

AS HARJU ELEKTER

Interim report 1-12/ 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: | 31 th of December 2008 |

The interim report of Harju Elekter Group on 20 pages

Contents

| | |
|--|----|
| Explanatory note | 3 |
| Interim financial statements | 11 |
| <i>Consolidated balance sheet</i> | 11 |
| <i>Consolidated income statement</i> | 12 |
| <i>Consolidated statement of cash flows</i> | 13 |
| <i>Consolidated statement of changes in Equity</i> | 14 |
| <i>Notes to Interim financial statement</i> | 15 |
| <i>Note 1. Accounting methods and valuation principles used in the consolidated interim report</i> | 15 |
| <i>Note 2. Property, plant and equipment, investment property and intangible assets</i> | 15 |
| <i>Note 3. Interest-bearing loans and borrowings</i> | 16 |
| <i>Note 4. Segment reporting</i> | 16 |
| <i>Note 5. Net financing income/costs</i> | 19 |
| <i>Note 6. Basic and diluted earnings per share</i> | 19 |
| <i>Note 7. Dividend per share</i> | 19 |
| <i>Note 8. Transactions with related parties</i> | 19 |
| Statement of Management responsibility | 21 |

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

In interim report for 1-12/ 2008 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic OY and Rifas UAB - 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. As of 31 December 2008, Harju Elekter has substantial holdings in the following companies:

| Company | | Country | 31.12.2008 | 31.12.2007 |
|---------------------------------|----------------------|-----------|------------|------------|
| AS Eltek | subsidiary | Estonia | 100.0% | 100.0% |
| AS Harju Elekter Elektrotehnika | subsidiary | Estonia | 100.0% | 100.0% |
| Satmatic OY | subsidiary | Finland | 100.0% | 100.0% |
| UAB Rifas | subsidiary | Lithuania | 51.0% | 51.0% |
| AS Draka Keila Cables | associated company | Estonia | 34.0% | 34.0% |
| SIA Energokomplekss | financial investment | Latvia | 10.0% | 10.0% |
| PKC Group Oyj | financial investment | Finland | 8.9% | 8.9% |

Economic environment

World economy has been greatly stricken by the global financial and economical crisis and insecurity continues to increase. The worsening of the economic situation is universal and has affected all areas of the economy. Forecasts are quickly deteriorating and becoming more unreliable.

In Estonia, economic recession amounted to 3.5% in the third quarter. And as in the fourth quarter the economic situation kept deteriorating, a drop of up to 2.6% is forecast for the year. The forecasts for 2009 are bad (up to -10%) or very bad (more than 10%). The preparation of the state budget failed and the preparation of a negative supplementary budget was started immediately following its passage. This will definitely bring about a decrease in domestic consumption, which in turn will have a negative effect on economic growth. The unemployment rate increased by leaps and bounds and will continue increasing in 2009, as well. No-one dares forecast economic growth for the second half-year of 2009; rather, a recession is feared for 2010 as well.

Events

The sales volumes of Harju Elekter Elektrotehnika have increased by an average of 16% per year in the last few years. In order to ensure production capacities and fulfil sales orders on time, the group decided to expand the production areas of Harju Elekter Elektrotehnika by 1500 sq m. After the completion of new premises in the first quarter of 2009, the production and office premises used by the company will be increased to 10 300 sq m.

In relation to the increasing orders and production volumes, the management of the group decided to expand the production areas of the plant of Satmatic Oy, the Finnish subsidiary of Harju Elekter. In November, a contract was signed with the city government of Ulvila and the city government's operator Kiinteistö Oy Ulvilan Sammantie 9 for increasing the production areas by almost 2000 sq m. Today, Satmatic Oy rents 2200 sq m of production areas from Oy Kiinteistö. After the completion of new premises, the plant will have a total production area of 4215 sq m. The construction of the production premises is managed by Kiinteistö who will also organise and execute a public procurement. The estimated cost of the investment will be 2.8 million euros and funding will be guaranteed by Ulvila city government. The new production premises are planned to be delivered to Satmatic Oy on 1.9.2009.

For economic considerations, the management of the group decided to close retail shops in Pärnu and Jõhvi. Sales activity was concluded during the fourth quarter. 4 people were laid off in relation to that.

In the future, the Pärnu area and clientele will be managed by the Keila electric supplies store and the East-Viru County area by the store located in Tallinn.

In August, UAB Rifas opened a new production and office building in Panevežys, the construction of which was started 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 MEEK 300. 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.

Operating results

The consolidated sales profit of the group in the fourth quarter was 204.6 million kroons or 13.1 million euros (4th quarter of 2007: 206.8 million kroons or 13.2 million euros), which was 1% less than the result of the comparable quarter. The sales volume of 2008 amounted to 871.6 million kroons (55.7 million euros), exceeding the result of last year by 139.6 million kroons (8.9 million euros). Regardless of the recession in the economy, the growth speed of sales profit in the financial year was 19.1%.

The business profit of the reporting quarter before depreciation was 16.5 million kroons (1.1 million euros), surpassing the results of the same period last year by more than 8%, and business profit was 11.7 million kroons (0.7 million euros), which was 25% more than in the comparable period. The business profitability of the fourth quarter was 5.7%, exceeding the result of the fourth quarter of last year by 1.2 percentage points. The business profit of the financial year before depreciation was 68.9 million kroons or 4.4 million euros (2007: 70.9 million kroons or 4.5 million euros) and business profit was 50.2 million kroons or 3.2 million euros (2007: 51.5 million kroons or 3.3 million euros), decreasing by 2.8% and 2.6% compared to the year 2007, respectively. Operating margin was 5.8% (2007: 7.0%). During the financial year, the profitability of the group was affected the most by toughening competition, which resulted in pressure on sales prices, and a price drop that brought about the markdown of stock reserves in the final quarter of the year. The worsening of the payment habits of clients also had an effect, so the expenditure was higher than usual in the financial year due to the markdown of claims.

