased within a year by 21.3% amounting to 55.6 million euros.



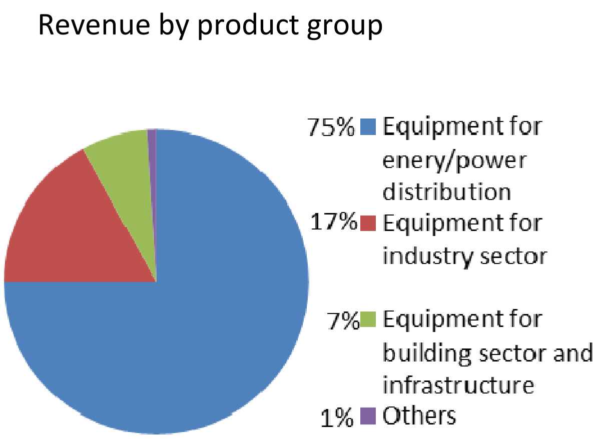
AS Harju Elekter Elektrotehnika

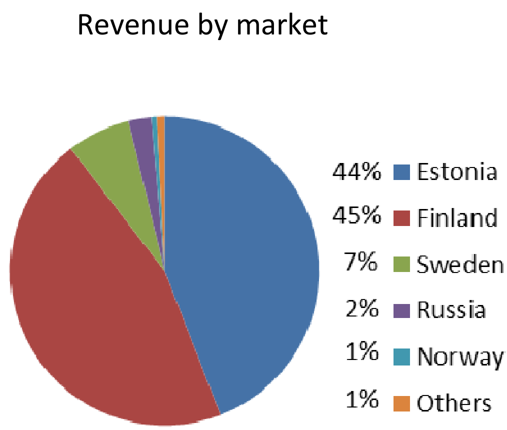
AS Harju Elekter Elektrotehnika, which is fully owned by the Group, is a leading manufacturer and distributor of MV/LV distribution units in Baltic countries. The headquarters and plant of AS Harju Elekter Elektrotehnika are located in Keila comprising 11,000 m^2 of production, warehouse and office premises. The number of employees is 168, incl. 32 of them working in sales and R&D.



The year 2015 was not as successful as expected for Harju Elekter Elektrotehnika because of the business recession in the EU countries and high global business risks (Russian/Ukrainian conflict, refugees, etc.) and despite the implementation of a wide range of austerity measures the targets that had been set were not achieved. The increase in sales volume was hindered by the cancellation of several investments on the domestic markets, and the economic stagnation of Finland, the companies largest export market. On the positive side the growth of the Swedish economy should be highlighted.

All in all, because of the drop in the amount of orders the sales revenue of AS Harju Elekter Elektrotehnika in 2015 was 7% less than in 2014, dropping to 18.5 (2014: 19.9) million euros. The share of exports in sales revenues was 54% (2014: 51%). The largest falls were caused by the decrease in orders for sub-stations for Estonian and Finnish key customers in the energy distribution sector which could neither be sufficiently compensated for by an increase in the number of orders for pre-fabricated sub-stations belonging to HEKA product family for Sweden, nor by the growth in the volume of orders for LV sector industrial products.





The reporting year was characterised by positive developments in the production and sales of equipment to the Finnish automatics sector and performance of large scale contracts in the domestic market that involved the manufacturing of high quality MV primary distribution units. A large scale contract for the design and manufacturing of electric equipment for the Fennovoima Hanhikivi nuclear power plant was concluded in 2015. As a result of successful negotiations preliminary contracts were concluded for the production of sub-stations for the plants in Sweden that will put the company a good position for expansion in that market, and also increasing our export opportunities.

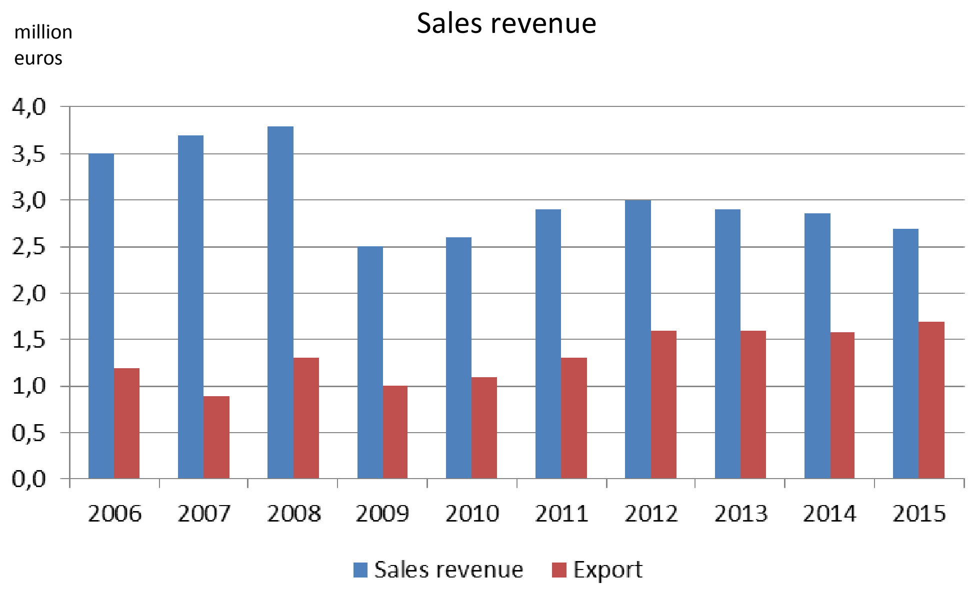
During the whole year further development of products for the foreign energy and industrial automatics sector continued. The development priorities focused on the implementation of changes related to the amendments of the relevant directives (amendments to the Ecodesign Directive related to power transformers and the new Building Act) and on the elaboration of products for new export co-operation partners and successful performance of the relevant tests. New products or their prototypes were presented to customers and co-operation partners at several professional fairs, including the largest energy sector fair, Elfack 2015, in Sweden, as well as on special customer days. In addition, several customer visits and training days were organised within the company. Active co-operation continued in the fields of in-service training and product development with higher and vocational educational institutions, such as the Tallinn Polytechnic School, the TTK University of Applied Sciences, and the Tallinn University of Technology.

Due to the uncertainty related to the volume of orders, the company had to struggle to keep its costs under control, and ensure the quality of timely execution of project-based orders. Due to the changing market and increased competition, and in order to maintain and implement the objectives of the company during the next period, some adjustments were made to the company's strategic concept for the period of 2015–2019. On the basis of the business strategy co-ordinated with the Supervisory Board the preliminary functional strategies of sub-units with relevant action plans were prepared. The plan for the improvement measures was also prepared and working groups for managing stocks, production failures and individual work performances were formed. The management of internal efficiency processes (5S, minimising of stock and analysis of failures) was continued. The review of the product portfolio and the cost-benefit analysis was started in order to focus on emerging sales and co-operation areas. Good results were achieved in the security of provision indicators and the recommendation index reflecting the customer satisfaction. The management structure was adjusted to the implementation of the new strategy of the company and changes in its administration.

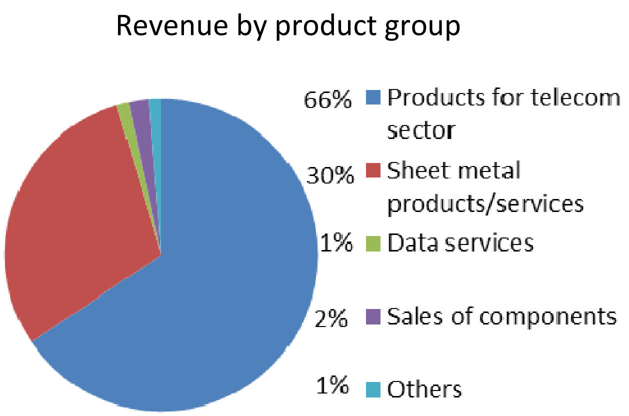
AS Harju Elekter Teletehnika

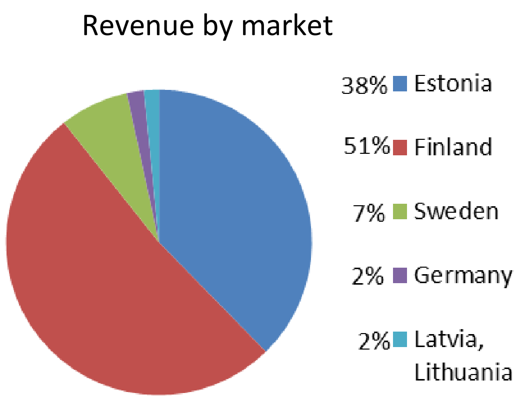
The main activities of AS Harju Elekter Teletehnika, which is fully owned by the Group, include the manufacture and marketing of data and telecommunication boxes and other equipment and accessories and fibre optical cables for the telecom sector. In addition, a range of customer-based sheet metal products and semi-manufactured articles are produced for the electrical engineering sector, subcontracting works are carried out and services rendered in the area of sheet metal processing and finishing. The company also comprises a mechanical division, which executes special orders for companies in Keila Industrial Park, and holds licences for designing, installing and maintaining fire and security systems. The factory is located in Keila and the company employs 61 people.

The year 2015 was a year of transformation for AS Harju Elekter Teletehnika with the rapidly changing economic and market situation. Since the company operates within the European single economic area and under the conditions of global competition all major political and economic events sooner or later affect its business. The company's sales revenue of 2015 remained practically at the same level as in the previous year, decreasing by 4.2% and amounting to 2.7 million euros. Domestic sales decreased by 19.9%, but the sales outside of Estonia increased by 8.6% and exports within the Group by 7.8%. The share of exports in the company's sales revenue increased to 62.5%. Finland was the largest export country and data communication racks and their fittings were the largest export articles.



As to the product group, the leading position was held by telecommunication related products and services, amounting to 65.6%. It was followed by sheet metal products, industrial sub-contracting and the intermediate sale of goods and services and other products and services.





The sales revenue of the reporting year was influenced by the cancellation of several earlier planned projects, which was caused by unfavourable developments in the European markets. The increase in export sales was made possible thanks to the telecommunication segment, mainly through Swedish customers where the investments into the development of data communication networks by the telecommunication sector, focusing on the construction of new fibre optical data communication networks and modernisation of the existing ones stayed within the earlier planned long-term project plans. Developments in other European markets, especially in Germany, were influenced by the acquisition of local mobile and cable network operators by global brands. As to other customer groups and product segments the instability of markets caused the decrease in the planned sales revenue and operating profit. The trend towards small-scale orders with a short delivery date continued, making the organisation and planning of production more challenging.

Several customer audits were organised at AS Harju Elekter Teletehnika in 2015, whereby customers evaluated the functioning of the company's processes and its ability to ensure product quality. Feedback from customer audits is crucial, as it helps the company to more fully understand the customers' needs and adjust its processes accordingly, in order to offer customers more and higher quality added value.

During the last financial year, the company presented its products at several fairs in Finland and Germany. The feedback gathered during fairs has helped to improve the functionality of products. Feedback on the specific demands of different markets was also gathered and this helps to offer more suitable products for each market. The company continued to improve the planning accuracy and increase security of supply. The development of the 5S programme helped to substantially reduce wastage, inefficiency and operations that did not add value.

The keywords for AS Harju Elekter Teletehnika during the year 2016 will be the growth of sales, and the increase in productivity which constitute a precondition to the company's sustainability and boosting competitiveness. Due to the increasing competition it will be more and more important to offer distinct products with higher added value for a competitive price and offer them quickly and on time. In order to increase the sales revenue it is important to expand the customer base and develop new products. At the same time the company is actively researching opportunities to implement new technologies in the production process, in order to increase the competitiveness of the company and to be able to offer distinctive products. The year 2016 is important and special for AS Harju Elekter Teletehnika because in March it will celebrate its 45th Anniversary, operating 25 of those years as an independent company.

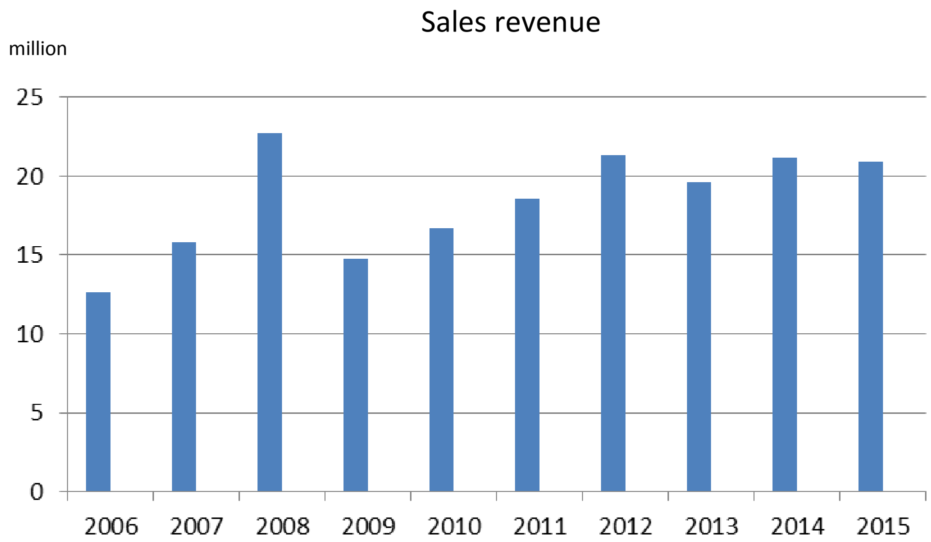
Satmatic Group

Satmatic Group consists Satmatic Oy with headquarters in Ulvila and its subsidiary Finnkumu Oy, located in Kurikka.

In 2015, the Satmatic Group's sales revenue amounted to 31.7 million euros, growing by 25% during the year. There are 90 employees working in the Group.

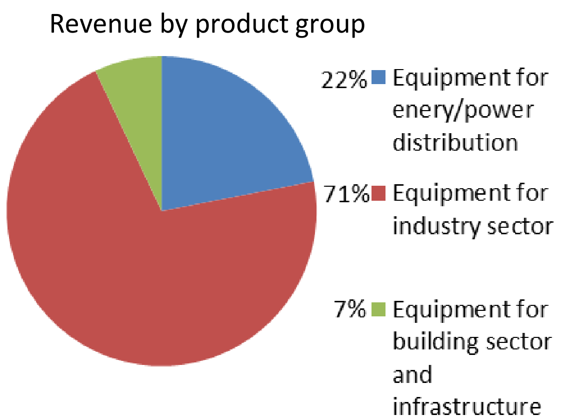
Satmatic Oy

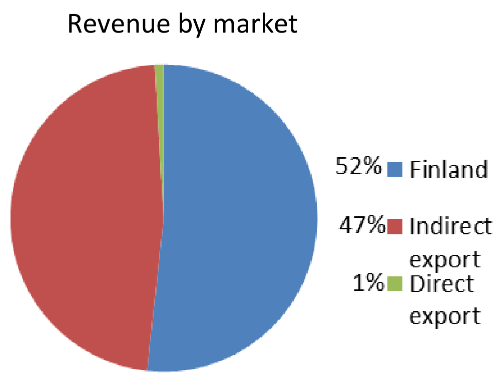
Satmatic Oy, a fully owned subsidiary of AS Harju Elekter, is a leading producer of automation equipment for the industrial sector and of electric power distribution and transfer equipment in Finland. The product range of the company covers the needs of customers from the development of products, programmes and projects to full maintenance service. The range of products is wide and the company aims to offer its customers up to 20kV products and solutions. A substantial part of products and solutions of Satmatic Oy are sold outside Finland either directly or through mediators i.e. Finnish exporters. Satmatic Oy is also an importer and retailer of the products of the Harju Elekter Group's companies in Finland. The headquarters and the factory of the company are located in Ulvila near Pori. The company also has a sales representation in Kerava in order to better service businesses and other customers in Helsinki-area. The company hires 73 employees.



The unstable economic environment in Europe and the downturn in the Finnish export sector were also reflected in the 2015 sales revenue of Satmatic Oy. The sales revenue of the company decreased by 2.3% compared with the previous year, following the pace of decline in the export sector of the Finnish technology industry, dropping to 20.9 (2014: 21.4) million euros. Sales outside Finland either directly or through intermediaries accounted for 48% of sales revenue. However, the results of the company can be considered as satisfactory as it was still able to increase its project-based sale within the conditions of strong competition and to retain its position related to the contract-based production. The only real decrease was faced in the power distribution sector.

Satmatic Oy operates mainly in three sectors: industrial sector, energy production and distribution sector and infrastructure. According to the type of supply two different production models can be differentiated: contract manufacturing and project based product/solution. However, such orders from customer groups orientated to exports create uncertainty accompanied by the risk that such orders may be easily moved from Finland to some other country where the production costs are substantially lower and/or the final customer is closer. In addition to that, the business of a company can be influenced by the improper competition and the appearance of imported power distribution equipment which is sold on at more advantageous prices. The energy production and energy distribution sector including different renewable energy solutions and investments in nuclear power stations, where orders are either made in the domestic market or the closest neighbouring countries, show a remarkable increase.





The business activities of the company are based on the competitive production, automation of production processes, high quality products and the clean environment. Their responsible and impressive contribution to environmental issues has caught wider attention and in 2015 Satmatic Oy was awarded a local environment prize. Besides that, the company concluded a co-operation agreement with the city that confirms the thoughtful approach of the company to climate issues and its determination to reduce the production of carbon dioxide by employing energy saving production methods and improving customer awareness of renewable energy products and sources, as well as the development and sales of electric car charging systems, which in turn contributes to the increase in the number of electric vehicles in Finland. Besides developing first-rate professional products/solutions, attention is also paid to valuing customer relations, as well as to offering mutual added value.

A moderate increase as regards project products continued in the reporting year, therefore additional resources were used for the development. Various electric, control and automation installations were developed at the factory and delivered to customers in the pulp and paper industry, as well as the rock wool, steel and food industries and for offshore, shipbuilding and mining sectors and (electrical) power stations. The main target countries were Sweden, Russia, Poland, China, USA and Finland.

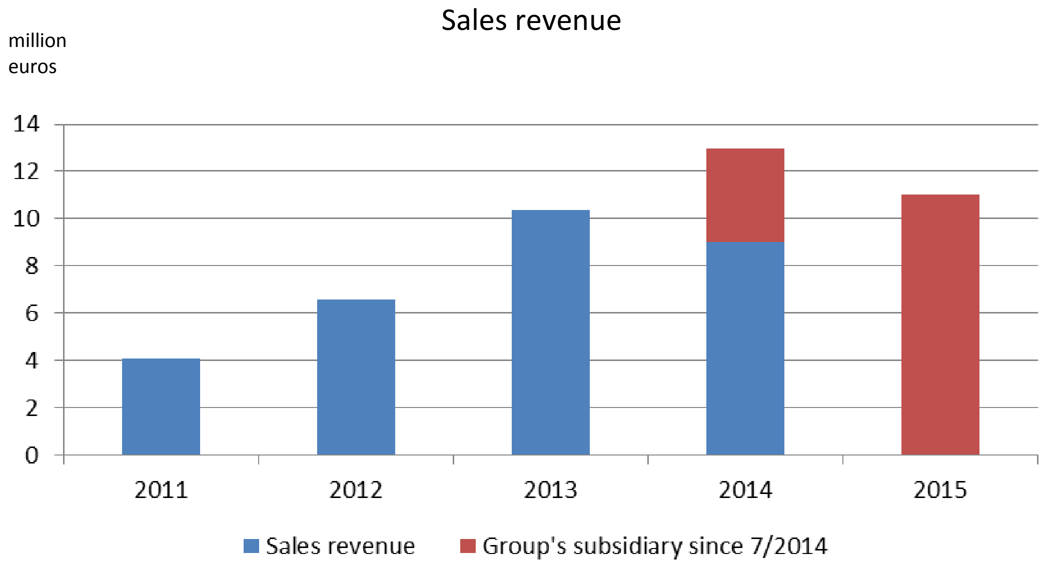
Pre-fabricated substations and distribution cabinets that are manufactured in the Ulvila plant of Satmatic Oy and in the Keila plant of AS Harju Elekter Elektrotehnika are sold to energy distribution sector, mainly to Finnish network operators and power and energy stations. On-grid and off-grid solar energy solutions proved to be the stand-out products in the renewable energy sector.

Within the product group of serial products and products for contract customers, car heating switchboards and charging stations formed the largest share, with the products mainly sold by wholesalers. During the reporting year a new model of a slow charging system was developed.

In 2016, the company's activities will be focused on finding new customers and more efficient involvement of wholesale and retail traders in the sales of substations, distribution and transfer equipment, as well as increasing on-line sales. To increase the sales of renewable energy products, heating switchboards for car parks and charging systems, these products will be made even more customer friendly. In order to further develop the organisation of the company, greater attention will be paid to intensifying the work of the development department and organising logistics more efficiently. Further growth is expected from improving the efficiency of marketing activities in relation to the products of Harju Elekter Group (substations, distribution boxes, etc.) and involving wholesalers.

Finnkumu Oy

Finnkumu Oy is a wholly-owned subsidiary of Satmatic Oy and Finnish leading prefabricated substation manufacturer, involved in design, production and sale of electricity distribution devices, mainly substations and distribution cabinets. Finnkumu Oy was founded in 2004 and has belonged to the Harju Elekter Group since 2014.



