

AS HARJU ELEKTER

Interim report 1-9/ 2008

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances real estate holding; management assistance and services
Commercial registry code:	10029524
Address:	Paldiski mnt.31, 76 606 Keila
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 st of January 2008
End of the reporting period:	30 th of September 2008

The interim report of Harju Elekter Group on 20 pages

Contents

Explanatory note	3
Interim financial statements	10
<i>Consolidated balance sheet</i>	10
<i>Consolidated income statement</i>	11
<i>Consolidated statement of cash flows</i>	12
<i>Consolidated statement of changes in Equity</i>	13
<i>Notes to the Interim financial statement</i>	14
<i>Note 1. Accounting methods and valuation principles used in the consolidated interim report</i>	14
<i>Note 2. Property, plant and equipment, investment property and intangible assets</i>	14
<i>Note 3. Interest-bearing loans and borrowings</i>	15
<i>Note 4. Segment reporting</i>	15
<i>Note 5. Net financing income/costs</i>	17
<i>Note 6. Basic and diluted earnings per shares</i>	18
<i>Note 7. Dividend per share</i>	18
<i>Note 8. Transactions with related parties</i>	18
Statement of Management responsibility	20

EXPLANATORY NOTE***Group structure and changes on it***

In interim report for 1-9/ 2008 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated line-by-line and the results of affiliated company – Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis, which may have an important impact on the cost of the assets and equity of Harju Elekter. As of 30 September 2008, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.9.2008	31.12.2007	30.9.2007
AS Eltek	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	10.0%	10.0%	10.0%
PKC Group Oyj	financial investment	Finland	8.9%	8.9%	8.9%

Economic environment

The condition of the global economy significantly deteriorated in the third quarter and it has influenced all economic regions, including several important trading partners for Estonia (Finland, Sweden). Prospects for 2008 have worsened, since the slow-down phase of growth is likely to be longer and deeper than expected at first.

The economic situation also deteriorated in Estonia in the third quarter and the economic decline was even larger than in the second quarter (-1.1%). Investment volumes have decreased and the situation in this respect is not good. Private consumption has fallen despite the growth of salaries and relatively high employment. Consumer confidence has fallen, triggered by the budget crisis and its public discussion. At the same time, savings of people in banks have increased.

At the estimation of analysts, the deepening financial crisis along with decreasing demand may drag along the whole economy.

Events

In August, UAB Rifas Panevežis opened its new production and office building, the construction of which was commenced in the first half of 2007.

Harju Elekter's subsidiary AS Harju Elekter Elektrotehnika won the tender announced by Eesti Energia's subsidiary OÜ Jaotusvõrk for the purchase of integrated substations, as a result of which a 3-year supply contract was entered in June, with an estimated value of 300 million kroons. According to the contract, over the next three years Harju Elekter Elektrotehnika will supply OÜ Jaotusvõrk with an average of 400 factory-manufactured integrated 1- or 2-transformer substations per year. The supplies will be directed onto the Estonian market.

During the first half year, the implementation of the integrated management software (Siemens PCS7) for plant production processes, developed by the working group of Finnish subsidiary Satmatic for the mineral wool plant in Poland, was completed. In addition to the process management software, Satmatic supplied and installed various types of electrical equipment in the plant during the course of the project. The total cost of the project was 1 million euros.

At the Finnish subsidiary, a verification of compliance with the standards of the ISO9001:2000 quality system was carried out by a recognised international certification organisation and a successful re-certification was completed. The new certificate will be valid until July 2009.

Operating results

The Group's consolidated sales revenue for the third quarter was 226.9 million kroons (14.5 million euros), which exceeded the figure of the reference quarter by 31.6 million kroons (2.0 million euros). The sales volume of nine months reached 667.0 million kroons (42.6 million euros), exceeding the figure of the reference period by 141.8 million kroons (9.0 million euros). Despite the prevailing economic recession, the growth pace of sales revenue was 16% and 27%, respectively, in the third quarter and the nine months as a whole.

The Group's profitability in the reporting period was affected by pressure from intensifying competition, price increase of raw materials, fuel and energy, and growth of labour costs. Deterioration of the payment habits of clients also had an impact, therefore the cost from the discounting of claims was larger than usual during the reporting period. The business revenue for 3Q2008 was 12.9 million kroons or 0.8 million euros (3Q 2007: 20.2 million kroons or 1.3 million euros) and the nine-month business revenue was 38.4 million kroons or 2.5 million euros (9M 2007: 42.1 million kroons or 2.7 million euros).

The Group's net profit was most influenced by the financial income earned on financial investments. In 2007, an extraordinary profit of 32.8 million kroons (2.1 million euros) was made from the sale of financial investments. This year no financial assets have been sold. In connection with the payment of dividends, the Estonian companies paid a total of 8.5 million kroons (541 000 euros) in income tax, which is by 2.1 million kroons (131 000 euros) more than in 2007. All in all, the income tax expenditure of the Group increased within nine months by 3.3 million kroons (211 000 euros) up to 12.0 million kroons (765 000 euros).

