



AS HARJU ELEKTER

Interim report 1-9/ 2006

Business name	AS Harju Elekter
Main business area:	designing, production and marketing of various electrical engineering and telecommunication systems
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Auditor:	KPMG Estonia
Beginning of the reporting period:	1 st of January 2006
End of the reporting period:	30 th of September 2006

The interim report of Harju Elekter Group on 18 pages

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

In April, the Group bought a company near Helsinki, Finland, which will be merged with the Finnish subsidiary Satmatic Oy. The assets and liabilities of the acquired enterprise have been included in the balance sheet of the subsidiary Satmatic OY and in the consolidated statements of Harju Elekter Group since 1 April 2006.

In interim report for 9M 2006 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 companies - Keila Kaabel and Saajos Inexa - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 30.09.2006, Harju Elekter owns significant holdings in the following commercial undertakings:

Ownership			30.09.06	31.12.05	30.09.05
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 Keila Kaabel	associated company	Estonia	34.0%	34.0%	34.0%
AS Saajos Inexa	associated company	Estonia	33.3%	33.3%	33.3%
PKC Group Oyj	financial investment	Finland	10.1%	10.3%	10.3%

Economic environment

The world economic climate cooled somewhat in the second half of the year, mainly because of the weakening of future expectations. However, the estimate of the economic situation in Western Europe remained higher than average and the forecasts stayed optimistic. Estonia's major trading partners Finland and Sweden were also satisfied with their economic situation. Analysts predict world economic growth will remain at the current level in the near future.

The situation continued to be very good in the Baltic countries, although the future expectations have come down somewhat here, as well. The growth rate of the Estonian economy, which was mainly based on strong internal and external demand, was about 10% in Q3. Internal demand was supported by the favourable credit market in addition to the growth of wages and incomes. At the same time, the shortage of qualified labour, particularly in building and industry, increased even more. Inflation accelerated, reaching 4.3%.

Events

On 1 September, AS Harju Elekter, the leading Latvian manufacturer of electrical equipment A/S Jauda and other Latvian undertakings, signed the memorandum of association of the joint enterprise SIA Energokompleks. The launch of a sales organisation allows for joint participation in invitations to tender for medium and low voltage equipment in Latvia, as well as elsewhere. Closer cooperation makes a broader range of products available to customers and provides sufficient resources for fulfilling large orders. Harju Elekter holds 10% of the company.

In September, the subsidiary Eltek launched a new, fully automated powder coating line to complement and boost its capacities; the new line both improves product quality and shortens delivery times.

In April, the Group bought Finoval Oy, a manufacturer of electrical appliances located in Kerava, Finland, which will be merged with Satmatic Oy and which, in addition, will fulfil the functions of the Group's representative office in Helsinki. The purchase of the enterprise expanded the company's possibilities of providing better services to its customers in the Helsinki area of Finland and increased the market share of the Harju Elekter Group.

From the 5th to the 8th of April, the company's subsidiary Harju Elekter Elektrotehnika took part in an energy fair, Enerex 2006, where a Sivacon distribution board and MV switchgear HE SM6, prepared on the basis of a licence agreement, were presented as well as other energy sector products.

On 20 April, the annual general meeting of shareholders took place, in which 109 shareholders or their authorised representatives, who represented 58.2 % of the total number of votes, participated. The general meeting decided to pay the owners dividends in the amount of EEK 1.60 (EUR 0.10) per share. The dividends were paid on 12 May 2006.

Operating results

The Group's consolidated return on sales in Q3 2006 was 160.1 (129.7) million kroons, showing an increase of 23.4 % in comparison with the same period last year. The consolidated return on sales for 9M 2006 amounted to 455.0 (358.9) million kroons, showing an increase of 26.8% in comparison with the same period last year.