The net profit of the group was affected the most by the financial income earned on financial investments. In 2007, a one-time income in the amount of 32.8 million kroons (2.1 million euros) was earned from the sale of financial investments. No financial assets have been sold this year. The reassessment of the reserves and financial instruments due to the drop in the market prices of raw material was the reason for consolidating a loss of 7.8 million kroons or 499 thousand euros from affiliated companies in the fourth quarter (Q42007: -4.0 million kroons or -253 thousand euros) and the total of 2008 was -4.1 million kroons or -260 thousand euros (2007: 73 thousand kroons or 5000 euros). In relation to the payment of dividends, the Estonian companies paid income tax in the amount of 8.5 million kroons (541 thousand euros), which was 2.1 million kroons (131 thousand euros) more

than in 2007. In total, the income tax expenditure of the group increased by 3.9 million kroons (247 thousand euros) to 12.6 million kroons (807 thousand euros) in twelve months.

The consolidated net profit of the fourth quarter was 2.7 million kroons or 173 thousand euros (in Q42007: 4.5 million kroons or 287 thousand euros) and in twelve months, a net profit of 42.2 million kroons or 2.7 million euros was earned (in 2007: 85.9 million kroons or 5.5 million euros). The share of the owners of the parent company was 38.7 million kroons or 2.5 million euros (2007: 84.5 million kroons or 5.4 million euros); net profit per share was 2.30 kroons (0.15 euros) and 5.03 kroons (0.32 euros) in the comparable period.

SALES REVENUE

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

| Markets | EEK (in million) | | | | | | EUR (in million) | | | |
|--------------|------------------|--------------|--------------|--------------|--------------|--------------|------------------|-------------|-------------|-------------|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| | Q/Q | 12 m/12m | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Estonia | -20.1% | -4.8% | 96.6 | 120.9 | 388.7 | 408.3 | 6.2 | 7.7 | 24.8 | 26.1 |
| Finland | 19.5% | 43.8% | 79.8 | 66.8 | 354.8 | 246.7 | 5.1 | 4.3 | 22.7 | 15.8 |
| Lithuania | 47.6% | 66.3% | 28.2 | 19.1 | 128.1 | 77.0 | 1.8 | 1.2 | 8.2 | 4.9 |
| Total | -1.0% | 19.1% | 204.6 | 206.8 | 871.6 | 732.0 | 13.1 | 13.2 | 55.7 | 46.8 |

The greatest contribution to the increase in consolidated sales profit was made by the Finnish segment, where the constant increase of the orders of the Finnish engineering industry (exporters) ensured the continuous growth of the sales volume of the Finnish subsidiary. The proportion of large-scale projects in sales income has increased considerably. In 2007, the Finnish subsidiary received an order from the manufacturer of Paroc rockwool to prepare a management system for the manufacturing process at the Polish plant. The majority of the project was realised in 2008, providing an increment of sales volume in the amount of 15.9 million kroons (1.0 million euros) during the reporting period. The majority of the sales volume (almost 80%) came from the sale of the products aimed at the industrial sector (manufacturers of metal and manufacturing equipment). In total, the Finnish subsidiary sold products and services for 13.0 million kroons (0.8 million euros) more in the fourth quarter and 108.1 million kroons (6.9 million euros) more in twelve months than in the same periods last year.

Major part – more than 44% (2007: more than 55%) of the consolidated sales income in 2008 was provided by the Estonian segment. In the reporting quarter, the sales volume to clients outside the group was 96.6 million kroons (6.2 million euros), which is 24.3 million kroons (1.5 million euros) less than last year. At the same time, the annual sales volume decreased by only 4.8% or 19.6 million kroons (1.3 million euros) down to 388.7 million kroons (24.8 million euros). The drop of the real estate market has had some effect on the results of the Estonian segment. Wholesale by the trade group to small and medium-sized electrical installation companies has decreased. Two sales points were also closed in the last quarter. The toughening of the credit sales policy also plays a role here. The sales volume of the trade group decreased by almost 16.1 million kroons (1.0 million euros) in 12 months. In 2007, the Estonian subsidiary received a large-scale order from Greece and started executing it in the second half-year of 2007. In 2007, equipment was sold to Greece for 50.6 million kroons (3.2 million euros) and in 2008, for 1.5 million kroons (96 thousand euros). As opposed to other segments, a major part of the sales revenue of the Estonian segment is made up of the sales revenue between the segments. Over a period of 12 months, Estonian companies sold their products and services to the Finnish and Lithuanian companies of the group for a total of 56.1 million kroons or 3.6 million euros (2007: 25.8 million kroons or 1.7 million euros), which in turn is reflected in the increase of their sales volumes. Thus, the 12-month sales revenue of the Estonian segment from clients outside the group and

other segments was 444.8 million kroons (28.4 million euros), increasing by 2.5% compared to the same period last year (see page 16).

In the reporting year, several significant construction projects of industrial sites were received in Lithuania, which is why the sale by the Lithuanian companies to the home market had increased 1.5-fold in 2008. The Lithuanian subsidiary has successfully entered the Danish and Norwegian markets, increasing the sales revenue of the Lithuanian segment by 17.4 million kroons (1.1 million euros). In the fourth quarter, the sales revenue of the segment increased by 9.1 million kroons (0.6 million euros) to 28.2 million kroons (1.8 million euros) and in twelve months by 51.1 million kroons (3.3 million euros) to 128.1 million kroons (8.2 million euros).