The Group's net profit for the third quarter was 11.1 million kroons or 0.7 million euros (3 Q 2007: 20.1 million kroons or 1.3 million euros) and the net profit for nine months was 39.5 million kroons or 2.5 million euros (9 months of 2007: 81.5 million kroons or 5.2 million euros). The share of the owners of the parent company in the net profit comprised 10.3 million kroons (656 000 euros) in the third quarter and 19.2 million kroons (1.2 million euros) in the reference period. The net profit per share was 0.61 kroons (0.04 euros) and in the reference period 1.14 kroons (0.07 euros). Within nine months, net profit per share of 2.23 kroons (0.14 euros) was earned and in the reference period 4.74 kroons (0.30 euros), the share of the owners of the parent company in the net profit comprised 37.4 million kroons (2.4 million euros) and in the reference period the corresponding figure was 79.6 million kroons (5.1 million euros).

SALES REVENUE

The sales revenue, broken down by location of business activity, is as follows:

Markets	EEK (in million)						EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
	Q/Q	9 m/9m	2008	2007	2008	2007	2008	2007	2008	2007
Estonia	-13.3%	1.6%	94.9	109.5	292.1	287.4	6.1	7.0	18.7	18.4
Finland	47.5%	52.9%	91.7	62.1	275.0	179.9	5.8	4.0	17.5	11.5
Lithuania	70.4%	72.5%	40.3	23.7	99.9	57.9	2.6	1.5	6.4	3.7
Total	16.2%	27.0%	226.9	195.3	667.0	525.2	14.5	12.5	42.6	33.6

The greatest contribution to the growth in consolidated sales revenue was made by the Finnish segment, where the steady increase of orders by the Finnish machinery sector (exporters) ensured the continued growth of the Finnish subsidiary's sales volume. The share of high-value projects in sales revenue has grown significantly. In 2007, the Finnish subsidiary received an order from the

manufacturer of Paroc rock wool for the preparation of a management system for the production process in the Polish factory. The major part of the project was implemented in 2008, resulting in the growth of sales volume in the amount of 12.6 million kroons (0.8 million euros). The majority of the sales volume (nearly 80%) came from the sales of products (metal and manufacturing equipment manufacturers) directed at the industrial sector. In total, the Finnish subsidiary sold 29.6 million kroons (1.8 million euros) more worth of products and services in 3Q2008 and a total of 95.1 million kroons (6.0 million euros) more in the nine months, than the comparing periods the year before.

40% in consolidated sales revenue was made by the Estonian segment. Compared to the other segments, the growth pace of the Estonian segment was modest and in the third quarter even negative. During the quarter reported, sales by the Estonian segment to clients outside the Group was 94.9 million kroons (6.1 million euros), which is 14.6 million kroons (0.9 million euros) more than comparing period the year before. The decline of the real estate market has had a certain influence on the results of the Estonian segment. The wholesale of the trade group to small and medium-sized electricity installation companies has decreased within nine months, accounting for 83% of the sales volume of nine months in the previous year for that client group. Of course, the toughened policy of credit sales also had its part. The sales volume of the trade group decreased nearly 10 million kroons (0.6 million euros) within nine months. In 2007, the Estonian subsidiary received from Greece a large-scale order, the execution of which commenced in the second half of 2007. In 3Q 2007, equipment in the total amount of 32 million kroons (2 million euros) was sold to Greece. But the Estonian companies were able to compensate with smaller projects the backlog of the Greek project in the amount of 32 million kroons (2 million euros), as well as that of the trade group in the amount of 10 million kroons (0.6 million euros). The sales revenue of the Estonian companies from off-group clients increased within nine months by 4.7 million kroons (0.3 million euros) up to 292.1 million kroons (18.7 million euros). At the same time, sales to other geographical segments have grown significantly (three-fold). In the end, the sales volume for the Estonian segment in the first nine months was 336.8 million kroons (21.5 million euros), growing 11% comparing to the same period the year before (for more information look at page 16).

This year, several building projects of industrial objects were won in Lithuania, as a result of which the sale of Lithuanian companies to the domestic market has almost doubled. In 2007, the share of projects was more modest. This year, the Lithuanian subsidiary has successfully entered both the Danish and Norwegian markets, which increased the sales revenue in the reporting period over 10 million kroons (0.7 million euros). The growth pace of sales revenue of Lithuanian companies, both in the third quarter and nine months, was more than 70%. In 3Q2008 the sales of the Lithuanian segment grew by 16.6 million kroons (1.1 million euros) up to 40.3 million kroons (2.6 million euros) and a total of 42.0 million kroons (2.7 million euros) up to 99.9 million kroons (6.4 million euros) in the nine months.

Sales revenue by markets:

Markets	EEK (in million)						EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
	Q/Q	9 m/9m	2008	2007	2008	2007	2008	2007	2008	2007
Estonia	4.6%	16.7%	78.1	74.7	245.6	210.6	5.0	4.8	15.7	13.5
Finland	31.7%	41.6%	92.5	70.2	295.7	208.7	5.9	4.5	18.9	13.3
Lithuania	83.8%	68.7%	32.6	17.8	82.0	48.6	2.1	1.1	5.2	3.1
Other EU countries	-14.5%	-18.0%	23.0	26.9	36.8	44.9	1.5	1.7	2.4	2.9
Others	-88.1%	-44.5%	0.7	5.7	6.9	12.4	0.0	0.4	0.4	0.8
Total	16.2%	27.0%	226.9	195.3	667.0	525.2	14.5	12.5	42.6	33.6

Of the markets, the domestic markets of the Group's companies prevailed. Latvia, Sweden, Poland and Norway may be also highlighted as important markets. Sales to those markets increased within 9 months by over 27 million kroons (1.7 million euros).