The biggest increase in turnover was in the Lithuanian segment. The return on sales of the Group's enterprises in Lithuania increased in Q3 2006 by 2.8 times in comparison with the same period last year, amounting to 38.9 million kroons and in 9M 2006 to 88.4 (37.3) million kroons. The activities of the subsidiary Rifase have been favourably influenced by both a good economic climate and active investment in industry and immovable property, as well as successfully supplying several large projects, including the water treatment equipment for Panevežys and general contracting for power supply to the Kazlu Ruda Chipboard Plant. A strong increase of 42.5 % was also observed in the Finnish segment in Q3 2006, where sales volume reached 47.0 million kroons and by the end of 9M 2006 amounted to 144.7 (88.1) million kroons. Intense sales work, which has made the company a strong and considerable manufacturer of electrical appliances in the Finnish market, also brought the company several new customers and contributed to the significant increase in Satmatic's turnover. An increase in orders from foreign markets for Finnish exporting companies, and supplies for the ship building industry also contributed to the increase in turnover. In 9M 2006, the quantity of the so-called project sales products, which require significantly greater know-how from the company, and are also more profitable, also increased in the company's sales portfolio. The sales volume in the Estonian segment has been most influenced this year by a change in the structure of orders, where the focus is shifting to simpler solutions, but also still the seasonal nature of the customers' investments. In Q3 the sales revenues of the Estonian companies' totalled 74.2 (83.0) million kroons and, inclusive of sales to other geographic segments, 83.4 (88.5) million kroons. Over the first nine months, the Estonian segment's operating income totalled 240.1 (245.4) million kroons, of which 18.7 (11.6) million kroons accounted for sales to the group's Finnish and Lithuanian subsidiaries.

Of Q3 2006 consolidated sales revenue, sales on the Estonian market and on foreign markets accounted for 38.3% (51.8%) and 61.7% (48.2%), respectively; the relevant figures for the first nine months were 39.2% (53.1%) and 60.8% (46.9%). The group companies' domestic markets dominated.

The average number of employees in the group over the nine month period was 441 (404) and their wages and salaries amounted to 60.3 (49.6) million kroons, including 18.1 (15.0) million kroons in Q3. The group employed an average of 456 (417) people in Q3. Labour expenses have increased 22% this year to 83.6 (68.2) million kroons, both due to the number of employees and higher wages.

Depreciation of fixed assets amounted to 12.2 (10.8) million kroons; growth compared to last year is 13.6%, including 4.1 (3.7) million kroons in Q3, growth 10.8%. As a result of both a greater number of employees and the adjustment of wages, marketing expenses have risen 14.7% over the nine month period to 18.9 (16.5) million kroons, including 6.6 (6.0) million kroons in Q3, and general and administrative expenses have increased 8.5% to 28.8 (26.6) million kroons, including 9.2 (8.7) million kroons in Q3, lagging behind the growth of sales.

The operating profit for Q3 2006 was 12.8 (12.7) million kroons; growth of 0.9 %. The turnover profitability was 8.0 % (9.8 %). The commercial profit for the 9M 2006 was 32.7 (28.6) million kroons and a growth of 14.1 % in comparison with the previous year. The turnover profitability amounted to 7.2 % (8.0 %).

The group's pre-tax profit for Q3 2006 was 12.3 (17.8) million kroons. While the net financial income/expenditure for this year included only the interest expenses of bank loans in an amount of EEK'000 521 (428), the financial income for 2005 included the one time income from the sale of shares, 4.2 million kroons. Profits of 8 (911) thousand kroons were consolidated from the related companies during the accounting quarter. The nine months' consolidated net profit was influenced most by the 2.2 times larger dividends on the shares of PKC Group Oyj, and the related companies' consolidated profit, which totalled 2.3 (0.9) million kroons. Corporate income tax was 7.4 (3.2) million kroons because of the larger amount of income tax paid on dividends.

Altogether, the consolidated profit after tax of 9M 2006 totalled 44.2 (35.6) million kroons of which the share belonging to the owners of the parent company was 40.9 (34.5) million kroons and the net profit per share was 2.44 (2.05) kroons.

Cash flows, investment and financing

During the first 9 months, cash flow from business activities was 19.6 (24.4) million kroons, from investment activities was -6.0 (-25.5) million kroons and from financing activities -26.5 (-1.5) million kroons. Cash and cash equivalents decreased in 9M 2006 by -13.1 (-2.6) million kroons.

In Q2 2006, the Group bought the assets and liabilities, or the net assets, of the Finnish company Finoval. The Group paid 6.1 million kroons for the net assets. At the time of purchase, the enterprise had 0.4 million kroons in its bank account. Consequently, as the result of this transaction, the cash flow out of the Group was 5.7 million kroons. In order to buy Finoval Oy, the Group sold 30,000 shares of PKC Group Oyj in Q1 2006. A total of 5.6 million kroons was received from the sale.