Finnkumu Oy has been very successful during the whole period of its existence. The sales revenue of the company has more than doubled during the last 5 years. Sales revenue continued its solid growth during the reporting year, increasing by 22% compared with the previous year and amounted to 11.0 (2014: 9.0) million euros despite some strong competition and increased input prices. The drop in the market price of sub-stations was compensated by the volume of sold products.

During its long period of existence the company has established a loyal customer base whose orders are fulfilled by a relatively small marketing team. Products are improved jointly and adjusted to the needs of specific projects. The production is organised through a strong and smoothly operating network of sub-contractors who deliver all the necessary details. The completion, final assembly and quality check is carried out by a staff of 20 who are employed at the company's plant in Kurikka.

Oscar Pro production management programme was introduced and implemented during the reporting year. The company hopes that in the future the new programme will help to make even more precise decisions based on more detailed information. In co-operation with other marketing teams of Harju Elekter Group's plants the company established a joint working group to promote sales. The working group aims to put together a representative range of products and best practices in order to strengthen customer relations through shared knowledge and skills.

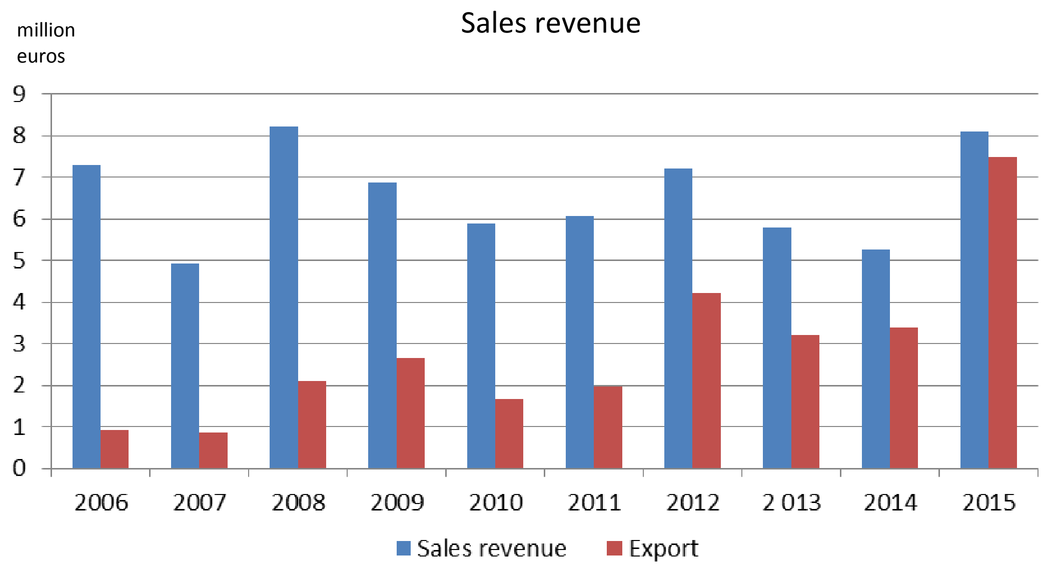
The well-targeted and successful operation of the company has attracted wider attention. At the end of the reporting year Southern Nordic County Entrepreneurs awarded Finnkumu Oy with the title of the Best Company of the Year.

In 2016, Finnkumu Oy will continue producing of high quality prefabricated substations and distribution boxes. The success of the company is based on its close customer operation and impeccable quality of products. The business of the company is closely connected to the construction and modernisation of electric power distribution networks in Finland. The information available today allows us to believe that the amount of investments in the new reporting period will remain the same as in previous years.

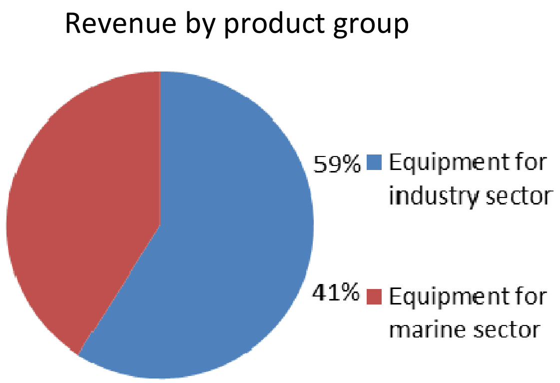
Rifas Group

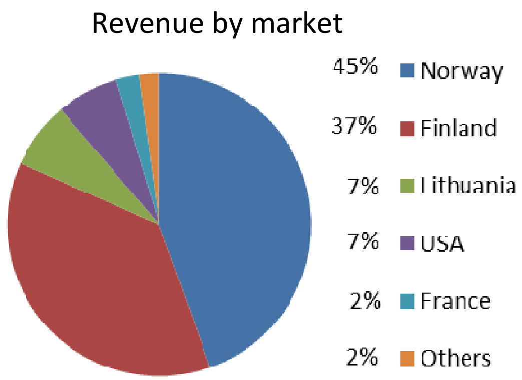
Rifas UAB is AS Harju Elekter's 100% owned Lithuanian subsidiary, which located in Panevežys. The main area of activities of the company is the production and marketing of industrial automation equipment and electric power distribution and transfer equipment. The company hires 101 employees. Rifas UAB's subsidiary, Automatikos Iranga UAB, is specialises in design.

The year 2015 was full of changes and success for Rifas UAB. The sales revenue increased, amounting to 8.5 (2014: 5.3) million euros thanks to good marketing and a successful realisation of several projects. The increase in revenue was achieved thanks to the strategic decision made a year earlier to restructure the product portfolio of the company. During the reporting year Rifas UAB withdrew from the high risk business of being the main contractor in projects and concentrated, for the sake of its sustainable future, on its primary activities: the development, production and sales of MV and LV electric installations. Today, this decision has proved to be justified, making the year 2015 successful for the company.



Most of the net sales come from the production and sales of project based products and services and a small part of it from the intermediate sale of electric components. Different frequency converter, electric and control boxes have the largest share in the range of products of the company followed by control systems and panels and energy distribution products. Due to the insecure situation in the global economy, the competition between suppliers was very tough and the price pressure very strong.





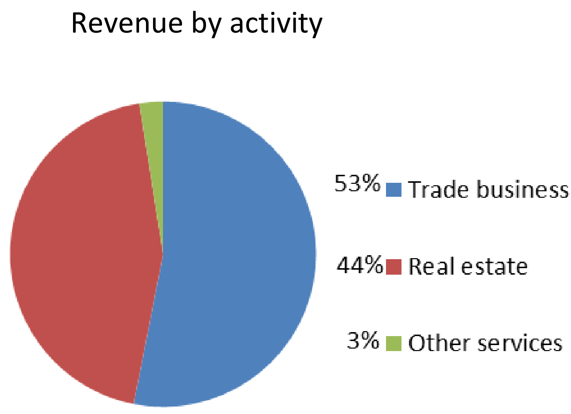
According to the company's strategy and focal points in the fields of activities, the main emphasis was put on boosting the efficiency of the production processes and standardisation of the range of products. In order to increase its production capacity the company focused mainly on export markets. The share of export markets in the sales revue of the company increased during the reporting year to 93% (2014: 81%). Sales to the Norwegian market increased by 2.3 times i.e. by 2.2 million euros and amounted to 3.9 million euros. The increase in the Norwegian market was due to the completion of successful projects during the reporting year. All in all, the Norwegian market accounted for 45% (2014: 31%) of the sales revenue of the company in 2015.

Long-term persistent efforts resulted in the conclusion of new important co-operation contracts with several foreign partners and the company is planning to continue such activities for finding new strong international partners and establishing partnerships with them. In order to do that the marketing department of the company was increased.

On 1 January 2015 Lithuania became a member of the euro area. The exchange rate was fixed at 1 EUR = 3.4528 LTL. The transition to the euro was successful thanks to the new financial and accounting software, as well as the preliminary preparations and tests. The company passed successfully the certification of management systems according to the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards and new certificates that are valid until 2018 were issued to it.

For the further development of the company the main focus will be put on the reinforcement of strategic relations with existing cooperation partners and on active marketing to find new customers and projects. The development of project based customer relations on foreign markets will continue.

REAL ESTATE HOLDING AND OTHER ACTIVITIES



The sales revenues of the real estate segment (Parent company) and other non-segmented activities (Parent company's Trade Group) totalled 8.4% (2014: 9.5%) of the consolidated sales revenue, out of which intermediary sale of goods formed 53.1%, rental income 40.7%, intermediary sale of services 3.7%, and income from other products/services formed 2.5%.

Real estate

The sales revenues of the segment were 2.4 million euros, being on the same level comparing to the previous year. Rental income amounted to 2.1 million euros, accounting for 88.1% (2014: 89.3%) of the revenue of the segment. Utilities and other services totalled 11.9% (2014: 10.7%) of the sales revenue of the segment.

Other activities

During the reporting period, the sales revenues of other non-segmented activities increased by 14.5% amounting to 2.7 million euros and forming 4.5% (2014: 5.1%) of the Group's sales revenues. The main revenue sources were the intermediary sale of products and the sale of Group's products (electrical equipment).

AS Harju Elekter

AS Harju Elekter is the Parent company of the Group. Its activities are divided into two segments – *Real estate* and *Other activities*. Unallocated activities include the coordination of co-operation within the Group, management of subsidiaries and related companies through their supervisory and management boards, management of the finances and investments of the Group and management of development and expansion activities as well as managing of personnel, IT and communication services and guaranteeing the professional operation of the corporate stores. Stores located in Tallinn, Tartu and Keila sell both products of the Group and related companies and other goods necessary for electrical installation work mainly to retail customers and small and medium sized electrical installation companies.

The business activity of the Parent company gives 8.4% (2014: 9.5%) from the consolidated sales revenues.

OTHER FINANCIAL INVESTMENTS

In the reporting year, the market value of long-term financial investments decreased by 1.4 million euros, while new financial investments amounted to 2.4 million euros. The total annual increase in the balance value of financial investments was 1.0 million euros, amounting to 20.2 million euros.

SIA Energokomplekss

SIA Energokomplekss is a sales organisation, founded in 2006. At the beginning the Group's participation in the Latvian company SIA Energokomplekss was 10% and it was increased to 14% in 2009. Holding in SIA Energokomplekss makes it possible to participate together in invitations-to-tender for MV and LV equipment in Latvia.

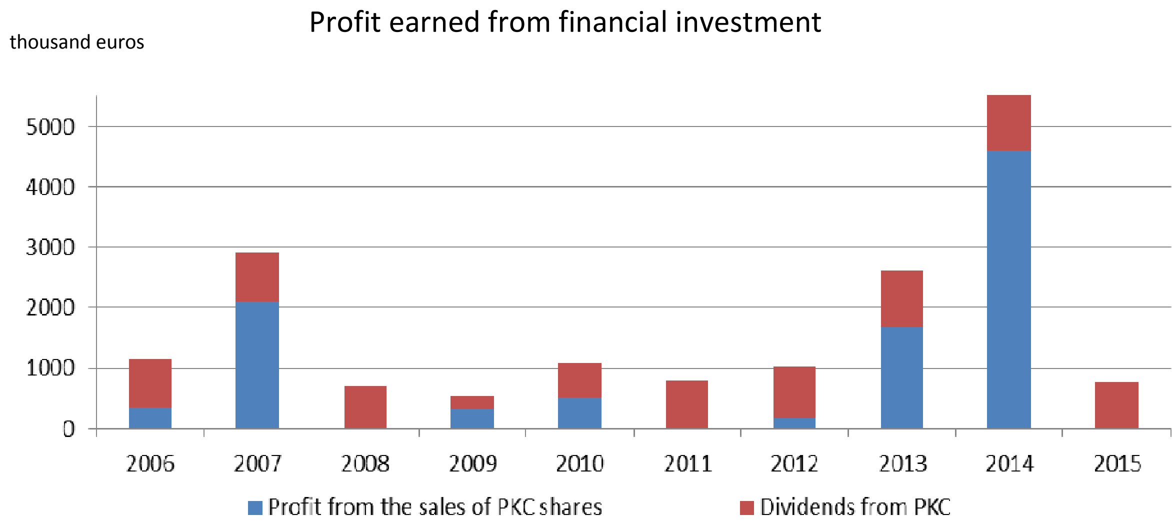
Skeleton Technologies Group OÜ

At its 2 June 2015 sitting, the Supervisory Board of AS Harju Elekter decided to approve a strategic investment in Skeleton Technologies Group OÜ, a company developing and manufacturing ultracapacitors, by acquiring a 10% holding in the company. AS Harju Elekter sees the attractiveness of the investment in both an increase of its value as well as the possible participation of the company in the development, production and use of modular systems of ultracapacitors in management and switching systems.

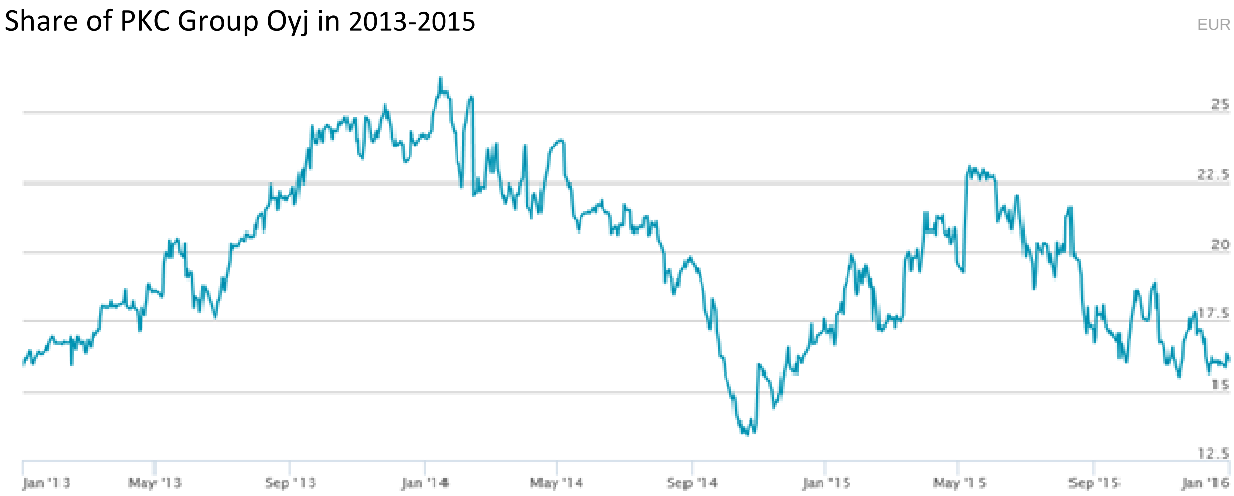
PKC Group Oyj

PKC Group Oyj (hereinafter PKC) is a Finnish publicly traded company, which manufactures cable insulation for the automobile, telecommunication and electronics industries. In 2015, sales revenue of PKC was 908.0 million euros and the Group employees 21,764 people.

PKC shares are quoted on the Helsinki Stock Exchange and AS Harju Elekter has 4.6% of PKC shares as at December 31, 2015. The market price of the shares decreased in 2015 by 1.24 euros and on the last day of trading the price of a share on the Helsinki Stock Exchange was 16.23 (2014: 17.47) euros. PKC shares are valued in the balance sheet according to market price and the change in the market price of the shares has a direct influence on the Group's assets. The cost of investment in assets and reserves in equity decreased by the loss of 1.4 (2014: 7.4) million euros, by which amount decreased the cost of investment in assets and reserves in equity.



In April 2015, PKC Group Oyj paid dividends to the shareholders 0.70 euros per share. AS Harju Elekter received dividends in the amount of 766,000 (2014: 906,000) euros. The total financial income during 12 months was 0.8 million euros which is 4.8 million euros less than during the reference period of 2014 when, in addition to dividends, 4.6 million euros was earned for the sale of shares.



PERSONNEL

The companies of the Harju Elekter Group are located in Estonia, Finland and Lithuania. In 2015 the labour market situation was complicated in the markets where the Group's companies were operating, just like the previous years. The unemployment rate in Estonia (2015: 6.2%), the same as in Lithuania, has been declining for several consecutive years. In Finland, the unemployment rate started to grow in the reporting year, amounting to 9.5% of the working age population by the end of the year, making the long-term unemployment a more serious problem. The structural unemployment has become a concern also in Finland just like in Estonia and Lithuania. The situation for the Group's companies is made even more complicated by the unattractive salary level in the business sector. In Estonia and Lithuania, the employers have difficulties finding high quality labour and it is aggravated by the movement of specialists to other countries. The shortage of highly qualified labour has created a constant pressure to raise salaries. Unfortunately, productivity has not kept pace with the rise in salaries. The labour policy carried out by the companies of the Group are more or less influenced also by the ageing of the population, the continuing fight for talents, the competition from richer countries for labour and refugee issues. In the future, those who are able to utilise the labour force in a more flexible manner will be more successful.

At the balance date, there were 470 (2014: 483) people working in the Group and the average number of employees was 472 (2014:459). Employee wages and salaries totalled 9.7 (2014: 9.2) million euros in the year 2015. The average wages per employee per month amounted 1,712 (2014: 1,669) euros. It is important to note, that the average wage in Finland is a multiple time higher compared to Estonia and Lithuania.

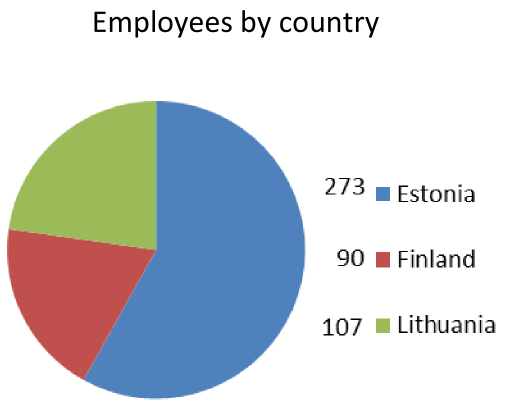
The majority of the Group's employees – 273 people – worked in Estonia, including 44 people who worked in the Parent company. At the end of the year, there were 90 people working in Finland and 107 in Lithuania. From 470 employees working in the Group 354 of them were men and 116 women, 114 of whom have higher education, 308 people have secondary or vocational secondary education and 48 have basic education. In order to improve the skills and qualifications of employees joint in-service training courses have been started in co-operation with higher and vocational educational institutions.

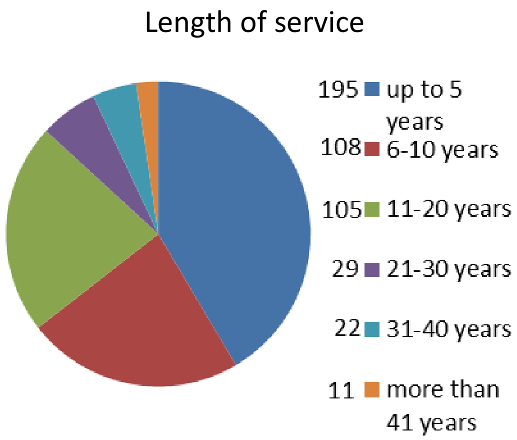
Harju Elekter Group is characterised by is its solid organisational culture. The high percentage of long-term employees motivates newcomers to preserve and develop this culture. Every second employee has been working in the Group for longer than 5 years.

The average age of the Group's employees has remained stable, and was 42.3 years in the accounting year. To find new competent employees, AS Harju Elekter co-operates with universities and vocational schools which in summer use the companies of the Group either as their basis for vocational training or in the framework of in-service training or retraining programmes.

Since 2001, AS Harju Elekter has had close co-operative relations with Tallinn University of Technology (TUT), since 2010 as Golden Sponsor. Over the years, altogether 50 Bachelor's or Master's degree students have participated in the scholarship programme and five young engineers are currently employed by the Group.

Harju Elekter Group's Estonian enterprises carry out several co-operation programmes with the Tallinn Vocational Education Centre, Tallinn Polytechnic School, TTK University of Applied Sciences, and other schools. Finnish subsidiary continues a close co-operation with Satakunta University of Applied Sciences and Tampere Technical University.





The companies of the Group continued to implement the measures that made the functioning of the organisation even more effective. In 2015, several structural changes in the management and organisation took place in AS Harju Elekter Elektrotehnika, resulting in the reduction of the number of employees by 30 people. In addition to that, at the end of the year salaries were reduced and people were sent on collective holidays due to the small number of production orders. In order to increase the productivity the qualification system of manufacturing employees was introduced at the end of 2014, which has helped link employees' skills and contribution to a fair and motivating pay and pointed out possibilities for the development and for increasing salaries. The qualification system implemented has proven to be so successful that it is planned to apply this system to administrative personnel during the reporting year.

Exercises and training courses organised for employees during the year were mainly aimed at improving professional skills and qualifications. In the production units, activities continued in order to implement the 5S production model to reduce wastage, ineffectiveness and activities that do not add value. First aid courses are organised regularly for all the employees besides the training that is focused on the development of competences related to the main activities of the Group and professional qualifications of the workers.