Traditionally, the biggest share of sales revenue – 86.9% (81.1%) came from production, which is the main field of activity of the Group. Supported by the increase in the considerable sales volumes of subsidiaries, manufacturers of electrical equipment; the nine months sales volume of the production segment increased by 35.6 %, amounting to 589.7 million kroons (37.7 million euros). As a result of the significantly more conservative credit sales policy arising from the slow-down of economic growth which started in the last year, and the economic situation, small-scale wholesale to small and medium-sized electricity installation companies has decreased. While in 2007, the share of the trade group in the consolidated sales revenue was over 10%, this year the share has fallen below 7%. The sales revenue of the real estate segment is stable and it has mostly been influenced by the increase in rental premises and to some extent by the changes in rental prices.

OPERATING EXPENSES

	EEK (in million)						EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
	Q/Q	9 m/9m	2008	2007	2008	2007	2008	2007	2008	2007
Cost of sales	24.6%	33.0%	192.6	154.5	565.7	425.4	12.3	9.9	36.2	27.2
Distribution costs	-3.1%	14.1%	8.8	9.1	27.4	24.0	0.6	0.6	1.7	1.5
Admin expenses	15.7%	7.5%	12.6	10.9	35.2	32.7	0.8	0.7	2.2	2.1
Total expenses	22.6%	30.3%	214.0	174.5	628.3	482.1	13.7	11.2	40.1	30.8
incl. depreciation of fixed assets	-1.5%	3.5%	4.6	4.7	14.0	13.5	0.3	0.3	0.9	0.9
Total labour cost	2.2%	12.3%	41.4	40.7	127.0	113.3	2.6	2.6	8.1	7.2
incl salary cost	11.0%	18.1%	32.0	28.9	99.2	84.1	2.0	1.8	6.3	5.4

Intensifying competition and price increases of raw materials and energy as well as labour costs has resulted in the increase in the direct and indirect costs of production. The growth pace of sold products and services exceeded the growth pace of sales revenue by 8.4 and 6.0 percentage points in the third quarter and nine months, respectively. In the reporting quarter, the operating expenses increased in total by 22.6% up to 214 million kroons (13.7 million euros) and in 9 months by 30.3% up to 628.3 million kroons (40.1 million euros).

As of 30 September 2008 there were 521 employees in the Group, which is 52 employees more than a year ago. The growth in production volumes has brought about an increase in both the number of employees and labour expenses. In the third quarter, the average number of employees in the Group was 523 (Q3 2007: 462) and in 9M 501 (9M2007: 437). Students of vocational schools are temporarily hired during summer months, as a result of which the average number of employees in the third quarter is a little larger and the average salary a little lower compared to the other quarters. In the reporting period the average salary in the Group have increased by 750 kroons (47.90 euros) up to 22.0 thousand kroons (1.4 thousand euros) compared to the same period during the previous year. The costs on labour force have increased by 14.0 million kroons (0.9 million euros) in the nine months of 2008.

Due to the prevailing economic recession, the payment habits of clients have deteriorated this year. Within nine months, the claims of business activities have been discounted and charged to expenses in the amount of 1.0 million kroons (64 000 euros) (9 months of 2007: 0.1 million kroons or 6 400

euros). The discounting costs are included in the marketing expenses, resulting in a growth of 4% in the marketing expenses.

Depreciation of fixed assets remained at the level of the previous reporting period, being 4.6 million kroons (0.3 million euros) and 14.0 million kroons (0.9 million euros) in the third quarter and 9 months, respectively.

Balance sheet

The amount of the consolidated balance sheet as of 30 September 2008 was 658.7 million kroons or 42.1 million euros (30 September 2007: 720.3 million kroons or 46.0 million euros), decreasing by 61.6 million kroons (3.9 million euros) in nine months.

The main reason for the decrease in assets was a change in the market price of a share of PKC Group Oyj in 9M2008. The price of the share on the Helsinki Stock Exchange decreased during the last three months by 0.40 euros (6.26 kroons). As a result of revaluation of assets, the value of financial investments in the assets and the revaluation reserve in the equity decreased by 9.9 million kroons (0.6 million euros) and 52.7 million kroons (3.4 million euros) in the third quarter and nine months, respectively.

66.4% (30 September 2007: 69.3%) of the balance sheet total is accounted for by capital assets and 76.6% (77.6% 30 September 2007) by equity capital.

Cash flows, investments and financing

The cash flows from operating activities totalled 51.2 million kroons (3.3 million euros) and in the comparable period 11.0 million kroons (0.7 million euros), from investing activities' expenditure -7.9 million kroons (-0.5 million euros) and in the comparable period the cash flow was positive 11.9 million kroons (0.8 million euros). From financing activities' expenditure was -46.4 million kroons (-3.0 million euros) and in the comparable period -20.2 million kroons (-1.3 million euros). Cash and cash equivalents decreased in the nine months by 3.1 million kroons (0.2 million euros) to 23.1 million kroons (1.5 million euros) and increase in the comparable period by 2.7 million kroons (0.2 million euros) to 9.4 million kroons (0.6 million euros).