During the first 9 months, the Group invested 0.4 (25.0) million kroons in real estate, 23.1 (6.2) million kroons in tangible assets, and 2.0 million kroons in intangible assets, totalling 25.4 (31.2) million kroons. The investments were allocated as follows: 3.2 (2.6) million kroons was spent on the purchase of land, 7.3 (22.4) million kroons was spent on the reconstruction and purchase of production buildings and 12.4 (3.9) million kroons was spent on equipment. In order to improve and increase production capacity, a new painting line was purchased for the Group. The installation of the appliance commenced in June. The total cost of the project is 7.2 million kroons. The installation works completed in September 2006.

In order to finance the new paint line, the Group took a long-term loan of 7 million kroons from a bank. In order to guarantee the loan, 46 thousand shares of PKC Group Oy were mortgaged to the bank. In Q3 2006, the Group repaid a long-term bank loan in the amount of 2.3 (2.2) million kroons (totally 6.7 (5.7) million kroons in 9 months) and long-term capital rent payments in the amount of 1.0 (1.7) million kroons. The balance of short-term bank loans increased from 1.6 (4.3) to 13.4 (13.0) million kroons. In Q2 2006, the Group paid dividends in the amount of 27.4 (25.1) million kroons, 26.9 (24.6) million kroons of which was paid to the owners of the parent company.

Balance sheet

The company's balance sheet total increased during 9M 2006 by 24.0 million kroons, reaching 720.4 million kroons.

Cash in bank accounts decreased over a period of 9 months by 13.1 million kroons to 12.8 million kroons.

An increase in the volume of sales orders gave rise to an 9.5 % increase in reserves, amounting to 76.1 million kroons, mainly on account of the reserves of ready-to-use products and intermediate products, and it also gave rise to an increase in suppliers' arrears on the customers' and liability side by 36.8 million kroons as regards receivables, and by 25.2 million kroons on the liability side, respectively. In total, current assets increased by 34.5 to 198.1 million kroons, and current liabilities increased by 24.6 to 122.8 million kroons since the beginning of the year.

The price of the shares of PKC Group Oy closed on 29 September 2006, at the level of 10.20 euros (159.60 kroons), showing an decrease of 2.75 euros (43.03 kroons) within the quarter and 0.70 euros (10.95 kroons) within the 9 months period, which is why the balance cost of financial assets decreased by 77.5 million kroons in comparison with Q3 2006, and by 19.7 million kroons in total, in comparison with the beginning of the year. The book profit generated from the re-valuation of shares was directly reflected in equity capital reserves.

Development

According to the development principles of Harju Elekter, the objective of the Group is to constantly modernise and develop products that meet customers' needs, and to improve technology. Harju Elekter Elektrotehnika introduced the first LV distribution unit Sivacon 8PT and MV secondary distribution unit SM6 into production and sold them, and was focused on developing new solutions regarding LV substations. Both a metal sheet covered substation and a distribution board and switchboard, which were brought into conformity with the new technical requirements of the distribution network, successfully passed tests. In Q2 2006, approval was obtained for the prototypes and production technology for new licence products and production technology.

In order to ensure an adequate production capacity and to improve the quality of metal products and details, the Group signed the agreement with Finnish companies for design, purchasing and installation of a new powder painting line. The construction and installation works completed in September 2006.

Satmatic was focused on the integration of the business activities of Finoval Oy and also the active expansion of its sales activities, through its representative offices in Helsinki, to other regions in Finland. At the same time two projects, financed by funds from the TYKES-development fund, continued to be developed; the first involving an electronic order processing system and the other a logistics project.

In 2006, re-certification audits of the quality management system (ISO 9001:2000) were conducted in and passed by the Group's enterprises. Audits have been carried out in Harju Elekter Elektrotehnika and Satmatic; recertification in Rifas is schedule for Q4 2006.

Development costs totalled 4.4 (2.0) million kroons in 9M 2006, including product licences with 0.9 million kroons and software licences with 0.6 million kroons. Direct expenditures related to the introduction of new products in production were 0.3 million kroons, and other current development costs (within general administrative costs) constituted 3.7 (3.3) million kroons.