The Group has many possibilities for motivating its personnel:

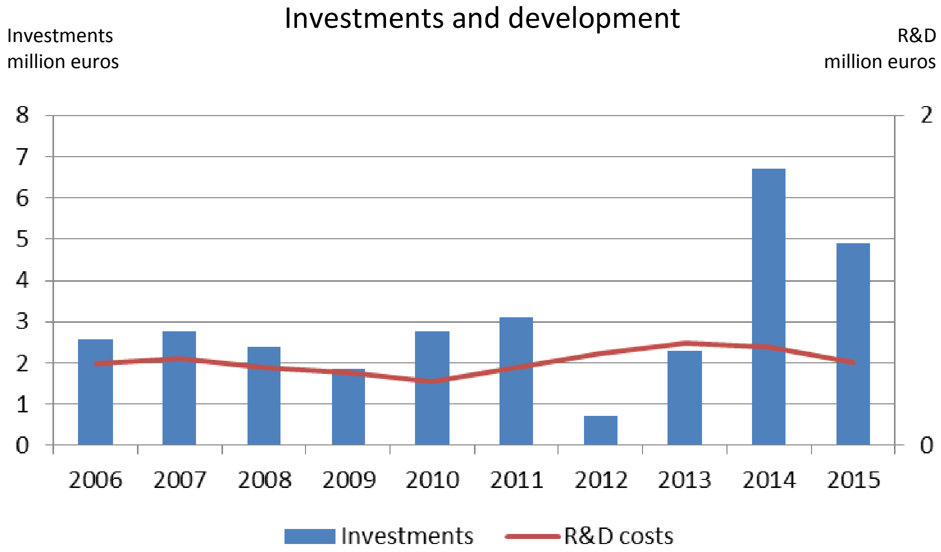
- A bonus system linked to operating profit and involves all employees. Bonuses dependent on profit motivate employees to always consider the outcome of their work for the company as a whole;
- Share-option schemes, aiming at involving members of the directing bodies and employees of companies of the Group to motivate them acting in the best interest of the Group;
- The cross company as well as cross-border employee exchange programmes, promote the rapid development of knowledge and skills within the Group and offer rotation opportunities.

AS Harju Elekter is a responsible and caring employer offering its employees contemporary working and recreation conditions. The Group is involved in constructive co-operation with the Keila Industrial Park trade union, one of the main outcomes of which is collective labour agreement. The stability, social guarantees and motivation scheme offered by AS Harju Elekter promote trust between the company and its employees and prevent the disruption of work.

INVESTMENTS AND DEVELOPMENT

In 2015, the Group investments to fixed assets totalling 4.9 million euros (2014: 6.8 million euros, incl. 4.9 million euros through business combinations).

As a whole the investments can be divided into two categories: half of them aimed to support and ensure the Group's further development and the other half includes renewable investment that is made to ensure that production premises and technology are kept up-to-date and comply with the quality requirements.



In 2015 several substantial information system developments were implemented. The security level of the internet and data communication networks of the Group, as well as the availability of business information systems were increased. The IT audits carried out during the reporting year offered a more realistic evaluation of the reliability of the network infrastructure and security solutions used by the companies. The development of the management and economic software, the further introduction of additional modules and the development of CRM and QlikView programmes were carried out in all subsidiaries. Preparations were started in the Group's Estonian companies for the upcoming renewal of the management and business software version in 2016. The Finnish companies focused on software integration. Finnkumu Oy introduced new economic software. The Lithuanian subsidiary was mainly focusing on the smooth operation of the economic software caused by the introduction of the euro on January 1, 2015. Investments in the development of business software made during the reporting year totalled 99,700 (2014: 188,500) euros and investments in information technology equipment amounted to 129,600 (2014: 98,000) euros.

Work involving grants in the development projects of the Group continued. The projects were mainly aimed at developing key activities of the companies, preparing strategies and training the personnel (improvement in qualifications, team work training). In 2015, the assigned grants that amounted to 38,900 (2014: 15,400) euros were received mostly for the introduction of the new management and economic software in the Finnish subsidiaries.

According to the development principles of the Group, the Group's companies aims at the continuous modernising and development of new products to meet the needs of its customers and to improve production technology. In 2015 the development costs, at cost price, of the Group amounted to a total of 0.50 (2014: 0.60) million euros, accounting for 0.8% of the Group's sales volume.

The main product development resources of the Group are concentrated in the Estonian subsidiary, AS Harju Elekter Elektrotehnika; Satmatic Oy and Rifas UAB specialise in industrial products and the development of renewable energy solutions.

The Development Centre which pools the engineers from product development and technical departments consists of 13 employees. The Development Centre will be an incubator that will provide sales units with innovative products and solutions and offer technical support to production units. The Development Centre includes a laboratory for the development, building and testing of new prototypes and for introducing new product samples.

The year 2015 was diverse and interesting for the Estonian product development team. In co-operation with the Tallinn University of Technology (TUT) and under the leadership of Marek Mägi (PhD, TUT), an electrical engineer at AS Harju Elekter Elektrotehnika, a prototype of a storage device for a substation with an energy management system capacity was completed and tested on a real micro-grid test bench at the TUT. The prototype device was presented for the first time at the largest Nordic electrical engineering fair, Elfack, in Sweden, and in order to introduce it properly an extensive and promotion campaign was organised in local (specialised) media that would ensure a wider coverage.

A significant part of the product development resources of the Keila Development Centre in 2015 was used to develop new innovations for substations. One of the most interesting of them is HEKA2VM800 which is a 2x800kVA sub-station with a metal enclosure that can be serviced from the outside. The huge advantage of the novel solution is that these substations can be moved together with the installed power transformers that allows a significant reduction to the volume of work necessary at the site and, consequently reduces the installation costs for customers. The anti-corroding concrete basements of the sub-stations insure a long life for them. In autumn, the substation passed successfully the type testing of IEC standard, once again proving the high quality and technical level of the substations produced by Harju Elekter. The positive feedback of customers and the increasing number of orders show that there is enough demand for this type of substations in the market. By the end of the year the product development team of Harju Elekter completed the development of the new 1x1000kVA concrete sub-station that is serviced from the outside, complying to the ECO-design Directive. Its prototype was presented in spring at Elfack in Sweden. The design of the substation follows specifically the requirements and preferences of Nordic distribution networks. A wide range of different finishing designs is offered starting from different tones of brick and wood imitation surfaces. Having looked at the Swedish market a model of substation with concrete doors for a device space was developed.

Besides the above-mentioned products the company put a lot of energy into the development of a product family of air isolation MV substations. These products meet the needs of Nordic distribution networks who want to avoid the use of SF6 gas in their grid. During the 2015, 200kVA, 315kVA and 630kVA solutions were developed. In 2016 the final development of the product family will be continued by completing it with 800kVA and 1000kVA models. The initial feedback from customers has been very positive.

The Finnish Lithuanian subsidiaries focussed on developments and projects related to renewable energy and offering suitable solutions in this field. On top of that, Satmatic Oy made efforts to increase the level of automation by increasing the productivity and expanding the range of products thanks to introduction of a CNC punch press and a cable connector installation and cutting device. The Finnish subsidiary increased its sales of solar power equipment and services. It continued the development of heating switchboards for car parks and charging systems for electric cars in order to make these products even more customer-friendly.

The Group’s subsidiaries participated actively in professional fairs: In May, the subsidiary Harju Elekter Elektrotehnika participated in the biggest electricity sector trade fair in the Nordic region – Elfack 2015 – held in Gothenburg, Sweden. There, a substation unit devised by the company specifically based on the requirements of the Swedish market was presented to the visitors. We also unveiled a prototype of a LV converter device for a substation with power management capacity, developed in cooperation with the Tallinn University of Technology. In addition, the Group's subsidiaries actively participated in other regional exhibitions: in January, Group’s Estonian and Finnish subsidiaries participated in the (energy) distribution network trade fair Sähköverkot in Finland. As usual, in September AS Harju Elekter Elektrotehnika participated at the SLO autumn fair in Tallinn and Satmatic Oy at Alihankinta in Tampere. AS Harju Elekter Trade Group presented its product range available in shops at the annual international building fair Estbuild in Tallinn.

QUALITY MANAGEMENT AND ENVIRONMENTAL POLICY

A high quality business and management model is one of the assets of the Group. The objective is to develop business processes, practices and systems based on the principle of continuous improvement and in accordance with the customers' needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasises the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

The daily business operation and organisation of Group's subsidiaries follows quality and environmental policies based on international standards. Issues related to both quality and the environment, are discussed as an integral part of everyday management, sales, development, manufacturing, logistics and real estate management activities. The production processes of AS Harju Elekter do not have a significant negative impact on the environment. Nevertheless, the companies of the Group monitor and measure their environmental impact according to the environmental policy, organise hazardous waste collection and transfers to waste handling companies. The company's employees have received the relevant training that enables them to take note of problems and make suggestions to ensure that transport, waste management and usage of materials and energy are organised better and in a more environmentally friendly way.

The companies of the Group follow a system developed for the collection of packages and packaging waste and for the recovery of packaging waste in accordance with the requirements of the Packaging Act. The Group is a contractual partner of the non-profit association, Estonian Pack Cycling. The stores of the AS Harju Elekter commerce group organise the collection, recycling and disposal of unusable electronic devices (boilers) in accordance with the Waste Act.

Following the principles of quality management and environmental policy the subsidiaries of the Group continually focused on optimising important work processes and on the efficient use of materials and products in order to reduce the resultant waste to a minimum. Fire safety training was organised for workers which consisted of a theoretical part as well as a field exercise. In addition to that several occupational and electrical safety trainings were organised for workers. The productivity was continually increased in Estonian and Finnish subsidiaries by further elaborating 5S production principles.

During the accounting year several audits of key accounts, product certification companies and vendors of licensed products were successfully carried out in subsidiaries of the Group. Satmatic Oy has a valid UL certificate, which is a prerequisite for selling the company's products on the US market.

Internal and external audits are carried out in the Group's companies at least once a year and recertification takes place every three years. Its companies' operations are in accordance with quality and environmental management standards ISO 9001/2008 and ISO 14001, while the Lithuanian subsidiary's operations also comply with OHSAS 18001:2007 standard. In 2015 new compliance certificates for the next three years were issued to AS Harju Elekter Elektrotehnika, Satmatic Oy and Rifas UAB. In AS Harju Elekter Teletehnika the regular annual audit was carried out. Its recertification will take place in 2016.

Company	2009	2010	2011	2012	2013	2014	2015
HE Elektrotehnika		⟳ ISO9001/ISO14001 (since 2000)			⟳		⟳ up to 9/2018
HE Teletehnika			⟳ ISO9001/ISO14001 (since 2002)			⟳ up to 1/2017	
Rifas	⟳ ISO9001 (since 2003)		ISO14001 OHSAS 18001	⟳			⟳ up to 9/2018 and 12/2018
Satmatic	⟳ ISO9001 (since 2003)		ISO14001	⟳			⟳ up to 7/2018
Finnkumu							

⟳ - recertification

CORPORATE TARGET FOR 2016

In its business the Harju Elekter Group builds on the Group's long-term development strategy. Decisions, whether short or long term, are guided by the Group's aim to be the best known and recognised producer of electrical equipment and automation devices in the Baltic and Scandinavian countries, manufacturing and delivering a highly professional range of products and comprehensive solutions in the segment of MV and LV products, using advanced technology and the best expertise available. The Group's activities derive from the concept of supporting our customers' and partners' interests and preferences in all our actions and decisions. The changing world adds an abundant amount of challenges and choices. We assume that the Group as a whole, its organisation and its subsidiaries are ready to continue their success story within the environment of the recurrent world and changing economic models.

The establishment of further activities and plans of the Group will be built on its strengths related to product development, learnt experience and expectations of customers, aiming to be open and attentive to everything new and changing. The priority of the Group is to focus on the main markets in Scandinavian countries, extend our trade sphere and to establish ourselves in the Group in other markets, by selling our products of industrial automatics and power distribution throughout the rest of the world.

The Group contributes daily to the development of energy-efficient products and technologies and to the involvement of new and innovative projects and fields of activities.

In 2016, the Group will focus on the following:

- Constant sale and marketing activities in target markets. The participation in public tenders for important power distribution sector contracts in Finland, Sweden and the Baltic states.
- The start-up of new projects in the Allika Industrial Park and the continuous marketing of the Park.
- The re-organisation of the Keila Industrial Park according to the needs of customers and due to the release of the rented premises by PKC Eesti AS in 2017.
- Investment in the personnel, technology and real estate.
- Investments in the digitalisation projects related to business development, security and financial accounting.
- Continuation of reasonable investment activities.
- Constant improvement and development of the Harju Elekter Group as an organisation. Ensuring better readiness and capacity to react to possible changes in the future.
- Active search for, and launching of, financial investment, merger and transposition opportunities.

SHARE AND SHAREHOLDERS

The shares of AS Harju Elekter were first listed on the Tallinn Stock Exchange on September 30, 1997. Tallinn Stock Exchange is part of the largest exchange company in the world, the NASDAQ Group. It delivers trading, exchange technology and public company services across six continents, with over 3,200 listed companies.

In the reporting year, the 2012-2015 option programme was carried out and 339,880 shares were subscribed. After the issue, the share capital of AS Harju Elekter is 12.42 million euros, which is divided into 17.74 million ordinary shares. The nominal value of a share is 0.70 euros. The symbol of an AS Harju Elekter share in NASDAQ is HAE1T. ISIN: EE3100004250. All shares are freely negotiable on the stock exchange and each share confers an equal right to vote and to receive a dividend. All the shareholders of the company are equal and there are no separate restrictions or agreements concerning the right to vote. According to the information available to AS Harju Elekter the agreements concluded with the shareholders do not include any restrictions related to the transfer of shares; neither do they include any specific power of audit.

The year 2015 was a complicated one for the world's stock exchanges. During the year several events occurred that did not make investors happy and caused lots of uncertainty for them. The bubble burst in China, the Euribor was in freefall and the value of the euro and oil were falling. On top of that, investors were intimidated by the terror attack in Paris and the developments related to the Greece and Chinese economies. All in all, it was a low productivity year for the world's stock exchanges where practically all asset classes were offering near zero yield. The world's most popular stock-index S&P 500 dropped by 0.7%, ending the year at the level of 2043.9 points. This ended a three year consecutive rise.

The OMX Baltic Benchmark GI, OMXBBGI, increased during the reporting year by 14.4%, amounting to 648.3 points. The OMX Tallinn (OMXT), increased by 19.1%, amounting to 899.0 points, the OMX Riga (OMXR) grew by 45.7%, reaching to 594.4 and the OMX Vilnius (OMXV), increased by 7.4% and to 486.0 points. The turnover was the largest in the Tallinn Stock Exchange.

As to the whole year, the Tallinn Stock Exchange OMXT with its 19% yield (2014: -7.7%) was the 12th ranked among all the stock exchanges in the world. The total annual number of transactions reached was 49,129 with a total value of 148.1 million euros. The number of transactions decreased by 2.7%, while the turnover increased by 16.3%.

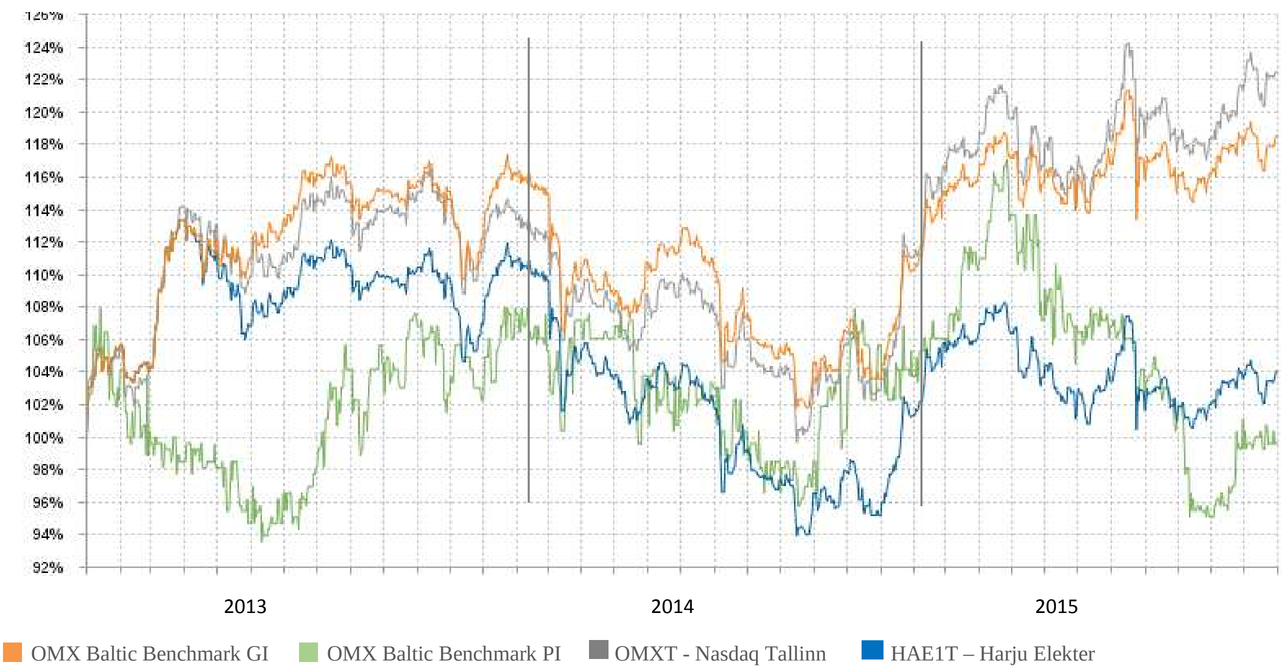
Key share data **EUR**	**2015**	**2014**	**2013**	**2012**	**2011**
Number of shares (in thousand)	17,550,851	17,400,000	17,400,000	17,093,443	16,800,000
Nominal value	0.70	0.70	0.70	0.70	0.70
Highest price	3.14	2.85	2.92	2.80	3.54
Lowest price	2.49	2.52	2.46	2.30	2.19
Closing price	2.63	2.79	2.70	2.64	2.28
Change (%)	-5.7	3.3	2.3	15.8	-23.8
Market value (in million)	46.66	48.55	46.98	45.94	38.30
Traded shares (pc)	1,086,451	800,823	936,162	759,869	663,917
Turnover (in million)	2.98	2.17	2.48	1.88	1.88
Earnings per share, EPS	0.18	0.56	0.30	0.21	0.17
P/E	14.61	4.98	9.50	12.57	13.41
Dividend per share	*0.05	0.15	0.10	0.09	0.07
Dividend yield (%)	1.9	5.4	3.7	3.4	3.1
Dividend payout ratio (%)	27.8	26.6	33.7	44.5	42.4

* Proposal of the Management Board

In the reporting year, the share price of AS Harju Elekter decreased by 5.7% to 2.63 euros and the company's market value as at December 31 was 46.7 million euros. Compared to the previous year, although the price of the shares decreased slightly, the volume of transactions and the number of shares traded increased. The number of shareholders of the company also increased.

Share of AS Harju Elekter in Tallinn Stock Exchange 2013-2015

A comparison of AS Harju Elekter share indexes 2013-2015
for more information: http://www.nasdaqomxbaltic.com/market/



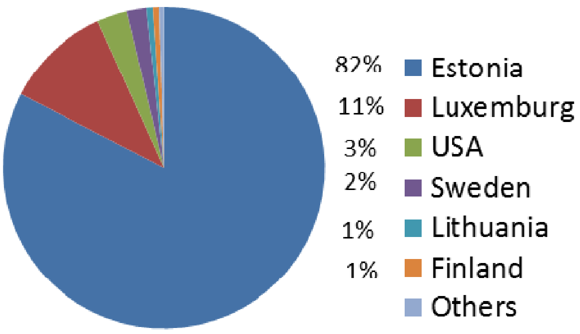
Shareholders structure, at 31 December 2015

At the end of 2015, AS Harju Elekter had 1,777 shareholders. The number of shareholders increased during the year by 304 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which as at December 31, 2015 held 31.0% of AS Harju Elekter share capital. Foreign equity participation is 17%. Members of the supervisory and management board and persons or companies associated with them hold 10.34% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of Securities (www.e-register.ee).