Sales revenue by markets:

| Markets | EEK (in million) | | | | | | EUR (in million) | | | |
|--------------------|------------------|--------------|--------------|--------------|--------------|--------------|------------------|-------------|-------------|-------------|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| | Q/Q | 12 m/12m | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Estonia | -11.7% | 8.2% | 78.4 | 88.9 | 324.1 | 299.4 | 5.0 | 5.7 | 20.7 | 19.2 |
| Finland | 21.4% | 36.1% | 95.1 | 78.3 | 390.7 | 287.1 | 6.1 | 5.0 | 25.0 | 18.4 |
| Lithuania | 4.5% | 52.8% | 16.7 | 16.0 | 98.7 | 64.6 | 1.1 | 1.0 | 6.3 | 4.1 |
| Other EU countries | -51.9% | -28.9% | 10.3 | 21.4 | 47.1 | 66.3 | 0.7 | 1.4 | 3.0 | 4.2 |
| Others | 86.4% | -24.7% | 4.1 | 2.2 | 11.0 | 14.6 | 0.2 | 0.1 | 0.7 | 0.9 |
| Total | -1.0% | 19.1% | 204.6 | 206.8 | 871.6 | 732.0 | 13.1 | 13.2 | 55.7 | 46.8 |

Dominant markets were the home markets of the companies of the group. Sales to other countries of the European Union decreased. In 2007, a sales volume of 66.3 million kroons (4.2 million euros) was achieved mainly with the aid of the large-scale order from the Greek industrial sector in the amount of 50.6 million kroons (3.2 million euros). In the reporting year, Denmark and Poland were added as new markets, where goods were exported in the amount of 31.9 million kroons (2.0 million euros). Latvia and Norway can also be pointed out as significant markets in Europe.

Traditionally, the largest part, 88.3% (83.3%) of the sales revenue, was provided by manufacturing, which is the main field of business of the group. With the aid of the considerable increase in the sales volumes of companies manufacturing electrical equipment, the sales volume of the production segment increased by 26.2% to 769.2 million kroons (49.2 million euros) in the twelve months.

OPERATING EXPENSES

| | EEK (in million) | | | | | | EUR (in million) | | | |
|------------------------------------|------------------|--------------|--------------|--------------|--------------|--------------|------------------|-------------|-------------|-------------|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| | Q/Q | 12 m/12m | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Cost of sales | -1.4% | 23.2% | 167.5 | 169.9 | 733.2 | 595.3 | 10.7 | 10.9 | 46.9 | 38.0 |
| Distribution costs | -11.3% | 5.3% | 11.4 | 12.9 | 38.8 | 36.8 | 0.7 | 0.8 | 2.5 | 2.4 |
| Admin expenses | -8.6% | 2.4% | 13.7 | 15.0 | 48.9 | 47.7 | 0.9 | 1.0 | 3.1 | 3.1 |
| Total expenses | -2.6% | 20.7% | 192.6 | 197.8 | 820.9 | 679.8 | 12.3 | 12.7 | 52.5 | 43.5 |
| incl. depreciation of fixed assets | -18.9% | -3.3% | 4.8 | 5.9 | 18.7 | 19.4 | 0.3 | 0.4 | 1.2 | 1.2 |
| Salary cost | -8.2% | 10.7% | 29.5 | 32.1 | 128.7 | 116.2 | 1.9 | 2.1 | 8.2 | 7.4 |

As at the balance day on 31 December, there were 515 people working in the group, which is 29 employees more than a year ago. The increase in production volumes has brought about an increase in the number of employees as well as an increase in labour costs. In the fourth quarter, there was an average of 503 people working in the group (Q42007: 458). The annual average number of employees increased by 45 to 503 and the average monthly wages of the employees of the group increased by 400 kroons (25.56 euros) to 21 400 kroons (1400 euros). In the reporting year, wage costs increased by 10.7% to 128.7 million kroons (8.2 million euros).

Due to the economic recession, the payment habits of the clients have worsened this year. In twelve months, claims related to business activity have been written down and discounted in the amount of 0.9 million kroons (55 thousand euros) (2007: 0.1 million kroons or 6400 euros). At the end of the year, reserves were discounted in the amount of 0.3 million kroons (14 thousand euros) mainly due to the decrease in the market prices of certain products. The costs of markdowns are included in marketing costs.

The increase in business expenses stopped in the fourth quarter, remaining below the results of last year, which in turn increased the profitability of the reporting quarter. In the total for the year, business expenses were one fifth higher than last year. In the conditions of toughening competition, the speed of growth in expenses related to sold products and services was 23%, exceeding the growth of sales revenue by 4.1 percentage points.

Balance sheet

The amount of the consolidated balance sheet as of 31 December 2008 was 602.1 million kroons or 38.5 million euros (31 December 2007: 720.3 million kroons or 46.0 million euros), decreasing by 118.2 million kroons (7.5 million euros) in the 12 months.

The main reason for the decrease in assets was a change in the market price of a share of PKC Group Oyj. The price of the share on the Helsinki Stock Exchange decreased during the last 3 months by 3.57 euros (55.86 kroons). The difference resulting from reassessment of shares – 88.3 million kroons (5.6 million euros) in 4Q2008 and one year total 140.9 million kroons (9.0 million euros)– was recognised directly in the equity as a decrease of reserves.

58.6% (31 December 2007: 66.5%) of the balance sheet total is accounted for by capital assets and 69.6% (76.6% 31 December 2007) by equity capital.