Shares of Harju Elekter

EEK	1-9/ 2006	1-9/ 2005	2005
Number of the shares ('000)	16,800	16,800	16,800
Nominal value	10	10	10
High price	69.47	85.80	85.80
Low price	51.63	48.82	48.82
Closing price	60.24	68.06	64.15
EPS	2.44	2.05	2.48

Key indicators

EEK'000	1-9/ 2006	1-9/ 2005	2005
Accounting period			
Net sales	454,955	358,922	513,936
Operating profit	32,674	28,630	37,516
Net profit for the current period	44,243	35,563	43,908
Incl. equity holders of the parent	40,926	34,474	41,656
At the end of the period			
Total current assets	198,084	153,379	163,614
Total non-current assets	522,274	565,786	532,792
Total assets	720,358	719,165	696,406
Total liabilities	159,741	125,675	128,073
Total equity	560,617	593,490	568,333
Inclusive equity attributable to equity holders of the parent	541,813	578,515	552,195

Performance indicators (%)	1-9/ 2006	1-9/ 2005	2005
Growth in revenue	26.8	13.9	13.3
Operating profit growth	14.1	19.2	20.1
Net profit growth (Equity holders of the parent)	18.7	-29.7	-25.9
Return of sales (operating profit/revenue *100)	7.2	8.0	7.3
Net profit margin (net profit /net sales *100)	9.0	9.6	8.1
Owners' equity margin (equity / balance sheet total *100)	75.2	80.4	79.3

Employees

Average number of employees on the current period	441	404	412
Number of employees on	455	418	425

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

EEK'000	Note	2006	2005
		At 30 September	At 31 December
Assets			
Cash and cash equivalents		12,844	25,940
Trade receivables		101,272	64,444
Other receivables and prepayments		7,861	4,353
Inclusive income tax		93	21
Inventories		76,107	68,877
Total current assets		198,084	163,614
Investments in associates		25,731	24,773
Other long-term financial investments		287,463	312,103
Investment property	2	117,305	123,625
Property, plant and equipment	2	88,837	70,731
Intangible assets	2	2,938	1,560
Total non-current assets		522,274	532,792
TOTAL ASSETS		720,358	696,406
Liabilities			
Interest-bearing loans and borrowings	3	16,292	22,017
Advances from customers		8,810	9,569
Trade payables		66,828	41,870
Tax liabilities		13,188	9,319
Inclusive income tax		939	298
Accrued expenses		13,856	14,281
Other payables		3,843	1,138
Total current liabilities		122,817	98,194
Non-current liabilities	3	36,924	29,879
Total liabilities		159,741	128,073
Equity			
Share capital		168,000	168,000
Share premium		6,000	6,000
Reserves		274,098	296,126
Retained earnings		93,715	82,069
Total equity attributable to equity holders of the parent		541,813	552,195
Minority interest		18,804	16,138
Total equity		560,617	568,333
TOTAL LIABILITIES AND EQUITY		720,358	696,406

CONSOLIDATED INCOME STATEMENT

EEK'000	Note	For period 7-9 ended 30 September		For the period 1-9 ended 30 September	
	no	2006	2005	2006	2005
Revenue	4	160,101	129,718	454,955	358,922
Cost of sales		-131,386	-102,460	-374,868	-287,482
Gross profit		28,715	27,258	80,087	71,440
Distribution costs		-6,582	-5,955	-18,930	-16,500
Administrative expenses		-9,236	-8,730	-28,793	-26,553
Other income		61	325	650	832
Other expenses		-110	-167	-340	-589
Operating profit	4	12,848	12,731	32,674	28,630
Net financing income/costs	5	-508	4,174	16,660	9,239
Income from associated companies		7	911	2,267	860
Profit before tax		12,347	17,816	51,601	38,729
Allocation of corporate income tax to relevant periods		-974	-133	-7,358	-3,166
Profit for the period		11,373	17,683	44,243	35,563
Attributable to:					
Minority interests		1,634	473	3,317	1,089
Equity holders of the parent	6	9,739	17,210	40,926	34,474
Basic and diluted earnings per share for profit attributable to equity holders of the parent (in €)	6	0.58	1.02	2.44	2.05