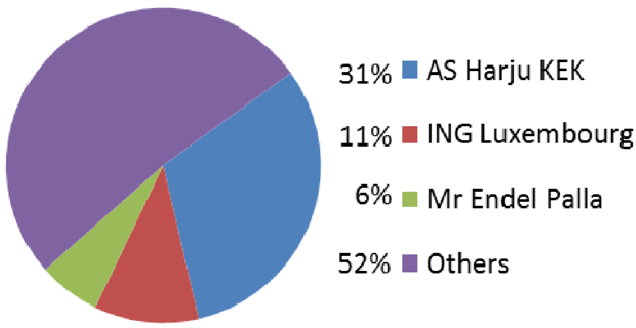
Shareholder structure by size of holding

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.11	42.10
1.0 – 10.0%	10	0.56	24.42
0.1 – 1.0%	69	3.89	18.19
< 0.1%	1,696	95.44	15.29
Total	1,777	100,0	100.0

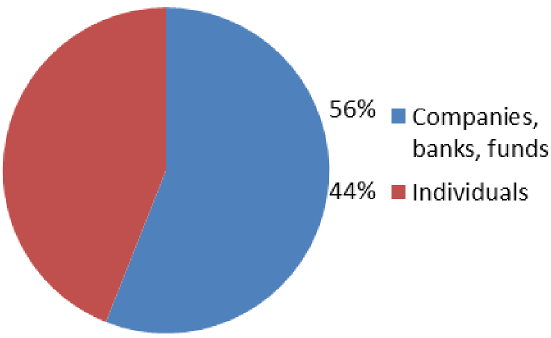
Shareholders by country



> 5% shareholders



Shareholders by category



Payments to the shareholders

Dividends

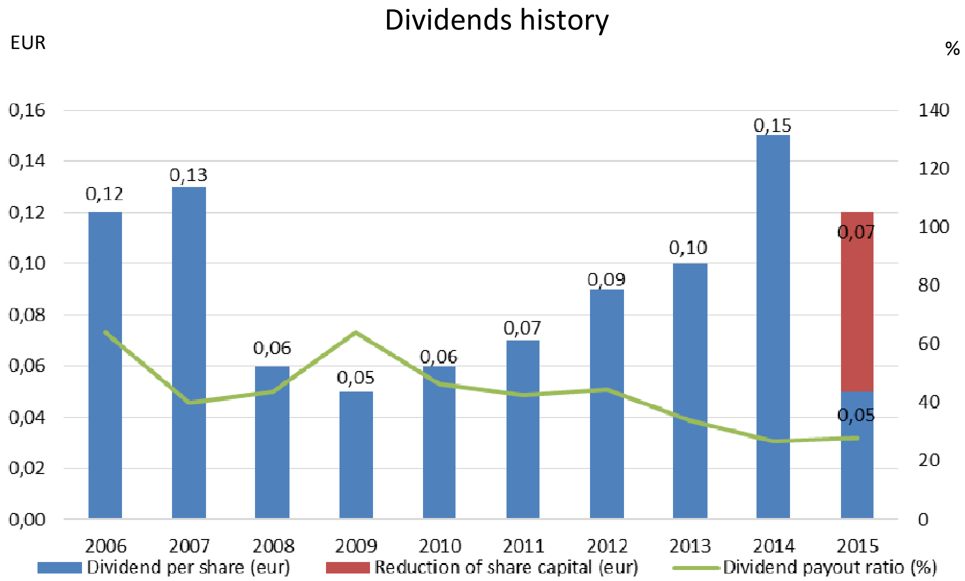
According to the dividend policy of the Group, one third of the net profit of regular activities is paid out as dividends. The Group has an established practice of paying out dividends on gains from other financial investments. The actual ratio will be determined based on the Group's cash flows, development prospects and funding needs.

The Management Board proposes to pay a dividend of 0.05 (2014: 0.15) euros per share, totally 0.88 (2014: 2.61) million euros for the financial year 2015.

Reduction of share capital

The Management Board makes a proposal, reconciled with the Supervisory Board, to decrease the share capital by 1.23 million euros to 12.48 million euros and to make a payment of 0.07 euros per share to the shareholders.

The total dividend from shareholders equity is 2.13 (2014: 2.61) million euros.



For dividend history and ratios, please refer to the Key share data table.

CORPORATE GOVERNANCE

Corporate Governance Report 2015

AS Harju Elekter follows the Articles of Association of the company, the relevant legislation of the countries in which it operates and as a public company, AS Harju Elekter also observes the rules of the Tallinn Stock Exchange, the Principles of the Corporate Governance Code and the requirements to treat investors and shareholders equally. Accordingly, AS Harju Elekter complies, in all material respects, with the provisions of CGC. Explanations for departures from CGC are provided below. In addition, our corporate governance report contains information on the annual general meeting of 2015, the supervisory board, the management board and explains AS Harju Elekter's governance structure and processes.

CGC Article 1.3.3

An issuer shall make attendance and participation in the general meeting possible by means of communication equipment (e.g. the Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the issuer.

Since AS Harju Elekter does not have the required technical equipment and acquisition of such equipment would be costly, currently attendance and participation in general meetings is not possible by means of communication equipment.

CGC Article 2.2.1

The Chairman of the Supervisory Board concludes a contract of service with the member of the Management Board on the fulfilment of his or her duties.

According to the Supervisory Board's decision it is deemed rational to elect just one member to the Management Board. Managing director/CEO is responsible for the performance of company's strategic areas. He concludes the contract of service.

CGC Article 2.2.7

The basic salary, performance pay, severance pay, other payable benefits and reward systems of each member of the Management Board, as well as their significant characteristics are presented in a clear and unambiguous form on the issuer's website and in the CGC report. The presented data are considered clear and unambiguous if they directly express the extent of the expenses to the issuer or the extent of the likely expenses as of the day of disclosure.

The member of the Board is remunerated according to the contract of service. The rate of pay of a member of the Management Board and the severance pay is set out in the contract of service and shall not be disclosed to the public under an agreement between the parties. The manager is entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the Management Board.

Performance pay is paid to the members of the Management Board on an equal basis with the parent company's administrative. The performance pay is distributed according to the basic salary and work performance and the performance pay of the members of the Management Board is approved by the Chairman of the Supervisory Board. 80% of the performance pay is paid by quarter; the remaining 20% is paid after the results of the financial year have been determined.

Management, incl. Managing Director/CEO is paid an annual bonus of 0.4% of the consolidated net profit (belonging to the owners of the Parent company) in total. The annual bonus is approved by the chairman of the Supervisory Board and is paid after the group's annual statement has been audited.

Additional remuneration for the length of employment is paid to all permanent employees (incl. Managing Director/CEO) on the basis of their length of employment, including permanent employment in the Harju Elekter Group. The rate of additional remuneration is up to 10% of the basic salary.

CGC Article 2.3.2

The supervisory council shall approve transactions that are significant to the issuer and are entered into between the issuer and a member of its management board, or another person connected or close to them, and shall determine the terms of such transactions. Transactions approved by the supervisory council between the issuer and a member of the management board, or a person connected or close to them, shall be published in the issuer's Corporate Governance Report.

In 2015 no such transactions were performed.

CGC Article 3.1.3

The Supervisory Board shall regularly assess the activities of the Management Board and its implementation of the Issuer's strategy, financial condition, risk management system, the lawfulness of the Management Board activities and whether essential information concerning the Issuer has been communicated to the Supervisory Board and the public as required. Upon the establishment of committees (audit committee, remuneration committee etc.) by the Supervisory Board, the Issuer shall publish on its website their existence, duties, membership and position in the organization. Upon change of the committee structures, the Issuer shall publish the content of such changes and the period during which the procedures are in effect.

In June 2010 the Supervisory Board of AS Harju Elekter formed the Audit Committee of the company following the relevant requirement provided for by the Authorised Public Accountants Act, affirmed its Statutes. In 2015, members of the Supervisory Board of AS Harju Elekter, Triinu Tombak and Andres Toome act as members of the Committee. The Audit Committee has the following tasks: observe and analyse the processing of financial information; the efficiency of risk management and internal audit; the process of audit control of consolidated financial statements; the independence of the audit company and the auditor who represents the firm of auditors on the basis of law; as well as to submit proposals and recommendations to the Supervisory Council in issues provided by law. Details of the Audit Committee and its position in the organisation will be available on the company's website.

CGC Article 3.2.5

The rate of the member of the Supervisory Board pay and the payment procedure established by the general meeting shall be presented in the issuer's CGC report, separately pointing out the basic salary and additional remuneration (including severance pay and other payable benefits).

The shareholders' general meeting of AS Harju Elekter has the competence to elect and approve the membership of the Supervisory Board and the term of its appointment. The shareholders' general meeting which was held on 3 May 2012 appointed the membership of the Supervisory Board for the following 5 years, setting 750 euros a month as the pay rate for a member of the Supervisory Board and 1,600 euros a month for the Chairman of the Supervisory Board, while the Chairman of the Supervisory Board working in company's management shall be subject to the reward system used in AS Harju Elekter (see also CGC explanation for CGC Article 2.2.7). No severance pay is allotted to members of the Supervisory Board.

CGC Article 3.2.6

If a member of the Supervisory Board has attended less than half of the meeting of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report.

During the reporting year, all of the members have attended most or all of the meetings.

CGC Article 3.3.2

A member of the supervisory council shall promptly inform the chairman of the supervisory council and the management board of any business offer related to the business activity of the issuer made to the member of the supervisory council or a person close or connected to the member of the supervisory council. All conflicts of interests that have arisen during the reporting year shall be disclosed in the Corporate Governance Report along with their resolutions.

Members of the Supervisory Board must avoid any conflict of interest and follow the requirements of prohibition on competition. The Supervisory Board and the Management Board work in close co-operation, acting according to the Articles of Association and in the best interests of the company and its shareholders. In 2015 no conflicts of interests occurred.

CGC Article 5.3

Among *other things, the issuer's general strategic trends approved by the Supervisory Board are available for shareholders on the issuer's website.*

The company's Management Board believes that strategy is a business secret and should not be made public. However, the general trends and significant topics have been included in the Management Report.

CGC Article 5.6

The issuer discloses the times and places of meetings with analysts and of presentations and press conferences for analysts and investors or institutional investors on the issuer's website. The issuer enables shareholders to participate in these events and makes presentations available on its website. The issuer shall not hold meetings with analysts or presentations for investors immediately before the dates of disclosure of financial reporting.

The company's activities are always based on the principle of fair treatment of shareholders. Mandatory, significant and price sensitive information is first disclosed in the system of the Tallinn Stock Exchange and then on the company's website. In addition, each shareholder has the right to request additional information from the company if necessary and to arrange meetings. The company's Management Board does not consider it important to keep a time and agenda schedule of meetings with different shareholders. This rule applies to all meetings, including those immediately preceding the disclosure of financial reporting.

CGC Article 6.2

Electing the auditor and auditing the consolidated financial statements.

The general meeting of the shareholders of Harju Elekter of 14 May 2015 elected the auditing company KPMG Baltics OÜ as an auditor for the company for the period 2015−2017. Information on the auditor is available at the company's website on the Internet. The auditor will receive remuneration according to a contract and the amount of the remuneration will not be disclosed under an agreement between the parties.

Governance principles and additional information

A public limited company's AS Harju Elekter governing bodies are the shareholders' general meeting, the Supervisory and the Management Boards.

General meeting

The general meeting is the company's highest governing body who have competence for amending the Articles of Association and approving new ones, changing the amount of share capital, removal of members from the Supervisory Board and the termination of the activities of the company, making decisions on the division, merging and transformation of the company with the precondition that at least 2/3 of the shareholders represented at the general meeting approve such decisions. General meetings may be annual or extraordinary. The annual general meeting convenes once a year within six months after the end of the company's financial year. An extraordinary general meeting is called by the management board when the company's net assets have declined below the level required by the law or when calling of a meeting is demanded by the supervisory council, the auditor, or shareholders whose voting power represents at least one tenth of the company's share capital. A general meeting may adopt resolutions when more than half of the votes represented by shares are present. The set of shareholders entitled to participate in a general meeting is determined 7 days before at the date of the general meeting.

The annual general meeting of 2015 was held on 14 May at Keskväljak 12 in Keila, Estonia. A total of 71.2% of the voting stock were represented. The general meeting approved the 2014 annual report and profit distribution as well as appointed KPMG Baltics OÜ to perform the audit of AS Harju Elekter on the years 2015-2017 and resolved to realize the targeted share option program, approved by the AGM on 3.5.2012. Presentations were made by the chairman of the management board, chairman of the supervisory board and auditor.

Supervisory Board

According to the Articles of Association, AS Harju Elekter's supervisory board has 3-5 members. The members are elected by the general meeting for a period of five years. The supervisory board plans the activities of the company, organises the management of the company and supervises the activities of the management board. The supervisory board meets according to need but not less frequently than once every three months. A meeting of the supervisory board has a quorum when more than half of the members participate. In 2015, the supervisory board met eight times. All members of the supervisory board attended most of the meetings.

On 3 May 2012, the AGM assigned a five-member Supervisory Board for the next five-year period as follows: Endel Palla (chairman), Ain Kabal, Madis Talgre, Triinu Tombak and Andres Toome. Following the letter of resignation from a member of the Supervisory Board, Madis Talgre, submitted on April 16, 2014 the AGM held on May 8, 2014 approved Aare Kirsme as a new member of the Supervisory Board. Since 8th of May 2014, the Supervisory Board has 5 members with the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Estonian Defence Forces, Head of legal department), Aare Kirsme (Chairman of the Supervisory Board, AS Harju KEK), Triinu Tombak (financial consultant) and Andres Toome (consultant).

Mr Palla has been working in AS Harju Elekter since 1969 (1985 -1999 as managing director) and keeps company's R&D manager position since 1999. Mr Kabal, head of legal department in Estonian Defence Forces is a lawyer, who has experiences in advising Group's companies on legal issues. Mr Toome (chairman of OÜ Tradematic) complements the Board with investment experience since 2007. In 2012 was appointed a member of the Supervisory Board Mrs Tombak, to include more financial knowledge and experience to the Board. Mr Kirsme is a chairman of supervisory board of AS Harju KEK, the biggest shareholder of AS Harju Elekter (holding 31% of the shares of the company on 31.12.2015). Two of the five members of the Supervisory Board – Triinu Tombak and Andres Toome - are independent.

The Group does not give the members of the Supervisory Board any benefits related to pension, more than provided by the law. Only exception is Chairman of the Supervisory Board, who is entitled to termination benefits that may extend to 6 monthly remuneration of a development manager. At 31 December 2015, the members of the Supervisory Board owned in accordance with their direct and indirect ownerships totally 9.1% (2014: 8.4%) of AS Harju Elekter shares (Note 23).

Management Board

The management board is a governing body which represents and manages the company in its daily activity in accordance with the law and the Articles of Association. The Management Board has to act in the best economic interests of the company. According to the Articles of Association, Harju Elekter's Management Board may have 1-5 members who are elected by the Supervisory Board for a period of three years. The Supervisory Board appoint also the chairman and the members as well as remove a member of the Management Board. Every member of the Management Board may represent the company in all legal acts.

The company has a one-member Management Board. In connection with the expiration of the authorisation deadline of the Management Board of AS Harju Elekter, at its meeting on 5 May 2014 the Supervisory Board extended the contract with Andres Allikmäe, the Chairman of the Management Board for the next three-year period. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. The member of the Board is remunerated according to the contract of service. In addition, the manager is entitled to receive a severance payment in the amount of 10 months' remuneration of a member of the Management Board. The managing director/CEO is not entitled to any pension benefits from the Group.

The everyday business activities of the Group are managed by the Managing Director/CEO. Outside of Estonia compliance with good corporate governance is ensured by the local managements of the companies.

At 31 December 2015, the members of the Management Board owned in accordance with their direct and indirect ownerships totally 1.3% of AS Harju Elekter shares (Note 23).

More specific 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.

Additional management bodies and special committees

The necessary procedures are regulated by rules and the need for additional management bodies has not occurred. For better risk management of the Group an internal auditor has been established which regularly reports to the management of the Group. In 2010 the Supervisory Board of AS Harju Elekter following the relevant requirement provided for by the Authorised Public Accountants Act formed the Audit Committee of the company. The Audit Committee has the following tasks: observe and analyse the processing of financial information; the efficiency of risk management and internal audit; the process of audit control of consolidated financial statements; the independence of the audit company and the auditor who represents the firm of auditors on the basis of law; as well as to submit proposals and recommendations to the Supervisory Board in issues provided by law. In 2012, the members of the Supervisory Board of AS Harju Elekter – Triinu Tombak and Andres Toome - were appointed as members of the Committee.

Information management

As a publicly traded company AS Harju Elekter follows the principles of openness and equal treatment of investors. The information requested by the rules and regulations of the stock exchange is published regularly on the due dates. AS Harju Elekter therefore follows the principle of not publishing estimates but communicates and comments only information concerning events which have actually happened.

In order to keep investors and the public informed AS Harju Elekter administers a home page which includes all stock exchange notices, business reports and an overview of the company’s background, products and other important issues. All subsidiaries of the Group also have home pages.

Auditors

According to the decision of the general meeting of the shareholders (14.5.2015) the audits of AS Harju Elekter for the years 2015–2017 are carried out by KPMG Baltics OÜ. Audits in subsidiaries outside of Estonia are carried out by KPMG Baltics UAB in Lithuania and KPMG Oy in Finland.

SOCIAL RESPONSIBILITY AND CHARITY

Social Responsibility Report 2015

The environment around us creates, as well as limits, our opportunities to act. During its almost half-century history of operation AS Harju Elekter has become one of the largest and most successful companies in Keila and in the region around it and we feel we have to take responsibility for the general development of the society, as well as the wellbeing of the local community. For us, social responsibility means daily considerations how to contribute to making life better in Estonia.

We have always supported financially and in other ways many initiatives that we strongly believe in. We value highly the long-term co-operation that makes the support more efficient. We continue supporting good ideas also in the future. Over the years four major areas of sponsorship have evolved within the Group.

Bearing of social responsibility

AS Harju Elekter as a local large-scale enterprise is conscious of a certain responsibility for the general development of the region and the well-being of the local community focusing mainly on children and youth by supporting their educational efforts and spending their leisure time in good surroundings. Therefore, the Group has concluded long-term sponsorship agreements with the Keila School as well as kindergartens, sport and hobby clubs in Keila.

Supporting the education of engineers in Estonia

The company works in close co-operation with Estonian educational institutions in order to promote and develop the educating of engineers. AS Harju Elekter is a golden sponsor of Tallinn Technical University granting every year up to three scholarships for Bachelor’s as well as Master’s degree students in the field of electricity and mechanics. The Group also carries out several co-operation programs with the Tallinn Vocational Education Centre, Tallinn Polytechnic School and the Tallinn Construction School. Finnish subsidiary had a close co-operation with Satakunta University of Applied Sciences and Tampere Technical University.

Supporting and inspiring young sportsmen

The company has, above all, supported youth sports - focusing on long-term and constant sponsorship and taking into account the popularity of the sports. For several years the company has sponsored the young skiers and athletes of Nordic countries combined with the Estonian Ski Association. As from the season 2008/2009 the company has also supported the skier Algo Kärp. The future projects of the Estonian Ski Association are also aimed at the focusing to children and young athlets. The main target is to work with a large amount of young people, who could represent Estonia in the future.

Promoting recreational sport among the employees

In co-operation with the Harju KEK Athletic Club we do everything we can to facilitate an active and sporting lifestyle for our employees. Healthy workers, full of energy, represent a priceless value to the company.

Total amount of different support programmes in 2015 amounted to 21.5 (2014: 24.4) thousand euros.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR'000	Note	As at 31 December 2015	2014
Current assets			
Cash and cash equivalents	5,7	5,711	9,984
Short-term financial investments	12	0	35
Trade and other receivables	8	6,678	6,484
Prepayments	9	278	455
Prepaid income tax	9,20	28	79
Inventories	10	7,148	8,104
Total current assets		**19,843**	**25,141**
Non-current assets			
Deferred income tax assets	26	57	0
Long-term financial investments	12	20,188	19,145
Investment property	13	12,990	12,109
Property, plant and equipment	14	8,010	7,968
Intangible assets	16	5,491	5,429
Total non-current assets		**46,736**	**44,651**
TOTAL ASSETS		**66,579**	**69,792**
Liabilities			
Interest-bearing loans and borrowings	17	296	278
Trade and other payables	19,32	6,043	6,989
Other current tax liabilities	20	944	1,072
Income tax liability	20	146	12
Short-term provisions	21	34	39
Total current liabilities		**7,463**	**8,390**
Interest-bearing loans and borrowings	17	912	818
Other liabilities	32	0	742
Total non-current liabilities		**912**	**1,560**
Total liabilities		**8,375**	**9,950**
Equity			
Share capital	23	12,418	12,180
Share premium	23	804	240
Reserves	23	18,047	19,393
Retained earnings		26,817	26,664
Equity attributable to owners of the Company		**58,086**	**58,477**
Non-controlling interests		118	1,365
Total equity		**58,204**	**59,842**
TOTAL LIABILITIES AND EQUITY		**66,579**	**69,792**

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR'000		For the year ended 31 December	
	Note	**2015**	**2014**
Revenue	24, 25	60,656	50,606
Cost of sales	25	-50,357	-41,525
Gross profit		**10,299**	**9,081**
Distribution costs	25	-2,657	-2,720
Administrative expenses	25	-4,337	-4,042
Other income	25	70	27
Other expenses	25	-99	-118
Operating profit		**3,276**	**2,228**
Finance income	25	822	5,661
Finance costs	25	-36	-38
Share of profit of associate	11	0	817
Sales gain from the sale of share in associate	11	0	1,785
Profit before tax		**4,062**	**10,453**
Income tax expense	26	-876	-675
Profit for the year		**3,186**	**9,778**
Profit attributable to:			
Owners of the Company		3,190	9,697
Non-controlling interests		-4	81
Earnings per share			
Basic earnings per share (EUR)	27	0.18	0.56
Diluted earnings per share (EUR)	27	0.18	0.56

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR'000		For the year ended 31 December	
	Note	**2015**	**2014**
Profit for the year		**3,186**	**9,778**
Other comprehensive income			
Items that subsequently might be classified to profit or loss:			
Gain/loss on change in fair value of available-for-sale financial assets	12	-1,357	-7,406
Gain/loss on sale of financial assets		0	-4,616
Foreign currency translation differences – foreign operations		0	-10
Total other comprehensive income for the year		**-1,357**	**-12,032**
Total comprehensive income for the year		**1,829**	**-2,254**
Comprehensive income attributable to:			
Owners of the Company		1,844	-2,334
Non-controlling interests		-15	80

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR'000	Note	For the year ended 31 December 2015	2014
Cash flows from operating activities			
Operating profit		3,276	2,228
Adjustments for:			
Depreciation and amortisation	13,14,16,24,25	1,543	1,513
Gain on sale of property, plant and equipment	25	-25	-10
Share-based payments	25,30	36	72
Change in trade and other receivables		-20	301
Change in inventories	29	956	-673
Change in trade and other payables		-692	205
Corporate income tax paid	29	-748	-845
Interest paid		-33	-31
Net cash from operating activities		**4,293**	**2,760**
Cash flows from investing activities			
Acquisition of investment property	29	-1,575	-672
Acquisition of property, plant and equipment	29	-513	-765
Acquisition of intangible assets	29	-207	-257
Acquisition of a subsidiary, net of cash acquired	32	-856	-4,847
Acquisition of other financial investments	12	-2,400	0
Proceeds from sale of investment in associate	11	0	6,200
Proceeds from sale of financial investments	12	36	4,933
Proceeds from sale of property, plant and equipment	29	30	27
Interest received	29	42	54
Dividends received	25	766	907
Net cash used in investing activities		**-4,677**	**5,580**
Cash flows from financing activities			
Changes in overdraft balances	17	0	-358
Payment of finance lease principal	17	-347	-298
Acquisition of non-controlling interests	32	-1,651	0
Dividends paid	23	-2,654	-1,795
Receipts from contribution into share capital		766	0
Net cash used in financing activities		**-3,886**	**-2,451**
Net cash flow		**-4,270**	**5,889**
Cash and cash equivalents at beginning of year		**9,984**	**4,102**
Increase / decrease in cash and cash equivalents		-4,270	5,889
Effect of exchange rate fluctuations on cash held		-3	-7
Cash and cash equivalents at end of year	7	**5,711**	**9,984**

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014	**Attributable to owners of the Company**								
EUR'000	**Share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**TOTAL**	**Non-controlling interests**	**TOTAL EQUITY**
At 31 December 2013	**12,180**	**240**	**1,218**	**30,206**	**0**	**18,635**	**62,479**	**1,340**	**63,819**
Comprehensive income for the year									
Profit for the year 2014	0	0	0	0	0	9,697	**9,697**	81	**9,778**
Other comprehensive income 2014	0	0	0	-12,022	-9	0	**-12,031**	-1	**-12,032**
Total comprehensive income	**0**	**0**	**0**	**-12,022**	**-9**	**9,697**	**-2,334**	**80**	**-2,254**
Transaction with the owners of the Company, recognised directly in equity									
Share-based payments	0	0	0	0	0	72	**72**	0	**72**
Dividends	0	0	0	0	0	-1,740	**-1,740**	-55	**-1,795**
Total transaction with the owners of the Company	**0**	**0**	**0**	**0**	**0**	**-1,668**	**-1,668**	**-55**	**-1,723**
At 31 December 2014	**12,180**	**240**	**1,218**	**18,184**	**-9**	**26,664**	**58,477**	**1,365**	**59,842**

Further information on share capital and reserves are presented in note 23.