The following investments were made in the fixed assets of the Group during the reporting period:

	EEK (in million)		EUR (in million)	
	2008	2007	2008	2007
1 January - 30 September				
Property, plant and equipment	19.99	23.30	1.28	1.49
Investment property	0.58	14.01	0.04	0.90
Intangible assets	0.20	0.61	0.01	0.04
Total	20.77	37.92	1.33	2.43

In 3Q2008, a production and office building will be completed in Lithuania; its construction was commenced in the 2Q2007. During 2008 the volume of construction output amounted to 5.7 million kroons (364 thousand euros). In total, the construction has cost 12.7 million kroons (813 000 euros). In the nine months, the Group has invested a total of 13.7 million kroons (873 000 euros) in buildings, 5.7 million kroons (366 000 euros) in production equipment and means of transport.

To finance new construction in Lithuania, the Group took out an additional long-term loan in the amount of 3.0 million kroons (192 thousand euros). AS of 30 September long-term loans have been used in the amount of 7.4 million kroons (473 thousand euros). The loan contract has been concluded for five years. Long-term loans were repaid within nine months in the amount of 8.4 million kroons (534 thousand euros) and in the reference period in the amount of 7.5 million kroons (481 thousand euros).

Short-term bank loans decreased within nine months by 6.0 million kroons (381 000 euros) to 10.6 million kroons (674 000 euros).

The Group received 11.1 million kroons (711 000 euros) in dividends and paid 34.0 million kroons (2.2 million euros) worth of dividends, 12.7 million kroons (809 000 euros) and 31.7 million kroons (2 million euros), respectively, in the comparable period.

On a financial lease, a total of 0.8 million kroons (53 000 euros) of machinery and equipment were acquired, and a total of 1.1 million kroons (70 000 euros) of principal repayments on the financial lease were made in nine months, and on the comparable period 1.0 million kroons (64 000 euros) and 0.9 million kroons (54 000 euros), respectively.

Post-balance events

Based on economic considerations, the management of the Group made a decision to close down the sales facilities in Pärnu and Jõhvi. Sales activities will be terminated by the end of this year. This will bring about redundancy of four persons. Subsequently, Keila electrical supplies shop will supervise the activities and client base in Pärnu and Tallinn shop will supervise the activities in East-Viru County.

Shares of Harju Elekter

	EEK			EUR		
	9m 2008	9m 2007	2007	9m 2008	9m 2007	2007
Number of the shares ('000)	16,800	16,800	16,800	16,800	16,800	16,800
Nominal value	10.00	10.00	10.00	0.64	0.64	0.64
Low price	35.20	51.63	47.25	2.25	3.30	3.02
High price	53.98	71.97	71.97	3.45	4.60	4.60
Closing price	35.83	53.98	53.20	2.29	3.41	3.40
EPS	2.23	4.74	5.03	0.14	0.30	0.32

AGM

On 24th of April 2008 was held the AGM where attended by 121 shareholders and their authorised representatives who represented the total of 71.84 % of the total votes. The general meeting approved the annual report of 2007 and profit distribution. On the basis of a decision, the owners are paid dividends for 2007 at the rate of 2.00 kroons (0.128 euros) per share, in the total amount of 33.6 million kroons (2.1 million euros). The dividends were paid to the shareholders on 19 May 2008.

Supervisory Board, Management board and auditors

Supervisory Board of Harju Elekter has 5 members: the Chairman of the Supervisory Board is Endel Palla, the R&D manager at AS Harju Elekter and the members Ain Kabal (Kabal & Partners OÜ, Manager), Lembit Kirsme (Ch of the Supervisory Board of AS Harju KEK), Madis Talgre (Ch of the Management Board of AS Harju KEK) and Andres Toome (finance consultant).

There were no changes in the Management of AS Harju Elekter during nine months. The Management Board continues with the following membership: Andres Allikmäe as Ch of the Management Board and members Karin Padjus, the Financial Director, and Lembit Libe, the Chief Economist. All members of the Management Board belong to the executive management of the company. The Chairman of the Board receives remuneration in accordance with the contract of service; members of the Management Board receive no special remuneration.

Audit is performed by KPMG Baltics AS in cooperation with auditing companies UAB Baltijos Auditas in Lithuania and Pyydönniemi Ky in Finland.

Transactions with related parties

The related party of AS Harju Elekter include associated company AS Draka Keila Cables ; members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 32.14 percent of the shares of AS Harju Elekter.

During nine months the Group has purchased goods and services from associated company and AS Harju KEK in the amount of 8.7 million kroons (0.6 million euros) and sold goods and services to them totally in the amount of 7.9 million kroons (0.5 million euros) and in the comparable period in the amount of 6.7 million kroons (0.4 million euros) and 7.4 million kroons (0.5 million euros) respectively.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 9M2008 amounted to a total of 3.2 million kroons (208 thousand euros) and in the comparable period 2.8 million kroons (180 thousand euros). When the contract of service of a member of the Supervisory or Management Board expires or is prematurely terminated the company has no obligation to pay any other compensation, except for that prescribed by law. A service contract has been concluded with the chairman of the management board, specifying social guarantees payable upon resigning from the office.