Cash flows, investments and financing

The cash flows from operating activities totalled 45.4 million kroons (2.9 million euros) and in the comparable period 41.6 million kroons (2.7 million euros), from investing activities' expenditure -13.4 million kroons (-0.9 million euros) and in the comparable period the cash flow was positive 9.8 million kroons (0.6 million euros), from financing activities' expenditure -34.8 million kroons (-2.2 million euros) and in the comparable period -31.8 million kroons (-2.0 million euros). Cash and cash equivalents decreased in the 12 months by 2.8 million kroons (0.2 million euros) to 23.4 million kroons (1.5 million euros) and increase in the comparable period by 19.6 million kroons (1.3 million euros) to 26.3 million kroons (1.7 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 - 31 December | | | | |
| Property, plant and equipment | 30.86 | 28.52 | 1.97 | 1.82 |
| Investment property | 5.24 | 14.01 | 0.33 | 0.90 |
| Intangible assets | 1.11 | 0.73 | 0.07 | 0.05 |
| Total | 37.21 | 43.26 | 2.37 | 2.77 |

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 thousand euros). In the 12 months, the Group has invested a total of 30.9 million kroons (2.0 million euros) in buildings, 3.8 million kroons (241 thousand 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). The loan contract has been concluded for five years. AS of 31 December long-term loans have been used in the amount of 7.4 million kroons (473 thousand euros). Long-term loans were repaid within 12 months in the amount of 11.4 million kroons (726 thousand euros) and in the reference period in the amount of 10.1 million kroons (643 thousand euros).

The short-term bank loan grew to 11.3 million kroons (725 thousand euros) in the 12 months to 27.8 million kroons (1.8 million euros).

The Group received 11.1million kroons (711 thousand euros) in dividends and paid 34.0 million kroons (2.2 million euros) worth of dividends, 12.7 million euros (810 thousand euros) and 31.7 million kroons (2.0 million euros), respectively, in the comparable period.

On a financial lease, a total of 10.8 million kroons (692 thousand euros) of machinery and equipment were acquired, and a total of 3.8 million kroons (243 thousand euros) of principal repayments on the financial lease were made. In the comparable period 1.1 million kroons (68 thousand euros) and 1.2 million kroons (79 thousand euros), respectively.

Shares of Harju Elekter

| | EEK | | | EUR | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| 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 |
| High price | 53.98 | 71.97 | 69.47 | 3.45 | 4.60 | 4.44 |
| Low price | 14.86 | 47.25 | 51.63 | 0.95 | 3.02 | 3.30 |
| Closing price | 15.49 | 53.20 | 64.93 | 0.99 | 3.40 | 4.15 |
| EPS | 2.30 | 5.03 | 2.81 | 0.15 | 0.32 | 0.18 |

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 and management boards

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). As a rule, the meetings of the supervisory board are held in full membership. During the reporting year, the only exception has been the member of supervisory board Lembit Kirsme, who for health reasons has attended less than a half of the supervisory board meetings.

In 2008 there were no changes in the Management of AS Harju Elekter. 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.

Auditing is performed by KPMG Baltics AS in cooperation with the auditor 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 32.15 percent of the shares of AS Harju Elekter.

During the reporting period the Group has purchased goods and services from associated company and AS Harju KEK in the amount of 10.6 million kroons (0.7 million euros) and sold goods and services to them totally in the amount of 10.7 million kroons (0.7 million euros) and in the comparable period in the amount of 15.2 million kroons (1.0 million euros) and 12.4 million kroons (0.8 million euros) respectively.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 2008 amounted to a total of 4.2 million kroons (268 thousand euros) and in the comparable period 3.8 million kroons (242 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 | | | | € | | | |
|---|-------|-------|-----------|-------|------|------|-----------|------|
| | Q4 | | 12 months | | Q4 | | 12 months | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Accounting period | | | | | | | | |
| Turnover | 204.6 | 206.8 | 871.6 | 732.0 | 13.1 | 13.2 | 55.7 | 46.8 |
| EBITDA | 16.5 | 15.2 | 68.9 | 70.9 | 1.1 | 1.0 | 4.4 | 4.5 |
| Operating profit | 11.7 | 9.4 | 50.2 | 51.5 | 0.7 | 0.6 | 3.2 | 3.3 |
| Net profit for the current period | 2.7 | 4.5 | 42.2 | 85.9 | 0.2 | 0.3 | 2.7 | 5.5 |
| incl. equity holders of the parent | 1.2 | 4.9 | 38.7 | 84.5 | 0.1 | 0.3 | 2.5 | 5.4 |

| <u>Consolidated balance sheet</u> (in million) | Structure (%) | | EEK | | € | |
|---|----------------|------------|------------|------------|------------|------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| | Current assets | 41.4 | 33.5 | 249.4 | 241.0 | 15.9 |
| Fixed assets | 58.6 | 66.5 | 352.7 | 479.3 | 22.6 | 30.6 |
| Total assets | 100.0 | 100.0 | 602.1 | 720.3 | 38.5 | 46.0 |
| Expenses | 30.4 | 23.4 | 183.2 | 168.7 | 11.7 | 10.8 |
| Owner's equity | 69.6 | 76.6 | 418.9 | 551.6 | 26.8 | 35.2 |
| Incl. owner's equity belonging to the parent | 66.0 | 74.0 | 397.3 | 533.2 | 25.4 | 34.1 |

| <u>Growth</u> (%) | Q 4 | | Year | |
|--|-------|-------|-------|------|
| | 2008 | 2007 | 2008 | 2007 |
| Turnover | -1.0 | 23.7 | 19.1 | 17.7 |
| EBITDA | 8.3 | -17.1 | -2.8 | 12.8 |
| Operating profit (EBIT) | 25.3 | -25.1 | -2.6 | 14.0 |
| Net profit for the current period | -39.6 | -42.5 | -50.9 | 65.1 |
| incl. equity holders of the parent | -74.6 | -23.7 | -54.2 | 78.6 |
| <u>Performance indicators (%)</u> | | | | |
| Return of sales before depreciation | 8.1 | 6.7 | 7.9 | 9.5 |
| Return of sales (operating profit/turnover *100) | 5.7 | 4.5 | 5.8 | 7.0 |
| Net profit margin (net profit/turnover *100) | 0.6 | 2.2 | 4.4 | 11.5 |
| <u>Employees</u> | | | | |
| Average number of employees | 503 | 458 | 501 | 442 |
| Number of employees in the end of the period | 515 | 486 | 515 | 486 |