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015	**Attributable to owners of the Company**								
EUR'000	**Share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**TOTAL**	**Non-controlling interests**	**TOTAL EQUITY**
At 31 December 2014	**12,180**	**240**	**1,218**	**18,184**	**-9**	**26,664**	**58,477**	**1,365**	**59,842**
Comprehensive income for the year									
Profit for the year 2015	0	0	0	0	0	3,190	**3,190**	-4	**3,186**
Other comprehensive income 2015	0	0	0	-1,357	11	0	**-1,346**	-11	**-1,357**
Total comprehensive income for the year	0	0	0	-1,357	11	3,190	**1,844**	-15	**1,829**
Transaction with the owners of the Company, recognised directly in equity									
Increase of share capital	238	564	0	0	0	0	**802**	0	**802**
Share-based payments	0	0	0	0	0	36	**36**	0	**36**
Dividends	0	0	0	0	0	-2,610	**-2,610**	-44	**-2,654**
Acquisition of non-controlling interest	0	0	0	0	0	-463	**-463**	-1,188	**-1,651**
Total transaction with the owners of the Company	0	0	0	0	0	**-3,037**	**-2,235**	**-1,232**	**-3,467**
At 31 December 2015	**12,418**	**804**	**1,218**	**16,827**	**2**	**26,817**	**58,086**	**118**	**58,204**

Further information on share capital and reserves are presented in note 23.

The notes on pages 46 to 94 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

AS Harju Elekter (address: Paldiski mnt 31, Keila, Estonia) is a company registered in Estonia (registry number 10029524). These consolidated financial statements as at and for the year ended 31 December 2015 comprises AS Harju Elekter (the ‘Parent company’ or the ‘Company’) and its subsidiaries (together referred to as the ‘Group’).

Subsidiaries of AS Harju Elekter	**Domicile**	**Core business**	**Ownership and voting rights, %**	
As at 31 December			**2015**	**2014**
AS Harju Elekter Teletehnika	Estonia	Manufacturing	100	100
AS Harju Elekter Elektrotehnika	Estonia	Manufacturing	100	100
Satmatic Oy	Finland	Manufacturing	100	100
Harju Elekter AB	Sweden	Retail- and wholesale	90	90
Rifas UAB (note 32)	Lithuania	Manufacturing	100	62.7
Subsidiary of Satmatic Oy				
Finnkumu Oy (note 31)	Finland	Manufacturing	100	0
Subsidiary of Rifas UAB				
Automatikos Iranga UAB	Lithuania	Design	51	51

As at 31.12.2015 the indirect holding of the Group in Automatikos Iranga UAB`s amounted to 51% (2014: 32%).

AS Harju Elekter has been listed on the Tallinn Stock Exchange since 30 September 1997; 31.4% of the Company’s shares are held by AS Harju KEK, a company registered in Estonia.

The management board authorised these consolidated financial statements as at and for the year ended 31 December 2015 for issue on 30 March 2016. According to the Commercial Code of the Republic of Estonia, final approval of the annual report including the consolidated financial statements, which have been prepared by the management board and approved by the supervisory board, takes place at the annual general meeting.

The Group’s core business is the production and sale of power distribution and control equipment for the energy, construction and manufacturing sectors. The Group’s activities are described in detail in note 24 “Segment reporting”.

2 Basis of preparation

Under the Estonian Accounting Act, the Parent company’s separate primary financial statements (the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) are to be disclosed in the notes to the consolidated financial statements. The separate primary financial statements of AS Harju Elekter are disclosed in note 34 “Primary financial statements of the Parent”. The separate primary financial statements are prepared using the same accounting policies and measurement bases as those applied on the preparation of the consolidated financial statements, except that in the Parent’s separate primary financial statements investments in subsidiaries and associates are accounted for using the cost method.

2.1. Statement of compliance

The consolidated financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

2.2. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except that available-for-sale financial assets and the notional part of commitment related to the acquisition value of Finnkumu Oy are measured at fair value.

2.3. Functional and presentation currency

Group entities keep their books and records in the currency of the primary economic environment in which they operate. Estonian, Lithuania and Finnish Group entities use the euro (EUR), the Swedish entity uses the Swedish krona (SEK). On 1 January 2015, the Republic of Lithuania joined the Euro area and adopted the Euro as its currency.

The consolidated financial statements are presented in euros, which is the Parent company's functional and presentation currency. Numerical data is presented in thousands, rounded to the nearest thousand, unless indicated otherwise. The abbreviation EUR'000 stands for a thousand euros.

2.4. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the period of the change and any future periods affected by the change. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been applied in consideration of the principles of consistency and comparability. The substance and effects of changes in measurements are explained in relevant notes. If the presentation or method of classification of financial statement line items is changed, comparative prior period figures are reclassified accordingly.

2.5. Changes in accounting policies

Effect on financial statements of application of new standards and amendments and new interpretations to standards

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

IFRIC 21 Levies

Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively.

The interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by a government.

In accordance with the interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

According the opinion of the Group the first time implementation of this interpretation did not influence substantially the financial statement of the Group since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

Other amendments to standards

The following amendments to standards with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018. The standard has not been adopted by the European Union.

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 and 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 amortized cost if the following two conditions are met:

- the assets 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.

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.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Group does not expect IFRS 9 to have material impact on the financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.

IFRS 15 Revenue from contracts with customers

Effective for annual periods beginning on or after 1 January 2018. The standard has not been adopted by the European Union.

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.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019. The standard has not been adopted by the European Union.

The new standard eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, i.e. a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group expects that the new standard, when initially applied, may have an impact on the Group's financial statements since the Group as a lessee has entered into lease contracts which qualify as operating lease contracts under the currently effective IAS 17. However, the Group has not prepared a detailed analysis of the impact of the new standard.

Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) has been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the Group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively.

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue.

The Group expects that the amendments, when initially applied, will not have material impact on the Group's financial statements as the Group does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Effective for annual periods beginning on or after 1 February 2015; to be applied retrospectively.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, an entity is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the amendments to have any impact on the Group's financial statements since the Group does have any defined benefit plans that involve contributions from employees or third parties.

Amendments to IAS 27 Equity Method in the Separate Financial Statements

Effective for annual periods beginning on or after 1 January 2016; to be applied retrospectively.

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Group does not expect that the amendments, when initially applied, will have material impact on the Group's financial statements as the Group intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost.

Annual improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Group.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities.

3.1. Basis of consolidation

(a) Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

For acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire, less
- the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(b) Subsidiaries
Subsidiaries are all entities over which the Parent Company has control. Control is assumed if the Parent Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed before.

The consolidated financial statements comprise the financial statements of AS Harju Elekter and its subsidiaries. The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Non-controlling interest is the portion of subsidiaries' profit or loss and equity in a subsidiary not attributable to the Group. In the consolidated statement of income and other comprehensive income, profit or loss and each component of other comprehensive income are attributed to owners of the Parent and to the non-controlling interests. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity holders of the Parent.

(c) Associates
Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss for the year, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(d) Transactions eliminated on consolidation
Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated but only to the extent that there is no indication of impairment.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. If the accounting policies of associates are different from those of the Group, the financial statements of associates are adjusted to ensure consistency with the policies adopted by the Group.

3.2. Foreign currency translation

(a) Transactions and balances
Foreign currency transactions are translated into the presentation currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary items and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognised in profit or loss.

(b) Financial statements of foreign operations
The results and financial positions of all Group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency. The assets and liabilities of foreign operations are translated into euros at foreign exchange rates ruling at the reporting date.

Year 2014 the income and expenses of the Lithuanian entities are translated into euros using a fixed exchange rate (EUR 1 = LTL 3.4528). On 1 January 2015, the Republic of Lithuania joined the Euro area and adopted the Euro as its currency.

The Swedish entity uses the Swedish krona (SEK). The income and expenses of the Swedish company are translated into euros at exchange rates at the dates of the transactions. Foreign exchange differences are recognised in other comprehensive income and presented within the translation reserve in equity.

When a foreign operation is sold or control is lost, exchange differences that were recorded in equity are recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated into euros at the closing exchange rates.

3.3. Financial assets

Management determines the classification of its financial assets on initial recognition. The classification depends on the purpose for which the financial assets were acquired.

The Group classifies its financial assets into the following categories: current financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(a) Current financial assets at fair value through profit and loss
A financial asset is classified as a financial asset at fair value through profit or loss if it is held for trading or upon initial recognition.

A financial asset at fair value through profit or loss is measured at its fair value at each reporting date without any deduction for the transaction costs that may be incurred on its sale or other disposal. A gain or loss on a change in fair value is recognised in profit or loss. The fair value of a listed security is determined based on its quoted bid price at the close of business at the reporting date. The fair value of an unlisted security is established using publicly available information and valuation techniques, which may include comparison with the current fair value of another instrument which is substantially the same and/or discounted cash flow analysis.

A gain or loss on the disposal of a financial asset at fair value through profit or loss as well as any interest and dividend income on the financial asset is recognised in profit or loss for the period. A financial asset at fair value through profit or loss is classified as a current asset when it has been acquired for trading or it is expected to be realised within twelve months.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified current assets, except where the maturity date is more than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

- *Cash and cash equivalents* includes cash on hand, demand deposits, and other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of changes in value. In the statement of cash flows, cash flows from operating activities are reported using the indirect method.
- *Trade receivables* are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Impairment testing for trade receivables is described in note 3.9.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are not cash or cash equivalents and have not been designated to any other category of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the reporting date.

Purchases and sales of financial assets are recognised at the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at cost plus any attributable transaction costs.

The Group's investments in equities are classified as available-for-sale financial assets and are measured at fair value, with any arising gain or loss from a change in fair value recognised in other comprehensive income, except for impairment losses. The fair value of available-for-sale financial assets is their quoted bid price at the reporting date. When available-for-sale financial assets are derecognised, any cumulative gain or loss previously recognised in equity is reclassified to profit or loss for the year.

Other financial assets that do not have an active market and whose fair value cannot be measured reliably are measured using the cost method. The Group has classified the investment in shares of Skeleton Technologies Group OÜ under such financial assets (note 12).

3.4. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost formula. The cost of finished goods and work in progress comprises the costs of design, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Project based products are measured using the individual cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.5. Investment property

Investment property is property held by the Group as the owner or the lessee under a finance lease to earn rentals or for capital appreciation or both. Investment property is measured using the cost model, i.e. investment property is carried at cost less any accumulated depreciation and any impairment losses.

Investment property is depreciated using the same depreciation rates and useful lives as those assigned to similar items of property, plant and equipment (see 3.6.c).

3.6. Property, plant and equipment

(a) Recognition and measurement
Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, an appropriate proportion of production overheads, and borrowing costs related to the acquisition, construction or production of qualifying assets.

Where an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for as separate items of property, plant and equipment and are assigned depreciation rates that correspond to their useful lives.

(b) Subsequent costs
Parts of some items of property, plant and equipment require replacement or renovation at regular intervals. The costs of such replacements and renovations are recognised in the carrying amount of an item of property, plant and equipment if it is probable that future economic benefits associated with the parts will flow to the Group and their cost can be measured reliably. The carrying amount of a part that is replaced is derecognised.

Under the recognition principle provided in the previous paragraph, the costs of the day-to-day servicing of an item are not recognised in the carrying amount of the item. Instead, such costs are expensed as incurred.

(c) Depreciation
Depreciation is charged to expenses on a straight-line basis over the estimated useful life of each item and significant part of an item of property, plant and equipment. Land and construction in progress are not depreciated. Group entities use, in all material respects, uniform depreciation rates. The following estimated useful lives are applied:

Asset class	**Useful life**
Buildings and structures	10 - 33 years
Production plant and equipment	6 $^{2}/_{3}$ - 10 years
Other machinery and equipment	4 - 6 $^{2}/_{3}$ years
Vehicles	5 - 6 $^{2}/_{3}$ years
Other equipment and fixtures	3 - 6 $^{2}/_{3}$ years

Estimated useful lives, residual values and deprecation methods are reviewed annually. The effect of any resulting changes is recognised in the current and subsequent periods.

3.7. Intangible assets

Intangible assets (except goodwill) are amortised on a straight-line basis over their estimated useful lives. Intangible assets are tested for impairment whenever there is any indication of impairment similarly to items of property, plant and equipment.

(a) Goodwill
Acquisition of goodwill is described in the policy Basis of consolidation (note 3.1.).

The goodwill that has emerged as a result of business combination shall be initially registered at its acquisition value. The useful life of goodwill is indefinite and, therefore, not amortized. However, the possible decrease in goodwill is assessed at every balance date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The goodwill allocated to equity-accounted investees is included in the cost of the investees.

Impairment testing is described in the policy Impairment of assets (note 3.9.).

(b) Research and development expenditures
Research expenditure is expenditure incurred upon the application of research findings to the development of new products and services. Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised as an expense as incurred.

Development expenditures include expenditures incurred in the application of research findings on the development, design or testing of specific new products, services, processes or systems. Development expenditure is capitalised and recognised as an intangible asset if the expenditure can be measured reliably, the Group has technical and financial resources and a positive intention to complete the development of the asset, the Group can use or sell the asset and the probable future economic benefits generated by the asset can be measured.

Capitalised development expenditures are carried at cost less any accumulated amortisation and any accumulated impairment losses. Development expenditure is recognised as an expense on a straight-line basis over its estimated useful life that generally does not exceed five years. Amortisation commences when the Group has started the business activity that was expected to result from the development project.

(c) Other intangible assets
Other intangible assets comprise licenses and software. Acquired licences are recognised at cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the software and prepare it for use. Other acquired intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Other intangible assets are charged to expenses on a straight-line basis over their estimated useful lives that do not exceed 5 years.

3.8. Non-current assets held for sale

Non-current assets held for sale are items of property, plant and equipment or intangible assets whose sale in the next 12 months is highly probable, i.e. management is actively marketing the asset for sale at a price that is reasonable in relation to its current fair value.

Non-current assets held for sale are classified as current assets and their depreciation or amortisation is discontinued as of the date they are classified as held for sale. A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

3.9. Impairment

At each reporting date the Group assesses whether there is any indication that an asset other than an item of inventory or a deferred tax asset may be impaired. If such indication exists, the asset is tested for impairment by estimating its recoverable amount.

(a) Trade receivables
A trade receivable is considered to be impaired when it is reasonable to assume that the Group will not be able to recover the entire amount in accordance with the originally agreed terms and conditions. The difference between carrying amount and the estimated future cash flows discounted at the original effective interest rate is recognised as an impairment loss in the statement of profit or loss. When a trade receivable proves uncollectible, it is written off against the impairment allowance for trade receivables. Subsequent recoveries of amounts previously written off are recognised by reducing loss within the same item where the original impairment loss was recognised. The recoverable amount of receivables measured at amortised cost is calculated as the present value of their estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted.

An impairment loss in respect of a receivable carried at amortised cost is reversed and the item's carrying amount is increased if the subsequent increase in recoverable amount can be objectively related to an event occurring after the impairment loss was recognised.

(b) Cash-generating unit and goodwill
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then, to reduce the carrying amounts of the other assets in the unit (groups of units) on a pro rata basis.

Goodwill is tested for impairment at least at each financial year-end and whenever events or changes in estimates indicate that the carrying amount of goodwill may be impaired. Impairment is determined by estimating the recoverable amount of the CGU to which goodwill has been allocated.

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs or groups of CGUs that are expected to benefit from the synergies of a business combination. Impairment losses on goodwill are recognised in profit or loss.

(c) Available-for-sale financial asset
When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is permanently impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the book value and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(d) Other assets
The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

(e)Impairment loss
The Group assesses at least at each reporting date whether there is any indication that an impairment loss recognised in prior periods no longer exists or may have decreased. If such indication exists, the impairment loss is reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. A reversal of an impairment loss

is recognised in profit or loss (within the same item where the original impairment loss was recognised). As an exception, impairment losses on goodwill are not reversed.

An impairment loss recognised for an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.10. Leases

A lease that transfers substantially all the risks and rewards of ownership to the lessee is recognised as a finance lease. Other leases are treated as operating leases.

(a) The Group as a lessor
Assets leased out under finance leases are recognised as a receivable at an amount equal to the net investment in the lease. Lease payments receivable are divided into principal repayments and finance income. Finance income is recognised over the lease term using the effective interest rate method.

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the asset, similarly to other items of property, plant and equipment which are carried in the statement of financial position. Operating lease payments are recognised as income on a straight-line basis over the lease term.

(b) The Group as a lessee
Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3.11. Financial liabilities

Liabilities that are due to be settled within more than one year after the reporting date are classified as non-current liabilities. Liabilities that are due to be settled within 12 months after the reporting date are classified as current liabilities.

(a) Loans and borrowings
Loans and borrowings are recognised initially at fair value, net of transaction costs. After initial recognition, loans and borrowings are measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is expensed over the loan term using the effective interest method, except borrowing costs that are eligible for capitalisation.

(b) Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(c) Financial liabilities showing the changes in their fair value expressed in the profit and loss incurred during the reporting period
The change in the fair value of an indirect liability related to the acquisition of Finnkumu Oy is expressed in the profit and loss of the reporting period. The evaluation of fair value is based on the operating profit of future periods (note 32).

3.12. Income tax and deferred tax

(a) Corporate income tax
According to the Estonian Income Tax Act that took effect on 1 January 2000, corporate income tax is

not levied on profits earned but dividends distributed. Since 01.01.2015 the effective tax rate has been 20/80 (it was 21/79 until 31.12.2014) on paid out net dividend. The income tax calculated on dividends is recognised as a liability and an expense when the dividend is declared irrespective of the period for which they are declared or in which they are distributed.

No provision is recognised for income tax payable on a dividend distribution before the dividend has been declared but information on the contingent liability is disclosed in the notes to the consolidated financial statements.

The consolidated statement of profit or loss includes the Swedish, Lithuanian and Finnish subsidiaries' current corporate income tax (calculated on profits earned), changes in deferred tax assets and liabilities and the dividend tax expense of the Estonian Group entities.

(b) Deferred tax
Under the effective Estonian Income Tax Act, there are no differences between the tax bases and carrying amounts of the assets and liabilities of the Estonian Group entities that could give rise to deferred tax assets or liabilities. The profits of the Finnish, Swedish and Lithuanian Group entities are adjusted for temporary differences and taxed in accordance with the laws of their domiciles (see below).