CONSOLIDATED CASH FLOW STATEMENT

For the period 1-9 ended 30 September		EEK'000	
	Note	2006	2005
Cash flows from operating activities			
Operating profit	4	32 674	28 630
<u>Adjustments for:</u>			
Depreciation and amortisation	2	12 225	10 764
Gain on sale of property, plant and equipment		-383	-37
Change in receivables related to operating activity		-41 510	-6 302
Change in inventories		-7 231	-6 306
Change in payables related to operating activity		31 958	2 225
Corporate income tax paid		-6 790	-3 229
Interest paid		-1 383	-1 347
Net cash from operating activities		19 560	24 398
Cash flows from investing activities			
Acquisition of property, plant and equipment		-22 406	-6 167
Proceeds from sale of property, plant and equipment		459	156
Acquisition of investment property		-376	-31 677
Acquisition of intangible assets		-1 992	-78
Acquisition of other financial investments		-191	0
Proceeds from sale of other financial investments		5 616	5 008
Loans given		-58	-13
Repayment of loans given		8	28
Interest received		212	146
Dividends received		12 679	7 113
Net cash used in investing activities		-6 049	-25 484
Cash flows from financing activities			
Proceeds from borrowings		8 558	31 023
Repayment of borrowings	3	-6 678	-5 700
Payment of finance lease principal	3	-1 029	-1 671
Dividends paid		-27 397	-25 135
Net cash used in financing activities		-26 546	-1 483
Net cash flows		-13 035	-2 569
Cash and cash equivalents at beginning of period		25 940	18 786
Net increase / decrease		-13 035	-2 569
Effect of exchange rate fluctuations on cash held		-61	-45
Cash and cash equivalents at end of period		12 844	16 172

**CONSOLIDATED
STATEMENT OF CHANGES IN OWNERS' EQUITY**

EEK'000	Attributable to equity holders of the parent							Minority interest	TOTAL
	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total			
For period 1-9/2005									
Balance at 31 December 2004	56,000	6,000	8,600	273,324	177,053	520,977	14,381	535,358	
Profit for period	0	0	0	0	34,474	34,474	1,089	35,563	
Income recognised directly in equity	0	0	0	47,704	0	47,704	0	47,704	
Total income for period	0	0	0	47,704	34,474	82,178	1,089	83,267	
Dividends		0	0	0	-24,640	-24,640	-495	-25,135	
Bonus issue	112,000	0	0	0	-112,000	0	0	0	
Balance at 30 September 2005	168,000	6,000	8,600	321,028	74,887	578,515	14,975	593,490	
For period 1-9 /2006									
Balance at 31 December 2005	168,000	6,000	8,600	287,526	82,069	552,195	16,138	568,333	
Profit for period	0	0	0	0	40,926	40,926	3,317	44,243	
Income recognised directly in equity	0	0	0	-24,428	0	-24,428	0	-24,428	
Total income for period	0	0	0	-24,428	40,926	16,498	3,317	19,815	
Dividends	0	0	0	0	-26,880	-26,880	-651	-27,531	
Increasing capital reserve	0	0	2,400	0	-2,400	0	0	0	
Balance at 30 September 2006	168,000	6,000	11,000	263,098	93,715	541,813	18,804	560,617	

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 30.09.2006 includes AS Harju Elekter and its subsidiaries AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy and Rifas UAB (together referred to as "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since September 30, 1997, more than 30 % of the shares are 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 31.12.2005 except the presentation of financial information of segments (see below).

According to the assessment of the management board, the interim report for 1-9/2006 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 financial statements of AS Harju Elekter are presented in thousands kroons (EEK), rounded to the nearest thousand.

Changes in segment reporting

The Group's internal reporting is arranged across legal persons, the result of which is that the company's internal reports express the results of non-related product manufacturing and provision of services. Therefore, when choosing the segment report format, the internal company report structure cannot be directly followed and management must designate whether the group's risks and profit margins are primarily affected by the differences of the products manufactured in the company and the services offered, or the fact that the group is operating in different geographic areas.