INTERIM FINANCIAL STATEMENTS**CONSOLIDATED BALANCE SHEET**

| | Note | EEK'000 31.12.2008 | 31.12.2007 | €000 31.12.2008 | 31.12.2007 |
|--|------|-----------------------|----------------|--------------------|---------------|
| Current assets | | | | | |
| Cash and cash equivalents | | 23,379 | 26,257 | 1,494 | 1,678 |
| Trade receivables and other receivables | | 99,449 | 84,601 | 6,356 | 5,407 |
| Prepayments | | 3,217 | 1,548 | 205 | 99 |
| Inclusive income tax | | 47 | 717 | 3 | 46 |
| Inventories | | 123,351 | 128,639 | 7,884 | 8,222 |
| Total current assets | | 249,396 | 241,045 | 15,939 | 15,406 |
| Non-current assets | | | | | |
| Investments in associates | | 17,907 | 21,975 | 1,144 | 1,404 |
| Other long-term financial investments | | 74,323 | 215,236 | 4,750 | 13,756 |
| Investment property | 2 | 133,736 | 133,839 | 8,547 | 8,554 |
| Property, plant and equipment | 2 | 123,540 | 104,948 | 7,896 | 6,707 |
| Intangible assets | 2 | 3,200 | 3,269 | 205 | 209 |
| Total non-current assets | | 352,706 | 479,267 | 22,542 | 30,630 |
| TOTAL ASSETS | | 602,102 | 720,312 | 38,481 | 46,036 |
| Liabilities | | | | | |
| Interest-bearing loans and borrowings | 3 | 41,958 | 27,942 | 2,682 | 1,786 |
| Trade payables and other payables | | 112,395 | 106,495 | 7,183 | 6,806 |
| Tax liabilities | | 11,216 | 12,008 | 717 | 767 |
| Inclusive income tax | | 1,551 | 672 | 99 | 43 |
| Short-term provision | | 1,294 | 1,421 | 83 | 91 |
| Total current liabilities | | 166,863 | 147,866 | 10,665 | 9,450 |
| Non-current liabilities | 3 | 16,381 | 20,382 | 1,046 | 1,302 |
| Other non-current liabilities | | 0 | 469 | 0 | 30 |
| Total non-current liabilities | | 16,381 | 20,851 | 1,046 | 1,332 |
| Total liabilities | | 183,244 | 168,717 | 11,711 | 10,782 |
| Equity | | | | | |
| Share capital | | 168,000 | 168,000 | 10,737 | 10,737 |
| Share premium | | 6,000 | 6,000 | 384 | 384 |
| Reserves | | 69,745 | 207,259 | 4,458 | 13,246 |
| Retained earnings | | 153,561 | 151,894 | 9,814 | 9,708 |
| Total equity attributable to equity holders of the parent | | 397,306 | 533,153 | 25,393 | 34,075 |
| Minority interest | | 21,552 | 18,442 | 1,377 | 1,179 |
| Total equity | | 418,858 | 551,595 | 26,770 | 35,254 |
| TOTAL LIABILITIES AND EQUITY | | 602,102 | 720,312 | 38,481 | 46,036 |