Key indicators

<u>Consolidate income statement</u> (in million)	EEK					€				
	Q 3		9 months		year	Q 3		9 months		year
	2008	2007	2008	2007	2007	2008	2007	2008	2007	2007
Turnover	226.9	195.3	667.0	525.2	732.0	14.5	12.5	42.6	33.6	46.8
EBITDA	17.5	24.9	52.4	55.6	69.6	1.1	1.6	3.4	3.6	4.4
Operating profit	12.9	20.2	38.4	42.1	51.5	0.8	1.3	2.5	2.7	3.3
Net profit for the current period	11.1	20.1	39.5	81.5	85.9	0.7	1.3	2.5	5.2	5.5
incl. equity holders of the parent	10.3	19.2	37.4	79.6	84.5	0.7	1.2	2.4	5.1	5.4

<u>Consolidated balance sheet</u> (in million)	Structure (%)			EEK			€		
	30.09. 2008	31.12. 2007	30.09. 2007	30.09. 2008	31.12. 2007	30.09. 2007	30.09. 2008	31.12. 2007	30.09. 2007
	Current assets	33.6	33.5	30.7	221.5	241.0	235.6	14.2	15.4
Fixed assets	66.4	66.5	69.3	437.1	479.3	532.0	27.9	30.6	34.0
Total assets	100.0	100.0	100.0	658.7	720.3	767.6	42.1	46.0	49.1
Expenses	23.4	23.4	22.4	154.3	168.7	172.3	9.9	10.8	11.0
Owner's equity	76.6	76.6	77.6	504.4	551.6	595.3	32.2	35.2	38.1
Incl. owner's equity belonging to the parent	73.5	74.0	75.1	484.3	533.2	576.5	31.0	34.1	36.8

<u>Growth</u> (%)	Q 3		9 months		year
	2008	2007	2008	2007	2007
Turnover	16.2	22.0	27.0	15.5	17.7
EBITDA	-29.8	46.9	-5.8	23.8	12.8
Operating profit (EBIT)	-36.4	57.3	-8.8	29.0	14.0
Net profit for the current period	-44.6	76.9	-51.5	86.6	65.1
incl. equity holders of the parent	-46.5	97.9	-53.0	94.6	78.6

Performance indicators (%)

Return of sales before depreciation	7.7	12.7	7.9	10.6	9.5
Return of sales (operating profit/turnover *100)	5.7	10.3	5.8	8.0	7.0
Net profit margin (net profit/turnover *100)	4.5	10.3	5.6	15.5	11.5

Employees

Average number of employees	523	462	501	437	442
Number of employees in the end of the period	521	469	521	469	480

INTERIM FINANCIAL STATEMENTS**CONSOLIDATED BALANCE SHEET**

	Note	EEK'000 30.9.2008	31.12.2007	€000 30.9.2008	31.12.2007
Current assets					
Cash and cash equivalents		23,148	26,257	1,479	1,678
Trade receivables and other receivables		89,279	84,601	5,706	5,407
Prepayments		1,649	1,548	106	99
Inclusive income tax		738	717	46	46
Inventories		107,441	128,639	6,867	8,222
Total current assets		221,517	241,045	14,158	15,406
Non-current assets					
Investments in associates		25,718	21,975	1,644	1,404
Other long-term financial investments		162,579	215,236	10,390	13,756
Investment property	2	130,377	133,839	8,333	8,554
Property, plant and equipment	2	115,821	104,948	7,402	6,707
Intangible assets	2	2,647	3,269	169	209
Total non-current assets		437,142	479,267	27,938	30,630
TOTAL ASSETS		658,659	720,312	42,096	46,036
Liabilities					
Interest-bearing loans and borrowings	3	13,466	27,942	861	1,786
Trade payables and other payables		100,676	106,495	6,434	6,806
Tax liabilities		16,626	12,008	1,061	767
Inclusive income tax		3,261	672	208	43
Short-term provision		219	1,421	14	91
Total current liabilities		130,987	147,866	8,370	9,450
Non-current liabilities	3	23,266	20,382	1,487	1,302
Other non-current liabilities		0	469	0	30
Total non-current liabilities		23,266	20,851	1,487	1,332
Total liabilities		154,253	168,717	9,857	10,782
Equity					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		158,002	207,259	10,098	13,246
Retained earnings		152,330	151,894	9,737	9,708
Total equity attributable to equity holders of the parent		484,332	533,153	30,956	34,075
Minority interest		20,074	18,442	1,283	1,179
Total equity		504,406	551,595	32,239	35,254
TOTAL LIABILITIES AND EQUITY		658,659	720,312	42,096	46,036