Even though management recognizes that there are differences present in the risks related to the group's production activities and service provision, they are of the position that the group's risks and profit margins are better tied to the geographical locations where business is conducted. Based on the above, the group's management has chosen geographic segments as the basic format for external group reports and business segments as an additional format for the economic year which began on 1 January 2006. The comparison period's financial information is adjusted and brought into conformity with the indicators presented in the corresponding reporting period's segment report.

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

EEK'000	Property, plant and equipment		Investment property		Intangible assets	
	2006	2005	2006	2005	2006	2005
For period 1-9 ended 30 September						
At beginning of period	70,731	86,551	123,625	86,880	1,560	1,951
Additions	23,080	6,167	376	24,973	1,992	78
Transfer from investment property	3,509	-12,668	-3,509	12,668	0	0
Disposals at acquisition value	-569	-617	0	0	0	0
Amortisation charge for the period	-8,424	-7,570	-3,187	-2,622	-614	-572
Disposals	510	560	0	0	0	0
Final balance at the end of the current period	88,837	72,423	117,305	121,899	2,938	1,457

Note 3 Debt liabilities

EEK'000	At 30 September 2006	At 31 December 2005	At 30 September 2005
Short-term loans	13,427	11,869	12,966
Repayment of long-term leasing oblig. during the next period	2,508	8,762	2,191
Repayments of long-term lease in next period	357	1,386	444
Total current liabilities	16,292	22,017	15,601
Long-term bank loans	35,053	28,477	37,239
Long-term lease payables	1,402	1,402	3,842
Other long term liabilities	469	0	0
Total long term liabilities	36,924	29,879	41,081
Total debt liabilities	53,216	51,896	56,682

Changes in debt obligations:

For period 1-9 ended 30 September	2006	2005
Initial balance 31.12.	51,896	31,737
Changes in short-term loans	1,558	4,268
Received long-term loans	7,000	26,755
Long-term loan repaid	-6,678	-5,700
New leasing obligations	0	1,293
New long-term lease liabilities	-1,029	-1,671
Non-current liabilities for tangible assets	469	0
Final balance 30.09.	53,216	56,682

In Q2 2006, the Group raised a long-term loan of 7 million kroons from a bank, for the purchase of a new paint line. The first repayment of the loan was in September 2006, and the last repayment is in August 2011. The repayments are made once per month and the annual interest is 4.32 %.

Note 4 Segment reporting

Segment reporting is presented in respect of the Group's business and geographical segments. The primary segmentation – geographical segments - which is based on the location of businesses derives from the structure, management and internal reporting of the Group.

Inter-segment pricing is determined on the basis of market prices.

The Group's geographical segments - the primary reporting format

Geographically, the Group's operations may be divided into three 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 Rifas UAB.

The income of the geographic segments are reporting according to the geographical location of assets. The income of the segments by markets is reflected on the basis of the location of its customers.

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
For period 1-9 ended 30 September	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers	221,410	233,819	144,646	88,012	88,899	37,091			454,955	358,922
Inter-segment revenue	18,656	11,595	33	40	469	181	-19,158	-11,816	0	0
Total revenue	240,066	245,414	144,679	88,052	89,368	37,272	-19,158	-11,816	454,955	358,922
Segment result	23,164	27,147	1,592	-327	7,918	2,288	0	-478	32,674	28,630

Segments' sales revenue distribution by client's country of location:

EEK'000 For the period 1-9 ended 30 September	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Estonia	178,039	190,656	33	40	683	181	-502	-221	178,253	190,656
Finland	52,311	46,673	143,608	87,576	0	0	-14,704	-9,941	181,215	124,308
Lithuania	4,433	2,284	0	0	82,613	34,257	-3,952	-1,654	83,094	34,887
Other Europe	2,935	3,594	265	436	6,072	2,616	0	0	9,272	6,646
USA	1,837	1,800	0	0	0	0	0	0	1,837	1,800
Russia	511	407	773	0	0	218	0	0	1,284	625
Total	240,066	245,414	144,679	88,052	89,368	37,272	-19,158	-11,816	454,955	358,922

The Group's business segments- the secondary reporting format:

As of 30 September 2006, the Group is operating in the following areas, in which the accompanying risks and benefits are significantly different and each area of activity is large enough to comprise a separate segment:

Manufacturing – The manufacture and sale of power distribution and control systems; manufacture and sale of data and communications systems and fiber optic cables; manufacture and sale of 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.

