

**AS Harju Elekter**  
**Interim report 1-9/ 2004**  
Unaudited, consolidated

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 <sup>st</sup> of January 2004
End of the reporting period:	30 <sup>th</sup> of September 2004

*The interim report of Harju Elekter Group on 20 pages*

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

In interim report for 9M 2004 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries are consolidated line-by-line and the results of affiliated companies by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 30.09.2004, Harju Elekter owns significant holdings in the following commercial undertakings:

			<u>Participation %</u>		
			30.09.04	31.12.03	30.09.03
AS Eltek	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 %	0,0 %
AS Keila Kaabel	associated company	Estonia	34,0 %	34,0 %	34,0 %
AS Saajos Balti	associated company	Estonia	33,3 %	33,3 %	33,3 %
PKC Group Oyj	financial investment	Finland	10,7 %	10,6 %	11,4 %

Harju Elekter purchased 51% of the shares of the Lithuanian company UAB Rifas in October 2003. Thus the compared period of the report – 9M of 2003 – does not contain the economic indicators of Rifas.

***Introduction***

Economic climate improved in almost all economic areas, including Western Europe, which is of considerable importance to Estonia. Finland and Sweden, Estonia's main trading partners, are also doing better this year than in 2003 and it is hoped that they see a 3% economic growth. Latvia and Lithuania are developing very well with expectations for economic growth of even 8%; the relevant figure for Estonia is 6%. According to estimates, inflation will remain at the level of 3,5%. It is imperative that during the following six months forecasts indicate continuous development of the domestic market as well as foreign trade.

The economic results of the consolidation group for the 9M were generally good and met our expectations. The number of sales orders in the Q3 considerably exceeded the volume of the Q2 as well as in Estonian market also in Finnish and Lithuanian markets. Compared to the same period last year, the sales increasing by 33,9% and operating profit by 70,4%, gross margin improved up to 7,6%.

***Important events***

The annual general meeting of shareholders was held on 16 April, and 106 shareholders or their authorised representatives participated, who represent 62,7 % of the total number of votes. The general meeting decided to pay dividends to the owners at the rate of EEK 4,00 (EUR 0,26) per share. Dividends paid to the shareholders on the week 20.

AS Keila Kaabel, associated company of Harju Elekter, opens its new production hall on 4th of May. The expansion project comprised the construction of a new production hall with an area of 2 500 m<sup>2</sup> and the reconstruction of the production lines. The new technology and the extended production facility will enable the Keila Kaabel factory to improve productivity and broaden its product range and quality.

According to a long-term lease contract, Keila Kaabel leases 7 600 m<sup>2</sup> of the production space and an external storage of more than 10 000 m<sup>2</sup> from the registered immovable belonging to Harju Elekter.

For a better servicing of its customers in East Estonia and enlarging its market share in the area, Harju Elekter opens its fourth store of electrical materials and equipment in Jõhvi on 3<sup>rd</sup> of June.

On the 17th of June UAB Rifas, the Lithuanian subsidiary of Harju Elekter, opened a new production building in Panevežys. Newly-built production area has 1300 sq. m of floor space that allows for doubling of the plant's production volumes and expanding the product range from manufacturing automation products to energy distribution and construction products. The necessary know-how for entering the new market segment and a large number of components and semi-finished products is supplied from Estonia. The investment in the construction and technical equipment totaled MEEK 8 (MEUR 0,5) and it was financed from own funds.

On the 4<sup>th</sup> of September AS Harju Elekter and PKC Eesti concluded preliminary leasehold contracts for long-term lease of additional production space. At the request of PKC Group, AS Harju Elekter will expand the production space of its Estonian subsidiary by 8400 m<sup>2</sup>. 5400 m<sup>2</sup> of that production space will be at the disposal of the PKC Eesti Keila factory and 3200 m<sup>2</sup> at the disposal of the Haapsalu factory. PKC Group needs the additional production space due to the increase in the volume of orders and the transfer of the production operations previously performed in the Netherlands and Finland, to Estonia. The new halls will be completed in May 2005.

In relation to placing, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for.