(c) Income tax at the Group's foreign operations
Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised as other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from:

- the initial recognition of goodwill,
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit,
- temporary differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right for this and they relate to income taxes levied by the same authority on the same taxable entity, or on different taxable entities, but it is intended to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

3.13. Employee benefits

(a) Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit after certain adjustments.

(b) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their liability.

3.14. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A financial guarantee contract is initially recognised at fair value and is subsequently measured at the higher of (a) the best estimate of the expenditure required to settle the financial obligation at the reporting date and (b) the amount initially recognised less, when appropriate, cumulative amortisation.

3.15. Contingent liabilities

Significant commitments and other obligations which may transform into a liability subject to the occurrence of some uncertain future events are disclosed in the notes to the consolidated financial statements as contingent liabilities. Contingent liabilities are not recognised on the statement of financial position.

3.16. Share capital

(a) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Where any Group entity repurchases the company’s equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent company’s equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent company’s equity holders.

3.17. Share-based payments

The Group has equity-settled share-based payment plans (note 31). The fair value of services received from the Group’s employees in return for shares is recognised as an expense and within retained earnings in equity during the vesting period (from the grant date of the option until the vesting date). The fair value of services received is determined by reference to the fair value of the equity instruments granted to the employees at the grant date. The sums received in exchange for issue of shares minus direct transaction costs are shown within share capital and share premium in equity.

3.18. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and for which separate budgets are prepared. The management of the company reviews segment reporting regularly in order to provide the segment with the necessary means and to evaluate its productivity.

3.19. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating intra-Group sales.

(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.

(b) Rendering of services
Revenue from the rendering of services is recognised when the service has been rendered on the basis of 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. 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. Lease incentives granted are recognised as an integral part of the total rental income.

(d) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable becomes impaired, the Group reduces its carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Dividend income
Dividend income is recognised when the right to receive payment is established.

3.20. Government grants

The Group uses the net method to account for government grants. Grants related to income are recognised using the matching principle, i.e. the grant is recognised as income over the period necessary to match it with the related costs that it is intended to compensate. The costs related to a government grant are recognised on an accrual basis, i.e. when the underlying transaction affects the Group's net assets. The sums received are recognised as a reduction of the costs they are intended to compensate.

An asset acquired with a government grant is recognised at cost less the amount of government grant received for its acquisition. The cost of an acquired asset is depreciated, i.e. recognised as an expense over its estimated useful life.

3.21. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Parent company by the weighted average number of shares outstanding during the period, considering the effects of all dilutive potential shares.

3.22. Dividend distribution

A dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.23. Related parties

For the purposes of these consolidated financial statements, related parties include:

- AS Harju KEK that owns 31.39% of the shares of AS Harju Elekter;
- members of the Parent company's management and supervisory boards;
- close family members of the above;
- companies controlled by members of the management and supervisory boards; and
- associates.

4 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS EU requires use of accounting estimates. It also requires management to exercise its judgment in the process of selecting and applying accounting policies.

Estimates and judgments reviewed on an ongoing basis and they are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

4.1. The most important accounting assessments given by the management during the preparation of the annual financial statement

(a) Useful lives of investment property and property, plant and equipment (notes 3.5, 3.6, 13 and 14)
Management estimates the useful lives of investment property and property, plant and equipment based on production volumes and conditions, historical experience and future prospects. Depreciation rates are increased if the useful life of an asset proves shorter than originally estimated. Technically obsolete assets are either written down or written off.

(b) Fair value of investment properties (note 13)
The Group publishes the fair value of investment properties in the financial statement and uses discounted cash flow analysis method to evaluate it

4.2. Decisions that have substantial effect on the choice and application of accounting policies

(a) Business combinations (note 32)
The Group has consolidated the financial indicators of 2014 of Automatikos Iranga UAB line by line as it owned 32% of the company until April 24, 2015. According to the opinion of the management of the Group it had gained a controlling influence over the company through the majority holding in Rifas UAB (the company controlled by the Group), and, therefore, the Group was able decide on its management.

5 Financial risk management

5.1. Financial risk factors

In its everyday activities, the Group faces different risks. Management of those risks is an important and inherent part of its business activity. The Group's capability to identify, measure and control different risks is an important input for its profitability. The Group's management defines risk as a possible negative deviation from the expected financial result. The main risk factors are market risk (including currency risk, price risk and interest rate brisk), credit risk, liquidity risk, operational risk and capital risk.

The Group's risk management is based on the requirements and guidelines of the Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies, compliance with generally accepted accounting and reporting standards and relevant best practice, and internal regulations and risk management policies. At a general level, risk management includes identification, assessment and control of risks. The Parent company's management board has the key role in managing risks and approving risk procedures. The Parent company's supervisory board monitors the measures taken by the management board for mitigating risks.

5.2 Market risk

(a) Currency risk

The Group operates in Estonia (currency EUR), Finland (currency EUR), Sweden (currency SEK) and Lithuania (currency EUR).

To mitigate currency risks, the Group concludes all major foreign contracts in euros. The Group does not have any material receivables (note 8) or payables denominated in foreign currencies that are not pegged to the euro. All existing long-term loan and finance lease contracts (note 17) have been made in euros or the functional currency of the relevant Group entity. Therefore, they are treated as liabilities without currency risk.

Based on the above, the Group is not materially exposed to currency risks and, therefore, did not use separate instruments to hedge its currency risks in 2015 or 2014. Information on foreign exchange gains and losses is disclosed in note 25.

EUR'000	Note	**EUR**	**SEK**	**TOTAL**
Cash and cash equivalents	7	5,696	15	5,711
Trade receivables	8	6,677	1	6,678
Available-for-sale financial assets	12	17,767	0	17,767
TOTAL		**30,140**	**16**	**30,156**
Current portion of interest-bearing loans and borrowings	17	-296	0	-296
Trade payables	19	-3,409	-1	-3,410
Other short-term liabilities	19	-2,242	-2	-2,244
Non-current portion of interest-bearing loans and borrowings	17	-912	0	-912
TOTAL		**-6,859**	**-3**	**-6,862**
Net exposure		**23,281**	**13**	**23,294**

(b) Price risk

The Group is exposed to equity price risk through its investments in equity instruments. Fluctuations in the market value of shares in PKC Group Oyj, which are accounted for as other long-term financial investments, may have a significant impact on the value of the Group's assets. The market price of a share in PKC Group Oyj decreased by 1.24 euros in 2015 and 6.72 euros in 2014. In 2015 the value of the investment decreased by 1.4 million euros and in 2014 by 7.4 million euros. Gain on change in fair value was recognised in other comprehensive income. Further information on shares in PKC Group Oyj is presented in note 12.

(c) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from short-term and long-term loans and borrowings that have floating interest rates. Loans and borrowings with floating interest rates expose the Group to cash flow interest rate risk. Above all, the Group's exposure to interest rate risk depends on changes in Euribor (Euro Interbank Offered Rate). At 31 December 2015, the Group's long-term loans and borrowings had floating interest rates linked to 3 month Euribor and short-term loans and borrowings had floating interest rates linked to 1 month Euribor and 6 month Euribor (note 17).

The interest rate profile of the Group's interest-bearing loans and borrowings is as follows:

As at 31 December	EUR'000	Note	**2015**	**2014**
Floating rate loans and borrowings		17	1,208	1,096
Total			**1,208**	**1,096**

An average change of one percentage point in interest rates as during the reporting period would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2014.

As at 31 December	EUR'000	**2015**	**2014**
One percentage point increase		-12	-14
One percentage point decrease		12	14

5.3. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation and thus the Group will not receive the cash flows to which it is entitled. The Group's main sources of credit risk are trade receivables and loans provided.

The factors, which have the strongest impact on the Group's credit risk exposure, are the specific circumstances of each customer. In addition, the Group's management considers more general features such as the customer's legal status (private or state-owned entity), geographical location, industry, and the economic situation in the country involved as these factors may also influence the Group's exposure to credit risk. Based on the Group's experience, private sector customers have the highest credit risk while the credit risk of government institutions and local governments is the lowest.

Exposure to credit risk is mitigated by monitoring the customers' settlement behaviour and ability to meet commitments on an ongoing basis. Customers are set individual risk limits based on internal and external ratings. Use of and adherence to of credit limits is regularly monitored. Sales to retail customers are settled in cash or by debit or credit cards issued by recognised banks. Therefore, sales to retail customers do not involve credit risk. The Group has established rules, which set out the circumstances in which litigation proceedings should be initiated in order to achieve debt recovery.

The maximum credit risk exposure is the value of trade receivables, less write-downs for impairment, and deposits with banks and financial institutions.

From the carrying amount of trade receivables as at 31 December the outstanding part as at 17 March 2016 is 74,000 euros.

As at 31 December	EUR‘000	Note	**2015**	**2014**
Cash and cash equivalents		7	5,711	9,984
Trade receivables		8	6,675	6,478
Total			**12,386**	**16,462**

At the reporting date, the Group’s credit risk exposure was 12.4 million euros (31 December 2014: 16.5 million euros). Although settlement of receivables may be influenced by various economic factors, management is of the opinion that the Group does not have any significant risk of loss that would exceed the impairment allowance already recognised.

5.4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty associated with financial obligations that have to be settled by delivering cash or another financial asset. Management monitors cash flow forecasts on an on-going basis, reviewing the availability and sufficiency of financial resources required to meet the Group’s commitments and to finance the Group’s strategic objectives.

Liquidity risk is mitigated with different financial instruments such as loans and finance leases. At the reporting date the Group’s free cash totalled 5.7 million euros and loans and borrowings totalled 1.2 million euros (note 17), trade payables and other short-term liabilities totalled 6.0 million euros (note 19), total liabilities 8.4 million euros. The Group’s current ratio and the quick ratio for the year 2015, as well for the year 2014 were respectively 2.8 and 1.9.

5.5. Capital management

In capital management, the main objective is to ensure sustainable development of the Group so as to ensure return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

According to established practice, the Group monitors its capital through debt to capital ratio and equity ratio. Debt to capital ratio is the ratio of net debt to total capital. Net debt is found by deducting cash and cash equivalents from total debt (short-term and long-term interest bearing liabilities in the consolidated statement of financial position). Total capital consists of equity recognised in the consolidated statement of financial position plus net debt. Equity ratio is found by dividing total equity by total assets.

The laws of the Parent company’s domicile set out minimum requirements to the equity of companies. In line with the law, the equity of a limited company defined as company has to amount to at least half of its share capital and no less than 25,000 euros. In the reporting period, the Group was in compliance with all legal and prudential requirements to equity.

Debt to capital ratio and equity ratio:

As at 31 December EUR'000	Note	**2015**	**2014**
Interest-bearing loans and borrowings	17	1,208	1,096
Cash and cash equivalents	7	-5,711	-9,984
Net debt		-4,503	-8,888
Total equity		58,204	59,842
Total capital		53,700	50,954
Debt to capital ratio		**-8.4%**	**-17.4%**
Total assets		66,579	69,792
Equity ratio		87.4%	86.7%

5.6. Determination of fair value (note 6)

The book value of cash, receivables, short-term loans and borrowings has been expressed in their approximate reasonable value of their fair value and, therefore, the Group has not disclosed their fair value. According to the management of the Group the fair values of long-term loans and borrowings do not differ significantly from their carrying amounts because their interest rates are regularly re-priced to market rates.

The fair value of long-term financial liabilities is estimated for disclosure purposes by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on their quoted market prices at the reporting date.

The Group divides financial instruments into three levels depending on their revaluation:

Level 1: Financial instruments that are valued using unadjusted price from the stock exchange or some other active regulated market.

Level 2: Financial instruments that are evaluated by assessment methods based on monitored inputs.

This level includes, for instance, financial instruments that are assessed by using prices of similar instruments in an active regulated market or financial instruments that are re-assessed by using the price on the regulated market, which have low market liquidity.

Level 3: Financial instruments that are valued by assessment methods based on non-monitored inputs.

6 Financial instruments

6.1. Fair values of financial instruments by category (Note 5.6)

EUR'000	Note	Loans and recei-vables	Availa-ble for sale finan-cial assets	Liabili-ties at fair value	Other financial liabilities	Carrying amount	Fair value
At 31 December 2015							
Cash and cash equivalents	7	5,711	0	0	0	5,711	-
Trade and other receivables	8	6,678	0	0	0	6,678	-
Available-for-sale financial assets (cost method)	12	0	2,421	0	0	2,421	-
Available-for-sale financial assets (fair value)	12	0	17,767	0	0	17,767	17,767
Total financial assets		**12,389**	**20,188**	**0**	**0**	**32,577**	**17,767**
Interest-bearing loans and borrowings	17	0	0	0	-1,208	-1,208	-1,208
Payable for subsidiary`s shares	19,31	0	0	-713	0	-713	-713
Trade payables	19	0	0	0	-3,410	-3,410	-
Other payables	19	0	0	0	-1,531	-1,531	-
Total financial liabilities		**0**	**0**	**-713**	**-6,149**	**-6,862**	**-1,921**
At 31 December 2014							
Cash and cash equivalents	7	9,984	0	0	0	9,984	-
Short-term financial assets (fair value)	12	0	35	0	0	35	35
Trade and other receivables	8	6,484	0	0	0	6,484	-
Available-for-sale financial assets (cost method)	12	0	21	0	0	21	-
Available-for-sale financial assets (fair value)	12	0	19,124	0	0	19,124	19,124
Total financial assets		**16,468**	**19,180**	**0**	**0**	**35,648**	**19,159**
Interest-bearing loans and borrowings	17	0	0	0	-1,096	-1,096	-1,096
Payable for subsidiary`s shares	31	0	0	-1,585	0	-1,585	-1,585
Trade payables	19	0	0	0	-3,656	-3,656	-
Other payables	19	0	0	0	-1,672	-1,672	-
Total financial liabilities		**0**	**0**	**-1,585**	**-6,424**	**-8,009**	**-2,681**

Available-for-sale financial assets in their fair value are classified as belonging to level 1 on the basis of the method of evaluating fair value, while interest-bearing loans and borrowings, payable for subsidiary's shares are classified as belonging to level 3.

6.3. Credit quality of financial assets

Ageing of trade receivables

As at 31 December	EUR'000	Note	2015	2014
Not past due			5,989	5,826
Up to 3 months past due			554	571
3 to 6 months past due			48	58
Over 6 months past due			315	234
Total		**8**	**6,906**	**6,689**

7 Cash and cash equivalents

As at 31 December	EUR'000	2015	2014
Cash on hand		4	4
Current accounts		5,707	5,940
Short-term deposit		0	4,040
Cash and cash equivalents		**5,711**	**9,984**

Cash and cash equivalents by currency:

As at 31 December	EUR'000	2015	2014
EUR		5,696	9,792
LTL		0	117
SEK		15	75
Total		**5,711**	**9,984**

8 Trade and other receivables

As at 31 December	EUR'000	2015	2014
Trade receivables			
Trade receivables		6,906	6,689
Allowance for impairment		-231	-211
Trade receivables net of impairment allowance		**6,675**	**6,478**
Other accrued income		3	6
Total receivables		**6,678**	**6,484**

Carrying amounts of the Group's trade and other receivables by currency

As at 31 December	EUR'000	2015	2014
EUR		6,677	6,226
LTL		0	242
SEK		1	16
Total		**6,678**	**6,484**

A receivable is written down when it is reasonable to assume that the Group will not be able to recover the entire amount in accordance with the originally agreed terms and conditions. Indications of impairment of a receivable include the debtor's significant financial difficulty, it being probable that the debtor will enter bankruptcy, and settlement defaults or delays (receivable is over 180 days past due).

Movements in allowance for impairment of receivables

For the year ended 31 December	EUR'000	**2015**	**2014**
At 1 January		-211	-160
Items expensed as doubtful		-41	-130
Recovery of doubtful items		1	0
Doubtful items written off as irrecoverable		20	79
At 31 December		**-231**	**-211**

Expenses from impairment of receivables are recognised in other distribution costs 7,000 euros and cost of sales 34,000 euros in the statement of profit or loss. In 2014 the distribution costs amounted to 130,000 euros.

Other classes within trade and other receivables do not contain impaired items.

9 Prepayments and prepaid income tax

As at 31 December	EUR'000	Note	**2015**	**2014**
Prepaid taxes		20	139	347
Prepaid expenses			167	187
Total prepayments			**306**	**534**

10 Inventories

As at 31 December	EUR'000	**2015**	**2014**
Raw and other materials		4,176	4,849
Work in progress		1,674	1,605
Finished goods		826	1,241
Merchandise purchased for resale		472	409
Total		**7,148**	**8,104**
Items written down to net realisable value		49	129
Expenses from write-down of inventories during the year		124	143

11 Associate

EUR'000	**2015**	**2014**
Carrying amount at 1 January	0	3,598
Share of profit under the equity method	0	817
Sale of shares at sales price	0	-6,200
Sales gain	0	1,785
Carrying amount at 31 December	**0**	**0**

In July the 9th 2014**,** Group sold its 34% holding in AS Draka Keila Cables to the core investor Prysmian Group.

12 Other long-term financial investments

As at 31 December EUR'000	**2015**	**2014**
Current financial assets	0	35
Available-for-sale equity securities (fair value)	17,767	19,124
Available-for-sale financial assets (cost method)	2,421	21
Total	**20,188**	**19,180**
Changes during the year		
1. Current financial assets at fair value through profit and loss		
Carrying amount at 1 January	35	0
Acquisitions through business combinations	0	112
Sale of shares at sales price	-36	-145
Sales gain	1	57
Gain on change in fair value	0	11
Carrying amount at 31 December	**0**	**35**
2. Available-for-sale equity securities (fair value)		
Carrying amount at 1 January	19,124	31,318
Sale of shares at sales price	0	-4,788
Gain on change in fair value	-1,357	-7,406
Carrying amount at 31 December	**17,767**	**19,124**
3. Available-for-sale financial assets (cost method)		
Carrying amount at 1 January	21	21
Additions	2,400	
Carrying amount at 31 December	**2,421**	**21**
Total carrying amount at 31 December	**20,188**	**19,180**

PKC Group OYj share	**2015**	**2014**
Number of the shares (1000)	1,095	1,095
Ownership (%)	4.6	4.6
Market price at 31 December (EUR)	16.23	17.47
Carrying amount of PKC Group Oyj shares at 31 December	17,767	19,124

PKC Group Oyj's shares are listed on the Nasdaq Helsinki Stock Exchange. The shares have been classified as available-for-sale financial assets and are therefore stated in the statement of financial position at fair value (note 3.3.b). The fair value of the shares is their market value. Gains and losses arising from changes in the fair value of financial assets are recognised in other comprehensive income. Changes in the market value of shares may significantly influence the value of the Group's assets and equity. Information on PKC Group Oyj's shares pledged as loan collateral is disclosed in note 18. In 2015, PKC Group Oyj paid dividends of 0.70 euros per share (2014: 0.70 euros per share), the dividend income was 766,000 (2014: 907,000). See Note 25.

On June 3, 2015 AS Harju Elekter acquired 10% holding in Skeleton Technologies Group OÜ, a company that develops and produces super condensers. The investment was made in a rapidly developing company, which started its sales recently, and, therefore, it was not possible to give a reliable estimation of the fair value of the 10% holding of Technologies Group OÜ. The funding made in 2015 and those planned for future periods indicated that the value of the investment had not decreased by December 31, 2015.

13 Investment property

EUR'000	**Land**	**Buildings**	**Total**
At 31 December 2013			
Cost	2,459	13,107	**15,566**
Accumulated depreciation	0	-3,903	**-3,903**
Carrying amount	**2,459**	**9,204**	**11,663**
Movements in 2014			
Additions	123	763	**886**
Depreciation charge	0	-440	**-440**
Total	**123**	**323**	**446**
At 31 December 2014			
Cost	2,582	13,114	**15,696**
Accumulated depreciation	0	-4,343	**-4,343**
Carrying amount	**2,582**	**8,771**	**11,353**
Construction in progress	0	756	**756**
Total	**2,582**	**9,527**	**12,109**
Movements in 2015			
Additions	0	1,366	**1,366**
Depreciation charge	0	- 472	**-472**
Reclassification	**0**	-13	**-13**
Total	**0**	**881**	**881**
At 31 December 2015			
Cost	2,582	15,155	**17,737**
Accumulated depreciation	0	-4,811	**-4,811**
Carrying amount	**2,582**	**10,344**	**12,926**
Construction in progress	0	64	**64**
Total	**2,582**	**10,408**	**12,990**

The Group's investment properties are of a specialised nature, comprising production and office buildings in Estonia: Keila, Saue municipality and Haapsalu.

According to the estimations of the management the fair value of investment property calculated on the basis of the acquisition value method is range between 14,500,000 - 16,000,000 euros. The evaluation given by the management is based on the discounted cash flow method, taking into account the current lease contracts and growth rates established in them. The future cash flows were discounted on the basis of the rate of 9-11%, depending on the state of the leased property, the duration of lease contracts and the market situation. The expiry of the lease contracts of PKC Eesti AS was one of the major estimates (note 33) with an assumption that new tenants will be found by the year 2018 at the latest. The investment property in fair value has been classified as belonging on level 3 in the basis of evaluation of fair value method (note 5.6).