Trade – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies;

Real estate – Real estate development, maintenance and rental, services related to the maintenance of real estate and intermediary trade of those services. Real estate has been identified as a reportable segment because it has more than 10% of the total assets of all segments.

Unallocated items –management services; other 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).

Commercial segment revenue in areas of activity:

EEK'000 For the period 1-9 ended 30 September	Revenue		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005
Manufacturing	378,968	293,284	-4,409	-5,873	374,559	287,411
Real estate	32,368	28,799	-8,032	-6,566	24,336	22,233
Trade	45,022	34,775	-314	-401	44,708	34,374
Unallocated	16,857	19,179	-5,505	-4,275	11,352	14,904
Total revenue	473,215	376,037	-18,260	-17,115	454,955	358,922

Note 5 Net financing income/costs

EEK'000		
For the period 1-9 ended 30 September	2006	2005
Interest charges	-1,353	-1,205
Interest return	182	63
Dividend income	12,679	5,821
Net exchange profit (+)/loss (-)	-61	-45
<i>Marketable investments:</i>		
Income from sale of investments	5,213	4,605
TOTAL	16,660	9,239

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 1-9 ended 30 September			
	2006	2005	
Profit attributable to equity holders of the parent	EEK'000	40,926	34,474
Average number of shares outstanding during the period	'000	16,800	16,800
Basic and diluted earnings per share	EEK	2.44	2.05

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 2006, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

Note 7 Business combinations

In April, the Group bought the company Finoval Oy, located near Helsinki, Finland, which will be merged with Finnish subsidiary Satmatic Oy. As of 30 September 2006, the merger process had not yet ended.

Acquisition cost of the purchased enterprise	420,000 euros (6,572,000 kroons)
Fair value of the purchased net assets	420,000 euros (6,572,000 kroons)

The assets and liabilities of the acquired enterprises are included in the consolidated statements of Harju Elekter Group as of 1 April 2006.

The enterprise will create better possibilities for servicing the Group's customers in the Helsinki area of Finland and will increase the market share of the Harju Elekter Group. In addition, the enterprise fulfils the functions of a representative office in Helsinki for the Harju Elekter Group.

Note 8 Transactions with related parties

Related parties to AS Harju Elekter are its associated companies AS Keila Kaabel and AS Saajos Inexa, members of the governing bodies and AS Harju KEK which owns over 30% of AS Harju Elekter shares.

Group bought from, sold its products to and provided services to related parties as follows:

EEK'000	2006		2005	
	Bought	Sold	Bought	Sold
For the period 1-9 ended 30 September				
Associated companies	10,137	9,696	9,239	9,262
Harju KEK	144	25	160	58
Total	10,281	9,721	9,399	9,320
<i>Inclusive:</i>				
Goods and materials	9,998	1,015	9,126	207
Industrial subcontracting (outsourcing)	57	56	19	1
Lease of fixed assets	77	5,125	0	5,075
Management services	0	2,652	0	2,507
Other services	149	873	254	1,530

Balance with related parties:

EEK'000	Claims		Obligations	
	30.09.06	31.12.05	30.09.06	31.12.05
With associated companies: goods and services	3,763	2,846	3,013	584
dividends	1,309	0	0	0

Signatures of the members of the Management Boards to the interim report 1-9/2006

The management board of AS Harju Elekter declares its liability for the accurate preparation of the financial interim statements of 1-9/2006 accounts on the pages 9 - 17 and confirms that:

- the accounting policies applied in the preparation of the consolidated annual accounts are in compliance with the generally accepted international accounting principles;
- the consolidated annual accounts give a true and fair view of the financial position, economic performance and cash flows of the consolidated group and AS Harju Elekter;
- all material circumstances and aspects that were known and obvious prior to the completion date of the report as 01 November 2006, were duly taken into account and recognised in the annual accounts;

Management Board

Andres Allikmäe	Chairman of the Board	/signature/	November the 1st 2006
Lembit Libe	Member of the Board	/signature/	November the 1st 2006
Karin Padjus	Member of the Board	/signature/	November the 1st 2006