CONSOLIDATED INCOME STATEMENT

| EEK'000 | Note | For the period 10 – 12 ended 31 December | | For the period 1 – 12 ended 31 December | |
|--|------|---|---------------|--|----------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Revenue | 4 | 204,629 | 206,761 | 871,610 | 731,985 |
| Cost of sales | | -167,530 | -169,941 | -733,189 | -595,320 |
| Gross profit | | 37,099 | 36,820 | 138,421 | 136,665 |
| Distribution costs | | -11,403 | -12,860 | -38,778 | -36,843 |
| Administrative expenses | | -13,721 | -15,002 | -48,906 | -47,737 |
| Other income | | 63 | 410 | 325 | 589 |
| Other expenses | | -307 | 0 | -882 | -1,166 |
| Operating profit | 4 | 11,731 | 9,368 | 50,180 | 51,508 |
| Net financing income/costs | 5 | -555 | -830 | 8,694 | 43,119 |
| Share of profit of associates | | -7,811 | -3,961 | -4,068 | 73 |
| Profit before tax | | 3,365 | 4,577 | 54,806 | 94,700 |
| Allocation of corporate income tax to relevant periods | | -656 | -89 | -12,629 | -8,765 |
| Profit for the period | | 2,709 | 4,488 | 42,177 | 85,935 |
| Attributable to: | | | | | |
| Equity holders of the parent | 6 | 1,231 | 4,857 | 38,667 | 84,456 |
| Minority interests | | 1,478 | -369 | 3,510 | 1,479 |
| Basic and diluted earnings per share | 6 | 0.07 | 0.29 | 2.30 | 5.03 |
| €000 | | | | | |
| Revenue | 4 | 13,078 | 13,214 | 55,706 | 46,782 |
| Cost of sales | | -10,707 | -10,861 | -46,859 | -38,048 |
| Gross profit | | 2,371 | 2,353 | 8,847 | 8,734 |
| Distribution costs | | -729 | -822 | -2,479 | -2,355 |
| Administrative expenses | | -877 | -959 | -3,126 | -3,051 |
| Other income | | 4 | 7 | 21 | 38 |
| Other expenses | | -20 | 19 | -56 | -74 |
| Operating profit | 4 | 749 | 599 | 3,207 | 3,292 |
| Net financing income/costs | 5 | -35 | -53 | 556 | 2,756 |
| Share of profit of associates | | -499 | -253 | -260 | 5 |
| Profit before tax | | 215 | 293 | 3,503 | 6,053 |
| Allocation of corporate income tax to relevant periods | | -42 | -6 | -807 | -560 |
| Profit for the period | | 173 | 287 | 2,696 | 5,493 |
| Attributable to: | | | | | |
| Equity holders of the parent | 6 | 79 | 310 | 2,472 | 5,398 |
| Minority interests | | 94 | -24 | 224 | 95 |
| Basic and diluted earnings per share | 6 | 0.00 | 0.02 | 0.15 | 0.32 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| For the period ended 31 December | Note | EEK'000 2008 | 2007 | €000 2008 | 2007 |
|---|------|-----------------|----------------|---------------|---------------|
| Cash flows from operating activities | | | | | |
| Operating profit | 4 | 50,180 | 51,508 | 3,207 | 3,292 |
| <u>Adjustments for:</u> | | | | | |
| Depreciation and amortisation | 2 | 18,736 | 19,373 | 1,197 | 1,239 |
| Gain on sale of property, plant and equipment | | 39 | -44 | 3 | -4 |
| Change in receivables related to operating activity | | -15,323 | 956 | -979 | 61 |
| Change in inventories | | 5,288 | -49,610 | 338 | -3,171 |
| Change in payables related to operating activity | | 360 | 33,292 | 23 | 2,128 |
| Corporate income tax paid | | -11,080 | -11,209 | -708 | -717 |
| Interest paid | | -2,780 | -2,623 | -178 | -167 |
| Net cash from operating activities | | 45,420 | 41,643 | 2,903 | 2,661 |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | | -5,237 | -14,013 | -335 | -896 |
| Acquisition of investment property | | -18,756 | -27,786 | -1,199 | -1,776 |
| Acquisition of intangible assets | | -1,107 | -725 | -71 | -46 |
| Proceeds from sale of property, plant and equipment | | 13 | 179 | 1 | 12 |
| Proceeds from sale of other financial investments | | 0 | 39,056 | 0 | 2,496 |
| Loans given | | -35 | -50 | -2 | -3 |
| Repayment of loans given | | 35 | 100 | 2 | 6 |
| Interest received | | 530 | 335 | 34 | 22 |
| Dividends received | | 11,125 | 12,663 | 711 | 810 |
| Net cash used in investing activities | | -13,432 | 9,759 | -859 | 625 |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | 3 | 14,345 | 11,200 | 917 | 716 |
| Repayment of borrowings | 3 | -11,364 | -10,054 | -726 | -643 |
| Payment of finance lease principal | 3 | -3,796 | -1,242 | -243 | -79 |
| Dividends paid | | -34,000 | -31,706 | -2,173 | -2,027 |
| Net cash used in financing activities | | -34,815 | -31,802 | -2,225 | -2,033 |
| Net cash flows | | -2,827 | 19,600 | -181 | 1,253 |
| Cash and cash equivalents at beginning of period | | | | | |
| Net increase / decrease | | -2,827 | 19,600 | -181 | 1,253 |
| Effect of exchange rate fluctuations on cash held | | -51 | -55 | -3 | -4 |
| Cash and cash equivalents at end of period | | 23,379 | 26,257 | 1,494 | 1,678 |

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 1-12/ 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 | 84,456 | 84,456 | 1,479 | 85,935 |
| Income recognized directly in equity | 0 | 0 | 0 | -126,693 | 0 | -126,693 | 0 | -126,693 |
| Total income for period | 0 | 0 | 0 | -126,693 | 84,456 | -42,237 | 1,479 | -40,758 |
| 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 31 December 2007 | 168,000 | 6,000 | 13,400 | 193,859 | 151,894 | 533,153 | 18,442 | 551,595 |
| For the period 1-12/ 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 | 38,667 | 38,667 | 3,510 | 42,177 |
| Income recognized directly in equity | 0 | 0 | 0 | -140,914 | 0 | -140,914 | 0 | -140,914 |
| Total income for period | 0 | 0 | 0 | -140,914 | 38,667 | -102,247 | 3,510 | -98,737 |
| Dividends | 0 | 0 | 0 | 0 | -33,600 | -33,600 | -400 | -34,000 |
| Amounts transferred reserves | 0 | 0 | 3,400 | 0 | -3,400 | 0 | 0 | 0 |
| Balance at 31 December 2008 | 168,000 | 6,000 | 16,800 | 52,945 | 153,561 | 397,306 | 21,552 | 418,858 |

€000

| | | | | | | | | |
|--------------------------------------|---------------|------------|--------------|---------------|--------------|---------------|--------------|---------------|
| For the period 1-12/ 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 | 5,398 | 5,398 | 95 | 5,493 |
| Income recognized directly in equity | 0 | 0 | 0 | -8,097 | 0 | -8,097 | 0 | -8,097 |
| Total income for period | 0 | 0 | 0 | -8,097 | 5,398 | -2,699 | 95 | -2,604 |
| 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 31 December 2007 | 10,737 | 384 | 856 | 12,390 | 9,708 | 34,075 | 1,179 | 35,254 |
| For period 1-12/ 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 | 2,470 | 2,470 | 224 | 2,694 |
| Income recognized directly in equity | 0 | 0 | 0 | -9,005 | 0 | -9,005 | 0 | -9,005 |
| Total income for period | 0 | 0 | 0 | -9,005 | 2,470 | -6,535 | 224 | -6,311 |
| Dividends | 0 | 0 | 0 | 0 | -2,147 | -2,147 | -26 | -2,173 |
| Amounts transferred reserves | 0 | 0 | 217 | 0 | -217 | 0 | 0 | 0 |
| Balance at 31 December 2008 | 10,737 | 384 | 1,073 | 3,385 | 9,814 | 25,393 | 1,377 | 26,770 |