PKC Group Oyj's Extraordinary General Meeting held on 20.09.2004 accepted Management Board proposal to pay extra dividend for 2003 in the amount of 0.5 EUR per share and organise the bonus issue. Dividends paid to the shareholders in 30<sup>th</sup> of September. The list of shareholders with the right to bonus issue was compiled on 23<sup>rd</sup> of September. During the bonus issue, 11 640 348 new shares will be distributed so that two new shares will be given for each old share. New shares give the right to dividends for the financial year of 2004. After the bonus issue, the number of PKC shares will be 17 460 522. The list of shareholders participating in the bonus issue will be compiled on 23.09.2004. Harju Elekter is the largest shareholder of PKC who, after the bonus issue, will own 1 860 003 PKC shares or have a holding of 10.65%.

### ***Revenues, expenses and profit***

The sales revenue of the consolidation group AS Harju Elekter comprised MEEK 315, 2 (MEUR 20,1) in the 9M 2004, increasing by 33,9% in comparison with the same period of the previous year. Of the sales revenue, 77,6% accounted for the sales of industrial products and 14,5% for intermediate sales and sales of services. At the same time, the sales of products in the 9M increased by 32,7% in comparison with the same period in 2003, and the sales of services and intermediate sales altogether increased by 38,5%. Q3 was successful for all the companies of the group. The sales of the Q3 of 2004 exceeded the sales of the Q2 by 21,1%

Of the sales revenue of the consolidation group AS Harju Elekter, 47,7% is ascribed to the sales to Estonia and 52,3% to the sales to foreign markets.incl.38,5% to Finland and 11,4% to Lithuania. The sales to the Estonian market went up by 21,3%. The sales of products to foreign markets went up by 48,0%. Attention should be paid to the fact that the data of the 9M 2004 include also the consolidated sales revenues of the Lithuanian subsidiary Rifas in amount 36,1 MEEK (2,3 MEUR).

The total profit of the consolidation group AS Harju Elekter was MEEK 59,3 (MEUR 3,8), being 34,8% higher than in the previous year. The return of profit in the Group was 18,8% (9M 2003: 18,7%), in Q3 20,8% which was even 2 % points better compared to the same period in last year.

The general administrative expenses were MEEK 21,1 (MEUR 1,3) and the marketing expenses MEEK 14,4 (MEUR 0,9), growing both together in amount 5,8 MEEK (373 TEUR). The indicators of 2004 also include the expenses of the Lithuanian subsidiary Rifas in amount 4,7 MEEK (298 TEUR). The comparable growth is thus MEEK 1,1 (TEUR 70), i.e. 3,7 % that is clearly slower than the growth of sales.

Depreciation of the fixed assets of the consolidation group in the 9M 2004 was MEEK 9,3 (TEUR 595) or 36,0% more than in the same period of the previous year. Depreciation of fixed assets in amount MEEK 1,1 (TEUR 72) is calculated by UAB Rifas and gave 45% of the total increase of depreciation. The rapid growth in depreciation was triggered by the investments made in 2003 in expanding the rental and production premises and enhancing the capacities.

The total operating profit of the consolidation group AS Harju Elekter was MEEK 24,0 (MEUR 1,5), being 70,3% higher than in the previous year. As the growth rate of sales significantly exceeded that of fixed costs, the profit margin of the group for 9M was higher than that of 2003 by 1,6 percentage points, reaching 7,6%, and 11,2% in the Q3 (Q3 2003: 7,3%). In the parent company, the turnover grew by 17,7%, the total profit by 23,3% and the operating profit by 37,1%.

Financial operations yielded a total profit of MEEK 73,1 or MEUR 4,7 (9M 2003: MEEK 96,8 or MEUR 6,2). The market price of a PKC Group Oyj share changed only little in the Q3, decreasing by 7 euro cents (EEK 1,10); in the Q3 of 2003, however, the market price of the share increased by 99 euro cents (EEK 15,49), resulting in additional financial income in the amount of MEEK 29,0 (MEUR 5,2). A total of MEEK 48,8 or MEUR 3,1 (9M 2003: MEEK 81,3 or MEUR 5,2) of financial income was received from the revaluation of shares in the 9M of 2004. PKC Group Oyj paid dividends for 2003 in the total amount of MEEK 24,3 or MEUR 1,5, which is exceeds the relevant figure for last year by more than five times.

The net profit of the consolidation group was MEEK 94,8 or MEUR 6,1 in the 9M 2004 (9M 2003: MEEK 110,8 or MEUR 7,1) EPS was 17,49 kroons or 1,12 euros (9M 2003: 20,52 kroons or 1,31 euros).