CONSOLIDATED INCOME STATEMENT

EEK'000	Note	For the period 7 - 9 ended 30 September		For the period 1 – 9 ended 30 September	
		2008	2007	2008	2007
Revenue	4	226,904	195,325	666,981	525,224
Cost of sales		-192,593	-154,539	-565,659	-425,379
Gross profit		34,311	40,786	101,322	99,845
Distribution costs		-8,774	-9,053	-27,375	-23,983
Administrative expenses		-12,568	-10,863	-35,185	-32,721
Other income		115	151	262	496
Other expenses		-230	-809	-575	-1,493
Operating profit	4	12,854	20,212	38,449	42,144
Net financing income/costs	5	-718	-497	9,249	43,949
Share of profit of associates		259	1,220	3,743	4,034
Profit before tax		12,395	20,935	51,441	90,127
Allocation of corporate income tax to relevant periods		-1,245	-815	-11,973	-8,676
Profit for the period		11,150	20,120	39,468	81,451
Attributable to:					
Equity holders of the parent	6	10,269	19,178	37,436	79,604
Minority interests		881	942	2,032	1,847
Basic and diluted earnings per share	6	0.,61	1.14	2.23	4.74
€000					
Revenue	4	14,502	12,484	42,628	33,568
Cost of sales		-12,309	-9,877	-36,152	-27,187
Gross profit		2,193	2,607	6,476	6,381
Distribution costs		-561	-579	-1,750	-1,533
Administrative expenses		-803	-694	-2,249	-2,092
Other income		7	10	17	32
Other expenses		-15	-52	-37	-95
Operating profit	4	821	1,292	2,457	2,693
Net financing income/costs	5	-46	-32	591	2,809
Share of profit of associates		17	78	239	258
Profit before tax		792	1,338	3,287	5,760
Allocation of corporate income tax to relevant periods		-80	-52	-765	-554
Profit for the period		712	1,286	2,522	5,206
Attributable to:					
Equity holders of the parent	6	656	1,226	2,393	5,088
Minority interests		56	60	129	118
Basic and diluted earnings per share	6	0.04	0.07	0.14	0.30

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September	Note	EEK'000 2008	2007	€000 2008	2007
Cash flows from operating activities					
Operating profit	4	38,449	42,144	2,457	2,693
<u>Adjustments for:</u>					
Depreciation and amortisation	2	13,975	13,502	893	863
Gain on sale of property, plant and equipment		-13	-435	-1	-28
Change in receivables related to operating activity		-8,177	-8,545	-523	-546
Change in inventories		21,198	-41,833	1,356	-2,674
Change in payables related to operating activity		-2,737	17,016	-175	1,088
Corporate income tax paid		-9,406	-9,125	-601	-583
Interest paid		-2,070	-1,742	-132	-111
Net cash from operating activities		51,219	10,982	3,274	702
Cash flows from investing activities					
Acquisition of property, plant and equipment		-19,379	-22,629	-1,239	-1,446
Acquisition of investment property		-577	-14,013	-37	-895
Acquisition of intangible assets		-195	-608	-12	-39
Proceeds from sale of property, plant and equipment		756	433	48	28
Proceeds from sale of other financial investments		0	35,770	0	2,286
Loans given		-35	-50	-2	-3
Repayment of loans given		31	81	2	5
Interest received		372	257	24	16
Dividends received		11,125	12,663	711	809
Net cash used in investing activities		-7,902	11,904	-505	761
Cash flows from financing activities					
Proceeds from borrowings	3	3,005	19,900	192	1,272
Repayment of borrowings	3	-14,308	-7,530	-915	-481
Payment of finance lease principal		-1,088	-850	-70	-54
Dividends paid	3	-34,000	-31,706	-2,173	-2,027
Net cash used in financing activities		-46,391	-20,186	-2,966	-1,290
Net cash flows		-3,074	2,700	-197	173
Cash and cash equivalents at beginning of period					
		26,257	6,712	1,678	429
Net increase / decrease		-3,074	2,700	-197	173
Effect of exchange rate fluctuations on cash held		-35	-38	-2	-3
Cash and cash equivalents at end of period		23,148	9,374	1,479	599

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							
	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total	Minority interest	TOTAL
For the period 1-9/ 2007								
Balance at 31 December 2006	168,000	6,000	11,000	320,552	100,078	605,630	18,429	624,059
Profit for period	0	0	0	0	79,604	79,604	1,847	81,451
Income recognized directly in equity	0	0	0	-78,486	0	-78,486	0	-78,486
Total income for period	0	0	0	-78,486	79,604	1,118	1,847	2,965
Dividends	0	0	0	0	-30,240	-30,240	-1,466	-31,706
Amounts transferred reserves	0	0	2,400	0	-2,400	0	0	0
Balance at 30 September 2007	168,000	6,000	13,400	242,066	147,042	576,508	18,810	595,318
For the period 1-9/ 2008								
Balance at 31 December 2007	168,000	6,000	13,400	193,859	151,894	533,153	18,442	551,595
Profit for period	0	0	0	0	37,436	37,436	2,032	39,468
Income recognized directly in equity	0	0	0	-52,657	0	-52,657	0	-52,657
Total income for period	0	0	0	-52,657	37,436	-15,221	2,032	-13,189
Dividends	0	0	0	0	-33,600	-33,600	-400	-34,000
Amounts transferred reserves	0	0	3,400	0	-3,400	0	,	0
Balance at 30 September 2008	168,000	6,000	16,800	141,202	152,330	484,332	20,074	504,406

€000

For the period 1-9/ 2007								
Balance at 31 December 2006	10,737	384	703	20,487	6,396	38,707	1,178	39,885
Profit for period	0	0	0	0	5,088	5,088	118	5,206
Income recognized directly in equity	0	0	0	-5,016	0	-5,016	0	-5,016
Total income for period	0	0	0	-5,016	5,088	72	118	190
Dividends	0	0	0	0	-1,933	-1,933	-94	-2,027
Amounts transferred reserves	0	0	153	0	-153	0	0,	0
Balance at 30 September 2007	10,737	384	856	15,471	9,398	36,846	1,202	38,048
For period 1-9/ 2008								
Balance at 31 December 2007	10,737	384	856	12,390	9,708	34,075	1,179	35,254
Profit for period	0	0	0	0	2,393	2,393	129	2,522
Income recognized directly in equity	0	0	0	-3,365	0	-3,365	0	-3,365
Total income for period	0	0	0	-3,365	2,393	-972	129	-843
Dividends	0	0	0	0	-2,147	-2,147	-25	-2,172
Amounts transferred reserves	0	0	217	0	-217	0	0	0
Balance at 30 September 2008	10,737	384	1,073	9,025	9,737	30,956	1,283	32,239

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.9.2008 comprises AS Harju Elekter (the “parent company”) and its subsidiaries AS Eltek, AS Harju Elekter Elektrotehnika, Satmatic Oy and Rifas UAB (together referred to as the “Group”) and the Group’s interest in associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 32.14% of its shares is held by AS Harju KEK.