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31.12.2008 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; 32.15% 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 1-12/2008 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 31 December 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 | 30,865 | 28,518 | 5,237 | 14,013 | 1,107 | 725 |
| Transfer from investment property | 619 | 2,496 | -619 | -2,496 | 0 | 0 |
| Disposals | -22 | -136 | 0 | 0 | -31 | 0 |
| Amortisation change for the period | -12,870 | -13,376 | -4,721 | -4,946 | -1,145 | -1,051 |
| Balance at the end of the current period | 123,540 | 104,948 | 133,736 | 133,839 | 3,200 | 3,269 |
| €000 | | | | | | |
| Balance at 1 January | 6,707 | 5,589 | 8,554 | 8,134 | 209 | 230 |
| Additions | 1,973 | 1,823 | 335 | 896 | 71 | 46 |
| Transfer from investment property | 40 | 160 | -40 | -160 | 0 | 0 |
| Disposals | -2 | -9 | 0 | 0 | -2 | 0 |
| Amortisation change for the period | -822 | -856 | -302 | -316 | -73 | -67 |
| Balance at the end of the current period | 7,896 | 6,707 | 8,547 | 8,554 | 205 | 209 |

Note 3 Interest-bearing loans and borrowings

| | EEK'000 | | €000 | |
|--|---------------|---------------|--------------|--------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| Liabilities | | | | |
| Short-term bank loans | 27,849 | 16,509 | 1,780 | 1,055 |
| Current portion of long-term bank loans | 12,066 | 10,118 | 771 | 646 |
| Current portion of lease liabilities | 2,043 | 1,315 | 131 | 85 |
| Total current liabilities | 41,958 | 27,942 | 2,682 | 1,786 |
| Long-term bank loans | 8,967 | 19,274 | 573 | 1,232 |
| Lease liabilities | 7,414 | 1,108 | 473 | 70 |
| Total non-current liabilities | 16,381 | 20,382 | 1,046 | 1,302 |
| Total interest-bearing loans and borrowings | 58,339 | 48,324 | 3,728 | 3,088 |

Changes during the period ended 31 December:

| | 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 | 11,340 | 6,807 | 725 | 435 |
| New long-term loan | 3,005 | 4,393 | 192 | 281 |
| Long-term loan repaid | -11,364 | -10,054 | -726 | -643 |
| New finance lease liabilities | 10,830 | 1,080 | 692 | 68 |
| Payment of finance lease principal | -3,796 | -1,242 | -243 | -79 |
| Loans and borrowings at the end of the current period | 58,339 | 48,324 | 3,728 | 3,088 |

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 Rifas UAB.

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

For the period ended 31 December

| EEK'000 | Estonia | | Finland | | Lithuania | | Eliminations | | Consolidated | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue from external customers | 388,711 | 408,324 | 354,828 | 246,668 | 128,071 | 76,993 | 0 | 0 | 871,610 | 731,985 |
| Inter-segment revenue | 56,073 | 25,835 | 45 | 45 | 874 | 1,377 | -56,992 | -27,257 | 0 | 0 |
| Total revenue | 444,784 | 434,159 | 354,873 | 246,713 | 128,945 | 78,370 | -56,992 | -27,257 | 871,610 | 731,985 |
| Segment result | 29,636 | 40,915 | 11,609 | 7,016 | 8,887 | 3,611 | 48 | -34 | 50,180 | 51,508 |

€000

| | | | | | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Revenue from external customers | 24,843 | 26,097 | 22,678 | 15,765 | 8,185 | 4,920 | 0 | 0 | 55,706 | 46,782 |
| Inter-segment revenue | 3,584 | 1,651 | 3 | 3 | 56 | 88 | -3,643 | -1,742 | 0 | 0 |
| Total revenue | 28,427 | 27,748 | 22,681 | 15,768 | 8,241 | 5,008 | -3,643 | -1,742 | 55,706 | 46,782 |
| Segment result | 1,894 | 2,615 | 742 | 448 | 568 | 231 | 3 | -2 | 3,207 | 3,292 |

Segment revenue based on the geographical location of customers

For the period ended 31 December

| EEK'000 | Estonia | | Finland | | Lithuania | | Eliminations | | Consolidated | |
|--------------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Estonia | 324,060 | 299,469 | 45 | 45 | 880 | 1,331 | -920 | -1,422 | 324,065 | 299,423 |
| Finland | 103,914 | 64,632 | 338,771 | 243,608 | 672 | 2,428 | -52,674 | -23,631 | 390,683 | 287,037 |
| Lithuania | 5,262 | 3,484 | 0 | 0 | 96,882 | 63,354 | -3,398 | -2,204 | 98,746 | 64,634 |
| Other EU countries | 11,200 | 59,100 | 16,057 | 3,060 | 19,838 | 4,103 | 0 | 0 | 47,095 | 66,263 |
| Other | 348 | 7,474 | 0 | 0 | 10,673 | 7,154 | 0 | 0 | 11,021 | 14,628 |
| Total | 444,784 | 434,159 | 354,873 | 246,713 | 128,945 | 78,370 | -56,992 | -27,257 | 871,610 | 731,985 |