As at 31.12.2015 the Group had no contractual obligations for the acquisition of real estate investment during the subsequent periods. As at 31.12.2014 such obligations of the Group amounted to 1,131,000 euros.

The acquisition cost of real estate investments written off during the reporting period amounted to 4,000 euros. In 2015, direct property maintenance and repair costs totalled 199,000 euros (2014: 96,000 euros). Information on rental income is disclosed in note 15.

14 Property, plant and equipment

14.1. Movements in property, plant and equipment

EUR'000	Land	Buildings	Plant and equipment	Other items	Total
At 31 December 2013					
Cost	208	8,040	6,709	975	**15,932**
Accumulated depreciation	0	-2,200	-4,972	-670	**-7,842**
Carrying amount	**208**	**5,840**	**1,737**	**305**	**8,090**
Construction in progress	0	37	2	0	**39**
Total	**208**	**5,877**	**1,739**	**305**	**8,129**
Movements in 2014					
Additions	0	185	527	58	**770**
Additions through business combinations	0	0	39	0	**39**
Disposals	0	-5	-12	0	**-17**
Depreciation charge for the year	0	-311	-500	-142	**-953**
Reclassification	0	25	15	-40	**0**
Total	**0**	**-106**	**69**	**-124**	**-161**
At 31 December 2014					
Cost	208	8,257	7,071	964	**16,500**
Accumulated depreciation	0	-2,510	-5,298	-783	**-8,591**
Carrying amount	**208**	**5,747**	**1,773**	**181**	**7,909**
Construction in progress	**0**	**23**	**36**	**0**	**59**
Total	**208**	**5,770**	**1,809**	**181**	**7,968**
Movements in 2015					
Additions	69	46	647	198	**960**
Disposals	0	0	-3	-2	**-5**
Depreciation charge for the year	0	-318	-493	-115	**-926**
Reclassification	0	37	0	-24	**13**
Total	**69**	**-235**	**151**	**57**	**42**
At 31 December 2015					
Cost	277	8,336	7,439	1,058	**17,110**
Accumulated depreciation	0	-2,828	-5,483	-820	**-9,131**
Carrying amount	**277**	**5,508**	**1,956**	**238**	**7,979**
Construction in progress	**0**	**26**	**5**	**0**	**31**
Total	**277**	**5,534**	**1,960**	**238**	**8,010**

As at 31.12.2015 the Group had no contractual obligations related to the acquisition of property, plant and equipment in subsequent periods.

At 31 December 2015, the total cost of the Group's fully depreciated items of property, plant and equipment that were still in use was 3,808,000 euros (31 December 2014: 1,685,000 euros).

During the reporting period, the total cost of the Group's property, plant and equipment that were written off and sold was 391,000 euros, included buildings 12,000 euros, plant and equipment were 310,000 euros and other items 69,000 euros. The written off items of property, plant and equipment were fully depreciated.

14.2. Property, plant and equipment acquired with finance lease

EUR'000	**Buildings**	**Plant and equipment**	**Total**
At 31 December 2014			
Cost	1,905	764	**2,669**
Carrying amount	1,601	436	**2,037**
At 31 December 2015			
Cost	1,905	562	**2,467**
Carrying amount	1,541	499	**2,040**

In 2015 new finance lease contracts were concluded for the value of a total of 459,000 euros. In 2014 no finance lease contracts were concluded.

Information on finance lease liabilities and lease terms is disclosed in note 17.

14.3. Property, plant and equipment leased out under operating leases

EUR'000	**At 31 December**	
	2015	**2014**
Plant and equipment		
Cost of items leased out	17	17
Accumulated depreciation	-12	-11
Carrying amount at end of period	**5**	**6**

The Group has leased out production plant and equipment under operating leases.

15 Operating leases

For the year ended 31 December EUR'000	Note	**2015**	**2014**
Lease income			
- on investment property		2,071	2,151
- on plant and equipment		2	2
Total	25	**2,073**	**2,153**
Lease expense			
Land		35	35
Office, commercial and production premises		83	63
Vehicles		150	140
Other		14	8
Total		**282**	**246**

In the statement of profit or loss, lease income is recognised in revenue; the expenses and depreciation related to assets that have been leased out are recognised in the cost of sales.

Lease agreements have been concluded for the term of 2 to 14 years. Changes in lease term and conditions are renegotiated before the end of the lease term, otherwise the lease agreements will extend automatically by one year. Lease agreements are cancellable with a 3-12 month advance notice.

Future lease payments under non-cancellable operating leases

As at 31 December	EUR'000	2015	2014
Lease income			
< 1 year		2,203	1,805
1-5 years		4,802	3,433
> 5 years		4,746	4,389
Total lease income		**11,751**	**9,627**
Lease expenses			
< 1 year		116	104
1-5 years		133	87
Total lease expenses		**249**	**191**

16 Intangible assets

EUR'000	Note	Goodwill	Development expenditure	Licenses	TOTAL
At 31 December 2013					
Cost		0	170	971	1,184
Accumulated amortisation		0	-152	-553	-748
Carrying amount		**0**	**18**	**418**	**436**
Movements in 2014					
Additions		0	0	253	253
Additions through the business combinations	32	4,860	0	0	4,860
Amortisation charge for the year		0	-6	-114	-120
Total		**4,860**	**-6**	**139**	**4,993**
At 31 December 2014					
Cost		4,860	170	1,224	6,254
Accumulated amortisation		0	-158	-667	-825
Carrying amount		**4,860**	**12**	**557**	**5,429**
Movements in 2015					
Additions		0	107	100	207
Amortisation charge for the year		0	-13	-132	-145
Total		**0**	**94**	**-32**	**62**
At 31 December 2015					
Cost		4,860	277	1,324	6,461
Accumulated amortisation		0	-171	-799	-970
Carrying amount		**4,860**	**106**	**525**	**5,491**

Development expenditure comprises direct costs related to the production and testing of products. Other intangible assets include mainly product manufacturing licences and software.

The Group has no intangible assets with an indefinite useful life other than goodwill.

Impairment testing for cash-generating unit containing goodwill

The Group has acquired goodwill to the amount of 4,860,000 euros by the acquisition of 100% holding in subsidiary Finnkumu Oy. Goodwill is related to the cash-generating capabilities of the subsidiary. Therefore, for the purpose of impairment testing, goodwill is allocated to subsidiary which represents the lowest level within the Group at which goodwill is monitored for internal management purposes (cash-generating units). The value in use of the subsidiary was determined using the discounted cash flow method and it was compared with the carrying amount of the investment including goodwill.

General assumptions for determining value in use

The following are management's key assumptions and estimates on the basis of which the cash-generating unit (CGU) including goodwill were tested for impairment. Management's estimates were based on historical experience but also took into account the market situation and other relevant information at the date the impairment test was performed:

- The forecast period was 2016-2019 plus the terminal year.
- Discounted cash flows were determined on the basis of the discount rate of 14.7%.
- The year growth rate of 1% was used in the impairment test.

Potential impact of changes in estimates

The value in use of a cash-generating unit is compared to the carrying amount of the investment made plus the carrying amount of the goodwill allocated to it. Value in use is an estimate. Therefore, any changes in selected inputs may increase or reduce the value obtained. . The management of the Group carried out a sensitivity analysis of all essential inputs and estimates used. They did not find any inputs or estimates whose alteration in reasonable limits would lead to the need to write down the value of the Group.

17 Interest-bearing loans and borrowings

17.1. Interest-bearing loans and borrowings at 31 December

EUR'000	**2015**	**2014**
Current interest-bearing loans and borrowings		
Current portion of lease liabilities	296	278
Total current interest-bearing loans and borrowings	**296**	**278**
Non-current portion of lease liabilities	912	818
Total non-current interest-bearing loans and borrowings	**912**	**818**
Total interest-bearing loans and borrowings	**1,208**	**1,096**
Interest-bearing loans and borrowings at beginning of the year	**1,096**	**1,752**
Changes during the year		
Increase (+)/decrease (-) in short-term loans	0	-358
Acquisition of new finance lease liabilities	459	0
Settlement of non-current finance lease liabilities	-347	-298
Interest-bearing loans and borrowings at end of the year	**1,208**	**1,096**

17.2. Details of short-term bank loans

At 31 December

Base currency	Loan limit in base currency 2015	2014	Interest rate 2015	2014
EUR'000	1,100	600	1 month euribor+0.4%	+0.4%
EUR'000	600	1,200	1 month euribor+0.6%	+0.6%
EUR'000	33	33	Nordea base rate +1.75%	+1.75%
EUR'000	500	0	6 month euribor+2.5%	-
Total short-term bank loans				

As at 31.12.2015 and 31.12.2014 the Group had not taken any short-term bank loans.

Information on assets pledged as loan collateral is presented in note 18.

17.3. Finance lease liabilities

Present value of lease payments

EUR'000	**Present value**
At 31 December 2013	**1,394**
Finance lease payments made	-298
At 31 December 2014	**1,096**
Finance lease payments made	-347
New lease liabilities	459
At 31 December 2015	**1,208**

In most lease contracts the base currency is the euro. At 31 December 2015, the interest rates of finance lease contracts were in the range of 0.5% to 1.6% (31 December 2014: 1.4% to 2.9%). In 2015, the weighted average effective interest rate of finance lease liabilities was 1.4 % (2014: 1.6 %).

17.4. Finance lease liabilities by maturities

EUR'000	<1 year	1-5 years	> 5 years	Total
At 31 December 2014				
Minimum amount of lease payments	318	856	26	1,200
Future finance charges	-40	-38	-26	-104
Present value of lease payments	**278**	**818**	**0**	**1,096**
At 31 December 2015				
Minimum amount of lease payments	341	982	0	1,323
Future finance charges	-45	-70	0	-115
Present value of lease payments	**296**	**912**	**0**	**1,208**

Lease payments are made monthly.

18 Loan collateral and pledged assets

As at December 31

Pledged assets		2015	2014
Shares in PKC Group Oyj	Number of shares	693,638	724,638
	Carrying amount of shares EUR'000	11,258	12,659

The Group is able to use a short -term loan of 1.1 million euros as collateral pledged assets.

The shares are pledged to the bank until all obligations to the bank have been fully settled. According to the pledge agreement, the Group has the obligation to immediately pledge additional shares, if the market value of the pledged shares decreases and does not exceed the outstanding loan principal by at least 50%.

As at the reporting date the Group did not use any short-term bank loans (note 17).

19 Trade and other payables

As at 31 December	EUR'000	Note	2015	2014
Trade payables			**3,410**	**3,656**
Advances from customers			**389**	**818**
Other short-term liabilities				
Miscellaneous payables			4	61
Payable for subsidiary's shares		32	713	843
Payables to employees			1,361	1,506
Other accrued expenses			166	105
Total			**2,244**	**2,515**
Total trade and other payables			**6,043**	**6,989**

Trade payables

As at 31 December	EUR'000	2015	2014
Trade payables			
Payable for goods and services		3,405	3,430
Payable for property, plant and equipment		0	12
Payable for investment property		5	214
Total		**3,410**	**3,656**

20 Taxes

As at 31 December EUR'000	Note	2015	2014
Prepaid taxes			
Value added tax		107	266
Prepaid income tax		28	79
Social security tax		4	2
Total	9	**139**	**347**
Tax liabilities			
Value added tax		488	618
Income tax liability		146	12
Personal income tax		194	200
Social security tax		242	228
Other taxes		20	26
Total		**1,090**	**1,084**

21 Provisions

	Warranties provision		Other provisions		TOTAL	
EUR'000	2015	2014	2015	2014	2015	2014
At 1 January	**6**	**18**	**33**	**18**	**39**	**36**
Provisions made during the year	65	13	1	33	66	46
Provisions used during the year	-41	-25	-30	-18	-71	-43
At 31 December	**30**	**6**	**4**	**33**	**34**	**39**

Warranties provisions are recognised to cover expected warranty expenses. Under the sales agreements, the Group grants products sold a one-year warranty during which it has to repair or replace substandard and defective products free of charge.

22 Contingent liabilities

22.1. Corporate income tax

As at 31 December EUR'000	2015	2014
Consolidated retained earnings	26,817	26,664
Maximum possible dividend	23,339	22,993
Income tax payable on the maximum possible dividend	3,478	3,671

The maximum possible income tax liability has been calculated under the assumption that the net dividend and the related income tax liability cannot exceed retained earnings as at 31 December 2015.

The contingent income tax liability has been calculated based using the tax rate effective from 1 January 2016 (2014: from 1 January 2015). The contingent income tax liability was calculated on the bases of the tax rate of 20/80 valid since 1 January 2015.

If the annual general meeting approves the management board's proposal to distribute a dividend of 887,000 euros, there will arise an income tax liability of 222,000 euros.

23 Capital and reserves

23.1. Share capital and share premium

As at 31 December	Unit	**2015**	**2014**
Share capital	EUR’000	12,418	12,180
Par value of a share	EUR	0.70	0.70
Number of shares issued (fully paid)	PC’000	17,740	17,400
Share premium	EUR’000	804	240

AGM held on 14 May 2015 decided to implement the option programme approved by the AGM held on 3 April 2012.

The share subscription was carried out during 16-30 June 2015. The subscription was open to those who had previously signed a share subscription agreement. 339,880 shares with a nominal value of 0.70 euros were subscribed. The issued shares were paid for simultaneously with the subscription. The issue price of shares was 2.36 euros. The share capital increased by 238,000 euros and the share premium was 564,000 euros. After the issue, the share capital of AS Harju Elekter is 12,418,000 euros, which is divided into 17.7 million ordinary shares, all of which are listed at Nasdaq Tallinn Stock Exchange. The issued shares grant the right to dividends from 2015.

As at 31.12.2015 the number of ordinary shares of AS Harju Elekter amounted to 17,739,880.

An entry concerning the increase of share capital was made in the Commercial Register on 22 July 2015.

According to the articles of association, the maximum authorised share capital amounted to 14.0 million euros and minimum to 3.5 million euros.

23.2. Dividend per share

Based on the profit allocation proposal, in 2015 the Company paid for 2014 a dividend of 0.15 euros per share, i.e. 2,610,000 euros in aggregate. The dividends were paid out on 3 June 2015. In the previous year, the Company paid for 2013 a dividend of 0.10 euros per share, i.e. 1,740,000 euros in aggregate.

According to the profit allocation proposal, the Company will pay for 2015 a dividend of 0.05 euros per share, i.e. 887,000 euros in aggregate. The dividend will be recognised when the profit allocation proposal has been approved by the annual general meeting.

23.3. Shareholders holding over 5% of the votes determined by shares

As at 31 December	**2015**	**2014**
AS Harju KEK	31.39%	32.00%
ING Luxembourg S.A	10.71%	10.92%
Endel Palla	6.39%	6.32%
Tiina Kirsme	4.97%	5.06%
Shareholders holding under 5%	46.54%	45.70%

23.4. Interests of members of the management and supervisory boards of AS Harju Elekter

		Number of shares	Direct ownership	Indirect ownership
Palla, Endel	Chairman of the supervisory board	1,134,000	6.39%	0.36%
Kirsme, Aare	Member of the supervisory board	228,250	1.29%	0.38%
Kabal, Ain	Member of the supervisory board	10,275	0.06%	0.00%
Toome, Andres	Member of the supervisory board	30,000	0.17%	0.34%
Tombak, Triinu	Member of the supervisory board	15,000	0.08%	0.00%
Allikmäe, Andres	Managing director/CEO	225,000	1.27%	0.00%
Total		**1,642,525**	**9.26%**	**1.08%**

The number of shares held by shareholders and their ownership interests were determined on 31 December 2015 at 11:59 p.m. In accordance with the rules of the Nasdaq Tallinn Stock Exchange, an issuer has to disclose in the annual report the number of the issuer's shares that are held by members of its management and supervisory boards (direct interest) and people connected to them (indirect interest) as at the end of the financial year. Voting power belonging to a company controlled by a member of the management or supervisory board is also treated as indirect interest. People connected to shareholders include their spouses, minor children and people sharing the household with them.

23.4. Reserves

As at 31 December (EUR '000)	2015	2014
Capital reserve	1,218	1,218
Fair value reserve	16,827	18,184
Translation reserve	2	-9
Total	**18,047**	**19,393**

Capital reserve
The Estonian Commercial Code requires companies to create a capital reserve. Each year at least one twentieth of profit for the year has to be transferred to the capital reserve until the reserve amounts to one tenth of share capital. The capital reserve may be used for covering losses and increasing share capital but not for making distributions to shareholders.

Fair value reserve
The fair value reserve compromises gain or loss from a change in fair value of available-for-sale financial assets. 2015 the fair value reserve decreased by 1,357,000 (2014: 7,406,000) euros as a result of the revaluation of shares of PKC Group Oyj and the profit made with the sale of shares of PKC Group Oyj in 2014 decreased by 4,616,000 euros. In 2014 the fair value reserve decreased by a total of 12,022,000 euros.

Translation reserve
The translation reserve comprises foreign exchange differences from the translation of the financial statements of foreign subsidiaries whose function al currency differs from the Group's presentation currency.

24 Segment reporting

The management board of the Group's Parent company, AS Harju Elekter, reviews the Group's internal reports to assess the Group's performance and to make decisions about allocation of resources. The management board has determined the Group's operating segments on the basis of these reports.

Three segments – manufacturing, real estate and other activities– are distinguished in the consolidated financial statements.

Manufacturing – The segment is involved in the manufacture and sale of power distribution and control equipment and systems as well as associated activities. The entities of this segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy, Finnkumu Oy, Rifas UAB and Automatikos Iranga UAB.

Real estate – The segment is involved in 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 the value of its assets exceeds the aggregate value of the assets of all Group by 10%.

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. 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.

2015 EUR'000	Note	**Manu-facturing**	**Real estate**	**Other activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	25	55,555	2,353	2,748	0	60,656
Inter-segment revenue		252	961	345	-1,558	
Total revenue		**55,807**	**3,314**	**3,093**	**-1,558**	**60,656**
Operating profit		**2,651**	**954**	**-297**	**-32**	**3,276**
Finance income/-costs						806
Finance costs						-36
Net-income from subsidiary	32					16
Profit before tax						**4,062**
Income tax expense						-876
Profit for the year						**3,186**
Segment assets		33,440	13,304	4,678	-7,432	43,990
Unallocated assets						22,589
Total assets						**66,579**
Segment liabilities		15,022	0	426	-7,432	8,016
Unallocated liabilities						359
Total liabilities						**8,375**
Capital expenditure	12, 13, 14, 16	850	1,391	2,692	0	**4,933**
Depreciation charge for the year	13, 14, 16	875	471	200	-3	**1,543**

2014

	Note	Manu-facturing	Real estate	Other activities	Elimi-nations	Consoli-dated
Revenue from external customers	25	45,814	2,392	2,400	0	50,606
Inter-segment revenue		237	980	413	-1,630	0
Total revenue		**46,051**	**3,372**	**2,813**	**-1,630**	**50,606**
Operating profit		**1,469**	**1,137**	**-306**	**-72**	**2,228**
Finance income						5,661
Finance costs						-38
Sales gain from the sale of share in associate	11					1,785
Share of profit under the equity method	11					817
Profit before tax						**10,453**
Income tax expense						-675
Profit for the year						**9,778**
Segment assets		34,118	12,516	8,491	-7,473	47,652
Unallocated assets						22,140
Total assets						**69,792**
Segment liabilities		16,513	0	613	-7,473	9,653
Unallocated liabilities						297
Total liabilities						**9,950**
Capital expenditure	13, 14, 16	638	1,052	219	0	**1,909**
Depreciation charge for the year	13, 14, 16	861	440	213	-1	**1,513**

Capital expenditure comprises acquisitions of financial investments (note 12), investment properties (note 13), property, plant and equipment (note 14) and intangible assets (note 16).