This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 “Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2007

According to the assessment of the management board, the interim report for 1-9/2008 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the group.

The presentation currency is the Estonian kroon (EEK). The consolidated interim financial statement has been drawn up in thousands of Estonian kroons and all the figures have been rounded to the nearest thousand, unless indicated otherwise. In accordance with Tallinn Stock Exchange Rules, the annual financial statement is also presented in euros. As the Estonian kroon is pegged to the euro at the rate of EEK 15.6466 to € 1 presentation of the statements does not entail differences in the exchange rate. In the statement the abbreviation EEK’000 means a thousand kroons and abbreviation €000 means a thousand euros.

Note 2 Property, plant and equipment, investment property and intangible assets

For the period ended 30 September EEK’000	Property, plant and equipment		Investment property		Intangible assets	
	2008	2007	2008	2007	2008	2007
Balance at 1 January	104,948	87,446	133,839	127,268	3,269	3,595
Additions	19,992	23,301	577	14,013	195	608
Transfer from investment property	619	2,496	-619	-2,496	0	0
Disposals	0	-115	0	0	0	0
Amortisation change for the period	-9,738	-9,047	-3,420	-3,668	-817	-787
Balance at the end of the current period	115,821	104,081	130,377	135,117	2,647	3,416
€000						
Balance at 1 January	6,707	5,589	8,554	8,134	209	230
Additions	1,278	1,489	37	896	12	39
Transfer from investment property	39	160	-39	-160	0	0
Disposals	0	-7	0	0	0	0
Amortisation change for the period	-622	-579	-219	-234	-52	-50
Balance at the end of the current period	7,402	6,652	8,333	8,636	169	219

Note 3 Interest-bearing loans and borrowings

	EEK'000		€000			
	30.9.08	31.12.07	30.9.07	30.9.08	31.12.07	30.9.07
Liabilities						
Short-term bank loans	10,552	16,509	27,382	674	1,055	1,750
Current portion of long-term bank loans	2,542	10,118	2,524	162	646	162
Current portion of lease liabilities	372	1,315	328	25	85	21
Total current liabilities	13,466	27,942	30,234	861	1,786	1,933
Long-term bank loans	21,503	19,274	27,219	1,374	1,232	1,739
Lease liabilities	1,763	1,108	2,422	113	70	155
Total non-current liabilities	23,266	20,382	29,641	1,487	1,302	1,894
Total interest-bearing loans and borrowings	36,732	48,324	59,875	2,348	3,088	3,827

Changes during the period ended 30 September:

	EEK'000		€000	
	2008	2007	2008	2007
Loans and borrowings at the beginning of the year	48,324	47,340	3,088	3,026
Changes in short-term loans	-5,957	17,680	-381	1,130
New long-term loan	3,005	2,220	192	142
Long-term loan repaid	-8,352	-7,530	-534	-481
New finance lease liabilities	800	1,015	53	64
Payment of finance lease principal	-1,088	-850	-70	-54
Loans and borrowings at the end of the current period	36,732	59,875	2,348	3,827

Note 4 Segment reporting

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on the basis of market prices.

Group's geographical segment report – primary segment

Segment reporting is presented in respect of the Group's business and geographical segments.

Estonia – the domicile of AS Harju Elekter and its subsidiaries AS Harju Elekter Elektrotehnika and AS Eltek;

Finland – the domicile of the subsidiary Satmatic Oy;

Lithuania – the domicile of the subsidiary UAB Rifas.

In presenting information on the basis of markets, segment revenue is based on the geographical location of customers.

For the period ended 30 September

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	292,087	287,428	274,999	179,888	99,895	57,908	0	0	666,981	525,224
Inter-segment revenue	44,713	15,733	41	19	805	773	-45,559	-16,525	0	0
Total revenue	336,800	303,161	275,040	179,907	100,700	58,681	-45,559	-16,525	666,981	525,224
Segment result	22,435	32,486	10,282	5,144	5,717	4,509	15	5	38,449	42,144

€000

Revenue from external customers	18,668	18,370	17,576	11,497	6,384	3,701	0	0	42,628	33,568
Inter-segment revenue	2,857	1,005	3	1	51	49	-2,911	-1,055	0	0
Total revenue	21,525	19,375	17,579	11,498	6,435	3,750	-2,911	-1,055	42,628	33,568
Segment result	1,434	2,076	657	329	365	288	1	0	2,457	2,693