€000

| | | | | | | | | | | |
|--------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Estonia | 20,712 | 19,140 | 3 | 3 | 56 | 85 | -59 | -91 | 20,712 | 19,137 |
| Finland | 6,641 | 4,130 | 21,652 | 15,569 | 43 | 155 | -3,367 | -1,510 | 24,969 | 18,344 |
| Lithuania | 336 | 223 | 0 | 0 | 6,192 | 4,049 | -217 | -141 | 6,311 | 4,131 |
| Other EU countries | 716 | 3,777 | 1,026 | 196 | 1,268 | 262 | 0 | 0 | 3,010 | 4,235 |
| Other | 22 | 478 | 0 | 0 | 682 | 457 | 0 | 0 | 704 | 935 |
| Total | 28,427 | 27,748 | 22,681 | 15,768 | 8,241 | 5,008 | -3,643 | -1,742 | 55,706 | 46,782 |

Group's business segment report – secondary segment

As at 31 December 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.

In 2008, reflected the composition of trade in „Unallocated items“, because the share of trade is not large enough to be reflected in a separate segment.

Business segment revenue in areas of activity:

| For the period ended 31 December | Revenue | | Eliminations | | Consolidated | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| EEK'000 | | | | | | |
| Manufacturing | 774,787 | 613,881 | -5,545 | -4,330 | 769,242 | 609,551 |
| Real estate | 49,631 | 49,363 | -13,095 | -13,772 | 36,536 | 35,591 |
| Unallocated activities | 69,792 | 91,879 | -3,960 | -5,036 | 65,832 | 86,843 |
| Total revenue | 894,210 | 755,123 | -22,600 | -23,138 | 871,610 | 731,985 |
| €000 | | | | | | |
| Manufacturing | 49,518 | 39,234 | -354 | -277 | 49,164 | 38,957 |
| Real estate | 3,172 | 3,155 | -837 | -880 | 2,335 | 2,275 |
| Unallocated activities | 4,460 | 5,872 | -253 | -322 | 4,207 | 5,550 |
| Total revenue | 57,150 | 48,261 | -1,444 | -1,479 | 55,706 | 46,782 |

Note 5 Net financing income/costs

| For the period ended 31 December | EEK'000 | | €000 | |
|--|--------------|---------------|------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Interest income | 565 | 328 | 36 | 22 |
| Interest expense | -2,945 | -2,633 | -188 | -168 |
| Dividend income | 11,125 | 12,663 | 711 | 810 |
| Net loss from foreign exchange differences | -51 | -55 | -3 | -4 |
| <i>Marketable investments:</i> | | | | |
| Income from sale of investments | 0 | 32,816 | 0 | 2,097 |
| TOTAL | 8,694 | 43,119 | 556 | 2,756 |

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 31 December | | 2008 | 2007 | | 2008 | 2007 |
|---|---------|--------|--------|------|--------|--------|
| Profit attributable to equity holders of the parent | EEK'000 | 38,667 | 84,456 | €000 | 2,472 | 5,398 |
| Average number of shares outstanding | '000 | 16,800 | 16,800 | '000 | 16,800 | 16,800 |
| Basic and diluted earnings per share | EEK | 2.30 | 5.03 | € | 0.15 | 0.32 |

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 31 December 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 168 million kroons which is divided into 16.8 million ordinary shares. According to the decision of the AGM paid to the owners dividends in the amount of 2 kroons (0.128 euros) per share i.e. a total of 33.6 million kroons (2.1 million euros). The dividends were paid on 19 May 2008.

On the basis of the results of 2006 in 2007 the company paid to the shareholders dividends in the amount of 1.80 kroons (0.115 euros) per share i.e. a total 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 32.15 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 31 December | EEK '000 | | €000 | |
|---|---------------|---------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Purchase of goods and services from related parties: | | | | |
| - from associates | 9,853 | 14,563 | 630 | 930 |
| - from Harju KEK | 761 | 588 | 49 | 38 |
| TOTAL | 10,614 | 15,151 | 679 | 968 |
| <i>Inclusive:</i> | | | | |
| - goods and materials for manufacturing | 9,854 | 14,548 | 630 | 930 |
| - lease of property. plant and equipment | 700 | 536 | 45 | 34 |
| - other | 60 | 67 | 4 | 4 |
| Sale of goods and services to related parties: | | | | |
| - to associates | 10,586 | 12,175 | 677 | 778 |
| - to Harju KEK | 85 | 221 | 5 | 14 |
| TOTAL | 10,671 | 12,396 | 682 | 792 |
| <i>Inclusive:</i> | | | | |
| - goods and materials for manufacturing | 364 | 828 | 23 | 53 |
| - lease of property. plant and equipment | 6,292 | 6,685 | 403 | 427 |
| - management services | 2,713 | 2,713 | 173 | 173 |
| - other | 1,302 | 2,170 | 83 | 139 |
| Purchase of investment property from Harju KEK | | | | |
| - land | 0 | 2,768 | 0 | 177 |
| - buildings | 0 | 11,882 | 0 | 759 |
| TOTAL | 0 | 14,650 | 0 | 936 |
| Balances with related parties at 31 December | | | | |
| Receivables with associates: goods and services | 1,970 | 243 | 126 | 16 |
| Payables with associates: goods and services | 264 | 60 | 17 | 4 |

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/ 2008, as set out on pages 3 to 20, 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/ | 26 th of February 2009 |
| Lembit Libe | Member of the Board | /signature/ | 26 th of February 2009 |
| Karin Padjus | Member of the Board | /signature/ | 26 th of February 2009 |