Revenues by geographic (location of customers) region

For the year ended 31 December	EUR'000	Note	**2015**	**2014**
Estonia			14,198	15,183
Finland			38,875	29,480
Lithuania			610	1,037
Sweden			1,428	1,596
Norway			3,873	1,658
Other			1,672	1,652
Total		25	**60,656**	**50,606**

Location of the Group's long-term non-financial assets

For the year ended 31 December	EUR '000	**2015**	**2014**
Estonia		17,912	16,811
Finland		6,952	7,081
Lithuania		1,627	1,614
Total assets		**26,491**	**25,506**

25 Further information on statement of profit or loss line items

For the year ended 31 December	EUR'000	Note	**2015**	**2014**
REVENUE BY BUSINESS ACTIVITY				
Electrical equipment			52,135	42,867
Sheet metal products and services			843	881
Telecom products and services			1,108	1,039
Intermediary sale of electrical products and components			3,686	3,109
Commerce and mediation of services			242	298
Rental income		15	2,073	2,153
Other services			569	259
Total		24	**60,656**	**50,606**
COST OF SALES				
Goods and materials			-38,658	-31,344
Services			-1,522	-1,256
Personnel expenses (see below)			-8,046	-7,485
Depreciation and amortisation			-1,181	-1,147
Other costs			-771	-713
Change in work in progress and finished goods inventories			-179	420
Total			**-50,357**	**-41,525**
DISTRIBUTION COSTS				
Services purchased			-464	-381
Personnel expenses (see below)			-1,753	-1,881
Depreciation and amortisation			-13	-17
Other			-427	-441
Total			**-2,657**	**-2,720**

For the year ended 31 December	EUR'000	Note	2015	2014
ADMINISTRATIVE EXPENSES				
Services purchased			-578	-527
Personnel expenses (see below)			-2,756	-2,661
Depreciation and amortisation			-349	-349
Other			-654	-505
Total			**-4,337**	**-4,042**
- Of which development costs			-497	-604

Personnel expenses allocated to cost of sales, distribution costs and administrative expenses:

Salaries and other remuneration		-9,695	-9,195
Social security and other taxes on salaries and other remuneration		-2,872	-2,766
Share-based payments		-36	-72
Accruals		48	6
Total		**-12,555**	**-12,027**
OTHER INCOME			
Gains on sale of property, plant and equipment		25	10
Interest on arrears and penalty payments received		0	1
Other		45	16
Total		**70**	**27**
OTHER EXPENSES			
Interest on arrears, penalty payments and similar items paid		-7	-19
Net loss from foreign exchange differences		-8	-18
Gifts and donations made		-29	-37
Other		-55	-44
Total		**-99**	**-118**
FINANCE INCOME			
Interest income		39	58
Income from sale of financial assets		1	4,685
Dividend income	12	766	907
Change in fair value of the conditional acquisition cost of subsidiary	32	16	0
Other		0	11
Total		**822**	**5,661**
FINANCE COSTS			
Interest expense		-33	-31
Net loss from foreign exchange differences		-3	-7
Total		**-36**	**-38**

26 Income tax and deferred tax

Income tax expense

EUR'000	2015	2014
Income tax expense	933	668
Deferred income tax expense/income	-57	7
Income tax expense in the statement of profit or loss	**876**	**675**

Theoretical income tax calculated on the Group's profit differs from actual income tax expense for the reasons explained in the following table.

Income tax by regions for the year ended at 31 December 2015

EUR '000	Estonia	Finland	Lithuania	Sweden	Total
Profit before income tax	351	3,007	704	0	4,062
Income tax rate	0%	20%	15%	22%	
Theoretical income tax expense	0	601	106	0	707
Income tax expense on dividends	387	0	0	0	387
Effect of tax exempt income	0	-200	-21	0	-221
Effect of non-deductible expenses	0	19	41	0	60
Deffered income tax on tax loss	0	0	-57	0	-57
Income tax expense	**387**	**420**	**69**	**0**	**876**

Income tax by regions for the year ended at 31 December 2014

EUR '000	Estonia	Finland	Lithuania	Sweden	Total
Profit (loss) before income tax	7,852	2,071	101	429	10,453
Income tax rate	0%	20%	15%	22%	
Theoretical income tax expense	0	414	15	94	523
Income tax expense on dividends	419	0	0	0	419
Utilisation of tax losses carried forward	0	0	-6	-94	-100
Effect of tax exempt income	0	-211	17	0	-194
Effect of non-deductible expenses	0	24	-4	0	20
Deffered income tax on tax loss	0	1	6	0	7
Income tax expense	**419**	**228**	**28**	**0**	**675**

Deferred income tax assets at 31 December

2015 EUR '000	2015	2014
Non-current portion of deferred tax assets	57	0
Of which on tax loss carry-forwards	57	0

The recovery of the deferred income tax assets arising from tax loss carry-forwards depends on the subsidiaries' future taxable profits which at the reporting date exceed the existing losses to be carried forward. An analysis of the subsidiaries' expected future profits was carried out on preparing the financial statements. Generation of profit assumes attainment of each subsidiary's strategic targets. Deferred tax assets were recognised to the extent that it is probable that they can be utilised in the future.

27 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. At 31 December 2015, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

	Unit	**2015**	**2014**
Profit attributable to owners of the Parent	EUR ‘000	3,190	9,697
Average number of shares during the period	PC’000	17,551	17,400
Basic earnings per share for owners of the Parent	EUR	0.18	0.56
Adjusted number of shares during the period	PC’000	17,551	17,400
Diluted earnings per share	EUR	0.18	0.56

28 Government grants

EUR’000	**2015**	**2014**
Government grants related to income	**17**	**15**
Of which for covering administrative costs	17	15
Government grants related to assets	**22**	**0**
Of which for acquisition of software	22	0
Total	**39**	**15**

Assets acquired with a grant are recognised at cost less the amount of the government grant received in support of their acquisition. Grants related to income are recognised as a reduction of the costs they are intended to compensate (note 3.20).

29 Further information on line items in the statement of cash flows

For the year ended 31 December (EUR'000)	Note	2015	2014
Change in inventories			
Increase (-)/decrease (+) in statement of financial position		956	-2,303
Additions in inventories through business combinations	32	0	1,630
Change in inventories		**956**	**-673**
Corporate income tax paid			
Income tax expense in the statement of profit or loss	26	-876	-675
Decrease (+)/increase (-) in prepayment and decrease (-)/increase (+) in liability	20	185	-41
Additions in liability through business combinations	32	0	-136
Deferred income tax expense/income	26	-57	7
Corporate income tax paid		**-748**	**-845**
Paid for investment property			
Additions of investment property	13	-1,366	-886
Liability decrease (-)/ increase (+) incurred by purchase	19	-209	214
Acquisition of investment property		**-1,575**	**-672**
Paid for property, plant and equipment			
Additions of property, plant and equipment	14	-960	-770
Acquired with finance lease	14	459	0
Liability decrease (-)/ increase (+) incurred by purchase	19	-12	5
Acquisition of property, plant and equipment		**-513**	**-765**
Paid for intangible assets			
Additions of intangible assets	16	-207	-253
Liability decrease (-)/ increase (+) incurred by purchase	19	0	-4
Acquisition of intangible assets		**-207**	**-257**
Proceeds from sale of property, plant and equipment			
Book value of disposed property, plant and equipment	14	5	17
Profit on disposal of property, plant and equipment		25	10
Proceeds from sale of property, plant and equipment		**30**	**27**
Interest received			
Interest income	25	39	58
Receivable increase (-)		3	-4
Interest received		**42**	**54**

30 Related parties

The related parties of AS Harju Elekter are associated company AS Draka Keila Cables (until 1.7.2014, see note 11), members of the Group's management and their close family members, and AS Harju KEK which owns 31.4% of the shares in AS Harju Elekter. 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.

Transactions with related parties

For the year ended 31 December	(EUR'000)	Note	2015	2014
Purchase of goods and services from related parties:				
- from the associate			0	248
- from Harju KEK			93	192
Total			93	440
Of which:				
- goods and materials			0	248
- lease of property plant and equipment			80	65
- purchase of non-current assets			13	126
- other services			0	1
Sale of goods and services to related parties:				
- to the associate			0	378
- to Harju KEK			5	3
Total			5	381
Of which:				
- goods and materials			0	17
- lease of property plant and equipment			0	339
- other services			5	25
Remuneration of the management and supervisory boards				
- salaries, bonuses, additional remuneration			213	215
- social security and other taxes on salaries			71	71
Total			284	286
Share-based payments				
- to members of the management and supervisory boards of AS Harju Elekter			10	20

The managing director/CEO is not entitled to any pension benefits from the Group. The managing director/CEO is entitled to termination benefits that may extend to his 10-fold monthly board member remuneration. The Chairman of the Supervisory Board is entitled to termination benefits that may extend to 6 monthly remuneration of a development manager.

31 Share-based payments

The annual general meeting that convened on 3 May 2012, decided to arrange a share issue (direct offering) for the Group's employees and members of the governing bodies of the Group and companies related to the Group in 2015. Participants may subscribe for the shares provided they have signed a preliminary agreement and have an effective employment or service relationship during the subscription period until the date of subscription of the shares (inclusive).

The issue price of the shares was the average price of the AS Harju Elekter share on the Nasdaq Tallinn Stock Exchange during the period 1 June to 15 June 2012 measured in euros (EUR). Accordingly, the issue price of a share was 2.36 euros.

The subscription rights were recognised in accordance with the principles of IFRS 2. The Group measured the value of the services received from the employees in return for the shares based on the fair value of the subscription right at the date the preliminary agreements were signed. An independent expert determined that the value was 0.50 euros per right to subscribe for one share. In 2015 the expense of share-based payments recognised as personnel expenses amounted to 36,000 (2014: 72,000) euros.

Fair value was determined using the Black-Scholes pricing model. The variables used included the weighted average market price of the share (2.36 euros), the expected volatility of the share (35%), the risk-free interest rate (1%), the expected dividend and the length of time between the conclusion of the preliminary agreements and the planned date of subscription (3 years).

The share subscription was carried out during 16-30 June 2015 and an entry concerning the increase of share capital was made in the Commercial Register on 22 July 2015 (Note 23)

	Number of share issue
As at 31 December 2014	**434,960**
Disclaimed	-95,080
Marketed	-339,880
As at 31 December 2015	**0**

During the period of use of share options from 16.6 to 30.6.2015 the average price of the share at Nasdaq Tallinn Stock Exchange was 2.78 euros.

32 Business combinations

Subsidiaries with non-controlling interest

At the balance date the Group owned the following subsidiary with minority interest:

		Ownership		
As at 31 December	**Domicile**	**2015**	**2014**	**Area of activity**
Rifas UAB	Lithuania	100%	63%	Manufacture of power distribution equipment
Automatikos Iranga UAB	Lithuania	51%	32%	Project designing
Harju Elekter AB	Sweden	90%	90%	Sale of power distribution equipment

The operation of Harju Elekter AB was stopped on 1.4.2014 and, therefore, the assets, liabilities, income and costs of the company are insignificant and the financial indicators related to share beyond the Group's control are not made public.

The following table contains unconsolidated financial indicators of subsidiaries with minority interest:

	Automatikos Iranga UAB		**Rifas UAB**
Statement of financial position (EUR'000)	**2015**	**2014**	**2014**
Current assets	242	232	2,977
Non-current assets	38	49	1,615
Total assets	**280**	**281**	**4,592**
Current liabilities	42	40	1,165
Total liabilities	**42**	**40**	**1,165**
Retained earnings	**226**	**227**	**2,682**
Non-controlling interests	*117*	*117*	*1,353*

Statement of financial position (EUR'000)	**Automatikos Iranga UAB** 2015	2014	**Rifas UAB** 2014
Statement of profit or loss (EUR'000)			
Revenue	380	645	5,297
Net profit for the period	13	37	78
incl. Non-controlling interests	*6*	*18*	41
Statement of cash flows			
Cash flows from operating activities	78	-32	282
Cash flows from investing activities	0	-13	-135
Cash flows from financing activities	-14	-58	-111
Net cash flows	**64**	**-103**	**36**

Acquisition of an additional share in the Lithuanian subsidiary Rifas UAB

In April 2015 AS Harju Elekter bought a holding of 37% in their Lithuanian subsidiary Rifas UAB, becoming the sole owner of the company. The difference between the carrying value of the non-controlling holding and the amount paid for it is accounted for in the equity capital.

	2015
Carrying amount of non-controlling interest acquired	1,188
Consideration paid for non-controlling interest	-1,651
Total recognised in equity	**-463**

Acquisition of subsidiary

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. The purchase price exceeded the fair value of the company's net assets that included goodwill. Finnkumu Oy was purchased in order to acquire the Finnish market share of substations, and their customer base, as well as to increase the synergy between the manufacturing companies of the Group.

Influence of purchase to the Group's assets, liabilities and cash flow at 17.6.2014

Assets and liabilities	Recognised value on acquisition
Cash and cash equivalents	1,869
Securities	112
Receivables and prepayments	1,264
Inventories	1,630
Non-current assets	39
Trade payables and other payables	-1,337
Income tax liabilities	-136
Net assets	**3,441**
Purchase price	8,300
Goodwill	4,860
Cash flow	
Money paid (-)	-6,716
Balance of sums of purchase(+)	1,869
Net cash flow	**-4,847**

In 2014 the revenue of Finnkumu Oy amounted to 9.0 million euros and the profit was 1.7 million euros. The Group consolidated Finnkumu Oy's revenues of 4.0 millions and profit of 0.6 million euros starting from its purchasing date on 17.06.2014.

The acquisition cost of the shares worked out to be 8,300,000 euros, of which 6,716,000 euros was paid in 2014. Under the contract, the rest of the amount had to be paid in two instalments: in 2015, 50% of the company's 2014 operating profit, estimated at 843,000 euros, and in 2016, 40% of the company's 2015 operating profit, estimated at 742,000 euros, total 1,585,000 euros.

Net assets	**3,441**
Purchase price	8,300
incl. the contingent part	1,585
incl. immediately paid in cash	6,716
Goodwill	4,860

On 31 December 2014, the short-term liability was estimated at 843,000 euros. In 2015, Satmatic Oy paid an additional 13,000 euros in the first instalment, or a total of 856,000 euros. The additional 13,000 euros paid was recognised as a financial expense for the reporting period. On 31 December 2015, the fair value of the second instalment was estimated at 713,000 euros, 29,000 euros less than the estimate from the year before. This reduction in liability was recognised as financial income for the reporting period. The total change in fair value of the notional part of commitment was 16,000 euros. The increase in commitment was expressed as financial profit of the reporting period (note 25).

Change in the contingent part of the acquisition cost

	Note	**2015**	**2014**
Initial balance 01.01.		1,585	-
Initially expressed		-	1,585
Paid		-856	-
Net change in fair value	25	-16	-
Final balance		713	1,585
Incl. short-term share		713	843
Incl. long-term share		0	742

33 Post-balance events

In stock release on 11 February 2016, PKC Group Oyj announced that it would terminate its production operations at Keila after Q1 2017. AS PKC Eesti has been a long-standing tenant of AS Harju Elekter. In the estimation of the Management Board, the above decision will have a short-term effect on rental income for the Group.

34 Primary financial statements of the Parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the Parent company's separate primary financial statements (i.e. statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity) (note 2).

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

As at 31 December (EUR'000)	**2015**	**2014**
Cash and cash equivalents	1,371	6,008
Trade receivables	705	644
Receivables from related parties	1,752	1,195
Other receivables and prepayments	64	89
Inventories	445	383
Total current assets	**4,337**	**8,319**
Investments in subsidiaries	4,762	3,112
Long-term receivables from related parties	5,682	6,278
Other long-term financial investments	20,188	19,145
Investment property	15,474	14,703
Property, plant and equipment	544	426
Intangible assets	279	309
Total non-current assets	**46,929**	**43,973**
TOTAL ASSETS	**51,266**	**52,292**
Liabilities		
Trade payables	419	566
Tax liabilities	147	84
Other payables and advances received	214	257
Total current liabilities	**780**	**907**
Total liabilities	**780**	**907**
Equity		
Share capital	12,418	12,180
Share premium	804	240
Reserves	18,046	19,403
Retained earnings	19,218	19,562
Total equity	**50,486**	**51,385**
TOTAL LIABILITIES AND EQUITY	**51,266**	**52,292**

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December (EUR'000)	2015	2014
Revenue	6,401	6,169
Cost of sales	-3,916	-3,534
Gross profit	**2,485**	**2,635**
Other income	15	14
Distribution costs	-383	-368
Administrative expenses	-1,385	-1,339
Other expenses	-73	-67
Operating profit	**659**	**875**
Income from subsidiaries	1,063	46
Income from sale of investments in associate	0	5,635
Income from available-for-sale financial assets		
-Dividend income	766	906
-Income from sale of investments	0	4,616
Interest income	170	131
Interest expense	-5	-1
Profit before tax	**2,653**	**12,208**
Income tax expense	-387	-327
Profit for the year	**2,266**	**11,881**
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	-1,357	-7,406
Realised gain from sale of financial assets (-)	0	-4,616
Total other comprehensive income for the period	**-1,357**	**-12,022**
Total comprehensive income for the year	**909**	**-141**

PARENT COMPANY'S STATEMENT OF CASH FLOWS

For the year ended 31 December (EUR'000)	2015	2014
Cash flows from operating activities		
Operating profit	659	875
Adjustments for		
Depreciation, amortisation and impairment losses	821	794
Gain on sale of property, plant and equipment	-3	0
Change in receivables	-30	-112
Change in inventories	-62	-84
Change in payables	131	-51
Corporate income tax paid	-387	-327
Interest paid	-5	-1
Net cash from operating activities	**1,124**	**1,094**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-1,903	-1,063
Acquisition of a subsidiary	-1,651	-200
Acquisition of other financial investments	-2,400	0
Proceeds from sale of investments in associate	0	6,200
Proceeds from sale of financial assets	0	4,787
Proceeds from sale of property, plant and equipment	4	0
Repayment of loans provided	1,822	0
Loans provided	-1,800	-6,800
Interest received	182	62
Dividends received	1,829	1,414
Net cash from/used in investing activities	**-3,917**	**4,400**
Cash flows from financing activities		
Receipts from contribution into share capital	766	0
Dividends paid	-2,610	-1,740
Net cash used in financing activities	**-1,844**	**-1,740**
Net cash flows	**-4,637**	**3,754**
Cash and cash equivalents at beginning of year	**6,008**	**2,254**
Increase/decrease in cash and cash equivalents	-4,637	3,754
Cash and cash equivalents at end of year	**1,371**	**6,008**

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	TOTAL
EUR'000						
At 31 December 2013	**12,180**	**240**	**1,218**	**30,207**	**9,421**	**53,266**
Profit for the year 2014	0	0	0	0	11,881	11,881
Other comprehensive income	0	0	0	-12,022	0	-12,022
Total comprehensive income	0	0	0	-12,022	11,881	-141
Transaction with the owners of the Company, recognised directly in equity						
Dividends	0	0	0	0	-1,740	-1,740
At 31 December 2014	**12,180**	**240**	**1,218**	**18,185**	**19,562**	**51,385**
Profit for the year 2015	0	0	0	0	2,266	2,266
Other comprehensive income	0	0	0	-1,357	0	-1,357
Total comprehensive income	**0**	**0**	**0**	**-1,357**	**2,266**	**909**
Transaction with the owners of the Company, recognised directly in equity						
Increase of share capital (note 23)	238	564	0	0	0	802
Dividends	0	0	0	0	-2,610	-2,610
Total transaction with the owners of the Company	**238**	**564**	**0**	**0**	**-2,610**	**-1,808**
At 31 December 2015	**12,418**	**804**	**1,218**	**16,828**	**19,218**	**50,486**

EUR'000	**2015**	**2014**
Adjusted unconsolidated equity at 31 December	**50,486**	**51,385**
Interests under control and significant influence:		
- Carrying amount	-4,762	-3,112
- Carrying amount under the equity method	12,362	10,204
Adjusted unconsolidated equity at 31 December	**58,086**	**58,477**

According to the Estonian Accounting Act, the amount which can be distributed to the shareholders is calculated as follows: adjusted unconsolidated equity less share capital, share premium and reserves.

According to the Commercial Code, a Parent undertaking who prepares the annual report of the consolidation group shall approve the profit distribution resolution based on the consolidated reports of the consolidation group. Profit as apparent from the consolidated reports shall not be distributed in so far as this would decrease the net assets of the parent undertaking to a level below the total of share capital and reserves which pursuant to law or the articles of association shall not be paid out to shareholders.

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED ANNUAL REPORT

The Management Board confirms that management report as set out on pages 5-39 gives a true and fair view of the key events occurred in the reporting period and their impact on the financial statements contains a description of key risks and uncertainties and provides an overview of important transactions with the related parties.

The Management Board confirms the correctness and completeness of AS Harju Elekter consolidated financial statements for the year 2015 as set out on pages 40-94 and that:

- the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standard as adopted in the European Union;
- the financial statements give a true and fair view of the financial position, the results of the operations and the cash flows of the Parent and the Group;
- Harju Elekter AS and its subsidiaries are going concerns.

Andres Allikmäe	Managing Director/CEO	/signature/	30th March 2016

SIGNATURES TO THE ANNUAL REPORT OF 2015

The management board has prepared the activity report and the annual financial statements of AS Harju Elekter and the Group for 2015.

Andres Allikmäe	Managing Director/CEO	/signature/	30th March 2016

The supervisory board has reviewed the annual report prepared by the management board (pp. 5-90) including an activity report and annual financial statements and has approved its presentation to the general meeting of the shareholders.

Endel Palla	Chairman of the Supervisory	/signature/	5th April 2016
Ain Kabal	Member of the Supervisory Board	/signature/	5th April 2016
Aare Kirsme	Member of the Supervisory Board	/signature/	5th April 2016
Triinu Tombak	Member of the Supervisory Board	/signature/	5th April 2016
Andres Toome	Member of the Supervisory Board	/signature/	5th April 2016

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation from the Estonian original)

To the shareholders of AS Harju Elekter

We have audited the accompanying consolidated financial statements of AS Harju Elekter ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Audited consolidated financial statements are presented on pages from 40 to 94.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of AS Harju Elekter as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 30 March 2016

/signature/

Andris Jegers
Certified Public Accountant, Licence No 171

KPMG Baltics OÜ
Licence No 17

PROFIT ALLOCATION PROPOSAL

Profits attributable to equity holders of AS Harju Elekter:

	EUR
Retained earnings of prior periods	23,626,972
Profit for 2015	3,190,578
Total distributable profits at 31 December 2015	26,817,550

The management board proposes that profits be allocated as follows:

Dividend distribution (EUR 0.05 per share)	886,994
Transfer to capital reserve	23,792
Retained earnings after allocations	25,906,764

/signature/

Andres Allikmäe
Managing Director/CEO

30th March 2016