Segment revenue based on the geographical location of customers

For the period ended 30 September

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Estonia	245,626	210,556	42	19	811	776	-847	-792	245,632	210,559
Finland	76,994	45,357	259,474	176,840	672	868	-41,498	-14,313	295,642	208,752
Lithuania	4,598	2,506	0	0	80,638	47,542	-3,214	-1,420	82,022	48,628
Other EU countries	9,234	39,075	15,524	3,048	12,045	2,755	0	0	36,803	44,878
Other	348	5,667	0	0	6,534	6,740	0	0	6,882	12,407
Total	336,800	303,161	275,040	179,907	100,700	58,681	-45,559	-16,525	666,981	525,224

€000

Estonia	15,699	13,457	3	1	51	50	-54	-51	15,699	13,457
Finland	4,921	2,898	16,583	11,302	43	55	-2,652	-913	18,895	13,342
Lithuania	293	161	0	0	5,154	3,038	-205	-91	5,242	3,108
Other EU countries	589	2,497	993	195	770	176	0	0	2,352	2,868
Other	23	362	0	0	417	431	0	0	440	793
Total	21,525	19,375	17,579	11,498	6,435	3,750	-2,911	-1,055	42,628	33,568

Group's business segment report – secondary segment

As at 30 September 2008 the Group was active in the following fields and the accompanying risks and rewards were very different. Every field of activity had enough weight to form a separate segment:

“*Manufacturing*” – The manufacture and sale of power distribution and control systems as well as data and communications systems and fibre optic cables and various sheet metal products and subcontracting in the area of sheet metal works; research and development; services related to manufacturing and intermediary sale of components.

“*Real estate*” – real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

“*Unallocated items*” – Retail- and wholesale of products necessary for electrical installation works. mainly to retail customers and small- and medium-sized electrical installation companies; management services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

This year, trade is included under other areas, because the share of trade is not sufficiently large to be recognised as a separate segment.

Business segment revenue in areas of activity:

For the period ended 30 September	Revenue		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007
EEK'000						
Manufacturing	593,970	439,337	-4,273	-4,314	589,697	435,023
Real estate	36,358	34,605	-9,507	-8,418	26,851	26,187
Unallocated activities	53,041	67,212	-2,608	-3,198	50,433	64,014
Total revenue	683,369	541,154	-16,388	-15,930	666,981	525,224
€000						
Manufacturing	37,962	28,079	-273	-276	37,689	27,803
Real estate	2,324	2,212	-608	-538	1,716	1,674
Unallocated activities	3,389	4,295	-166	-204	3,223	4,091
Total revenue	43,675	34,586	-1,047	-1,018	42,628	33,568

Note 5 Net financing income/costs

For the period ended 30 September	EEK'000		€000	
	2008	2007	2008	2007
Interest income	372	250	24	16
Interest expense	-2,213	-1,742	-142	-111
Dividend income	11,125	12,663	711	809
Net loss from foreign exchange differences	-35	-38	-2	-3
<i>Marketable investments:</i>				
Income from sale of investments	0	32,816	0	2,098
TOTAL	9,249	43,949	591	2,809

Note 6 Basic and diluted earnings per share

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

For the period ended 30 September		2008	2007		2008	2007
Profit attributable to equity holders of the parent	EEK'000	37,436	79,604	€000	2,393	5,088
Average number of shares outstanding	'000	16,800	16,800	'000	16,800	16,800
Basic and diluted earnings per share	EEK	2.23	4.74	€	0.14	0.30

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding, both adjusted for the effects of all dilutive potential shares. At 30 September 2008, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

Note 7 Dividend per share

The share capital of Harju Elekter is divided into 16.8 million ordinary shares with the nominal value 10 kroons (0.64 euros). On the basis of a decision, the owners are paid dividends for 2007 at the rate of 2.00 kroons (0.128 euros) per share, in the total amount of 33.6 million kroons (2.1 million euros). The dividends were paid to the shareholders on 19 May 2008.

Based on the results for 2006, in 2007 dividends were paid in the amount of 1.80 kroons (0.115 euros) per share, in the total amount of 30.2 million kroons (1.9 million euros).

Note 8 Transactions with related parties

The related party of AS Harju Elekter include associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 32.14 percent of the shares of AS Harju Elekter.

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

For the period ended 30 September	EEK '000		€000	
	2008	2007	2008	2007
Purchase of goods and services from related parties:				
- from associates	8,201	6,401	524	409
- from Harju KEK	505	344	32	22
TOTAL	8,706	6,745	556	431
<i>Inclusive:</i>				
- goods and materials for manufacturing	8,201	6,388	524	408
- lease of property, plant and equipment	445	291	28	19
- other	60	66	4	4

Sale of goods and services to related parties:

- to associates	7,885	7,332	504	469
- to Harju KEK	16	35	1	2
TOTAL	7,901	7,367	505	471

Inclusive:

- goods and materials for manufacturing	280	1,310	18	84
- lease of property, plant and equipment	4,565	3,630	292	232
- management services	2,035	1,357	130	87
- other	1,021	1,070	65	68

Balances with related parties at 30 September

Receivables with associates: goods and services	2,328	2,181	149	139
Payables with associates: goods and services	2,234	2,895	143	185

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/ 2008, as set out on pages 3 to 19, and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a Group; and reflects significant transactions with related parties
- the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and
- AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Board	/signature/	5 th of November 2008
Lembit Libe	Member of the Board	/signature/	5 th of November 2008
Karin Padjus	Member of the Board	/signature/	5 th of November 2008