#### ***Investments and capital employed***

During the accounting period, the Group invested in tangible and intangible assets a total of MEEK 24,5 or MEUR 1,6 (9M 2003: MEEK 38,9 or MEUR 2,4), of which in technology was MEEK 12,6 or MEUR 0,8 (9M 2003: MEEK 2,7 or TEUR 170) and construction and renovation work of buildings and plant was MEEK 13,0 or MEUR 0,8 (9M 2003: MEEK 31,8 or MEUR 2,0).

#### ***Employees***

The average number of employees in the Group in 9M 2004 was 372 (9M 2003: 286), including 195 (9M 2003: 174) employees in the parent company. As of the balance sheet date 30 September 2004, the

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number of employees in the Group was 383 (9M 2003: 294). A significant change in the number of employees was caused by the purchase of the Lithuanian subsidiary Rifas (+68 people) in Q4 2003.

**Shares of Harju Elekter**

<b>Accounting period</b>	EEK			EUR		
	<b>9M 04</b>	<b>2003</b>	<b>9M 03</b>	<b>9M 04</b>	<b>2003</b>	<b>9M 03</b>
Number of shares (1000 pc)	5 422	5 400	5 400	5 422	5 400	5 400
Nominal value	10	10	10	0,64	0,64	0,64
Low price	119,09	43,03	43,03	6,70	2,75	2,75
High price	129,08	109,53	109,53	8,25	7,00	7,00
Average price	114,10	78,54	70,38	7,29	5,02	4,50
Market price at the end of period	110,31	104,83	93,88	7,05	6,70	6,00
Earnings per share EEK	17,49	32,49	20,52	1,12	2,07	1,31

**Key indicators**

<b>Accounting period</b>	1 000 EEK			1 000 EUR		
	<b>9M 04</b>	<b>2003</b>	<b>9M 03</b>	<b>9M 04</b>	<b>2003</b>	<b>9M 03</b>
Net sales	315 223	342 348	235 382	20 146	21 880	15 043
Operating profit	24 024	19 911	14 101	1 535	1 273	901
Profit before fin. expenses (EBIT)	98 104	177 159	111 773	6 270	11 323	7 144
Net profit for the current period	94 820	175 461	110 822	6 041	11 214	7 083
<b>At the end of the period</b>						
Total current assets	162 873	109 780	99 449	10 409	7 016	6 356
Total fixed assets	440 211	373 297	302 291	28 134	23 858	19 320
Total assets	603 084	483 077	401 740	38 544	30 874	25 676
Total liabilities	117 661	80 643	77 167	7 520	5 154	4 932
Minority interests	14 991	13 222	0	958	845	0
Total owners' equity	470 432	389 212	324 573	30 066	24 875	20 744

<b>Performance indicators (%)</b>	<b>9M 04</b>	<b>2003</b>	<b>9M 03</b>
Net sales growth	33,9	26,2	26,1
Operating profit growth	70,4	27,7	13,1
Net profit growth	-14,4	229,5	118,9
Return of sales (operating profit/net sales *100)	7,6	5,8	6,0
Net profit margin (net profit /net sales *100)	30,1	51,3	47,1
Owners' equity margin (equity / balance sheet total *100)	78,0	80,6	80,8
Current ratio	1,8	1,8	1,9
Quick ratio	1,0	1,0	1,0
Number of employees on 30.09.2004	383	353	294

## INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

ASSETS	Note No	1 000 EEK		1 000 EUR	
		30.09.04	31.12.03	30.09.04	31.12.03
<b>Current assets</b>					
<b>Cash and bank</b>		<b>17 862</b>	<b>26 449</b>	<b>1 142</b>	<b>1 690</b>
<b>Short-term receivables</b>					
Trade receivables		65 966	31 784	4 216	2 032
Other short-term receivables	10	3 058	6 106	195	390
Accrued expenses		882	67	56	4
Prepaid expenses		1 843	1 251	118	80
<b>Total short-term receivables</b>		<b>71 749</b>	<b>39 208</b>	<b>4 585</b>	<b>2 506</b>
<b>Inventories</b>		<b>73 262</b>	<b>44 123</b>	<b>4 683</b>	<b>2 820</b>
<b>Current assets</b>		<b>162 873</b>	<b>109 780</b>	<b>10 410</b>	<b>7 016</b>
<b>Fixed assets</b>					
Long-term investments	8	279 490	227 624	17 863	14 548
Investment properties	2	87 485	86 896	5 591	5 554
Tangible assets	2	71 824	56 987	4 590	3 642
Intangible assets	2	1 412	1 790	90	114
<b>Total fixed assets</b>		<b>440 211</b>	<b>373 297</b>	<b>28 134</b>	<b>23 858</b>
<b>Total assets</b>		<b>603 084</b>	<b>483 077</b>	<b>38 544</b>	<b>30 874</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Debt obligations	3	18 074	14 366	1 155	919
Prepayments received from customers		3 470	1 065	222	67
Accounts payable to suppliers		51 314	26 756	3 280	1 710
Other payables	10	2 050	1 218	131	78
Tax payable		7 603	6 838	486	437
Accrued expenses		8 706	9 600	556	614
Other prepaid revenue		3 643	0	233	0
<b>Total current liabilities</b>		<b>94 860</b>	<b>59 843</b>	<b>6 063</b>	<b>3 825</b>
<b>Long-term liabilities</b>	3	<b>22 801</b>	<b>20 800</b>	<b>1 457</b>	<b>1 329</b>
<b>Total liabilities</b>		<b>117 661</b>	<b>80 643</b>	<b>7 520</b>	<b>5 154</b>
<b>Minority interests</b>		<b>14 991</b>	<b>13 222</b>	<b>958</b>	<b>845</b>
<b>Owners' equity</b>					
Share capital (nominal value)		56 000	54 000	3 579	3 451
Statutory reserves		6 000	0	383	0
Retained profit		8 600	8 600	550	550
Net profit(loss) for the current period		305 012	151 151	19 494	9 660
<b>Total owners' equity</b>		<b>94 820</b>	<b>175 461</b>	<b>6 060</b>	<b>11 214</b>
<b>Tot. liabilities and owner' equity</b>	4	<b>470 432</b>	<b>389 212</b>	<b>30 066</b>	<b>24 875</b>
<b>Total current liabilities</b>		<b>603 084</b>	<b>483 077</b>	<b>38 544</b>	<b>30 874</b>

**INCOME STATEMENT**

1 000 EEK	Note No	Q3 2004	Q3 2003	9M 2004	9M 2003
Net sales	5,6	126 022	85 817	315 223	235 382
Cost of goods sold		-99 826	-69 727	-255 958	-191 418
<b>Gross profit</b>		<b>26 196</b>	<b>16 090</b>	<b>59 265</b>	<b>43 964</b>
Marketing expenses		-5 155	-4 209	-14 354	-11 965
Administrative and general expenses		-7 000	-5 718	-21 067	-17 622
Other operating revenue		94	127	483	169
Other operating charges		-62	-68	-302	-445
<b>Operating profit</b>	5,7	<b>14 073</b>	<b>6 222</b>	<b>24 025</b>	<b>14 101</b>
<b>Financial incomes and expenses, incl.</b>					
-from shares of associated companies		488	9600	-192	10 838
-from other investments	8	4 860	840	25 354	5 399
- from revaluation of financial investments	8	-2 134	29 008	48 849	81 332
- interest expense		-416	-421	-1 012	-918
- profit/loss from foreign exchange		-13	-8	-39	-37
- other financial expenses/incomes		22	50	96	140
<b>Total financial incomes and expenses</b>		<b>2 807</b>	<b>39 069</b>	<b>73 056</b>	<b>96 754</b>
<b>Profit from ordinary activities</b>		<b>16 880</b>	<b>45 291</b>	<b>97 081</b>	<b>110 855</b>
Allocation of corporate income tax to relevant periods (in Finland)		-16	0	-49	0
<b>Profit after taxes</b>		<b>16 864</b>	<b>45 291</b>	<b>97 032</b>	<b>110 855</b>
Minority interests		-1 927	-33	-2 212	-33
<b>Net profit for the current period</b>		<b>14 937</b>	<b>45 258</b>	<b>94 820</b>	<b>110 822</b>
Basic earnings per share	9	2,73	8,38	17,49	20,52
Diluted earnings per share	9	2,73	8,21	17,49	20,20



**INCOME STATEMENT**

1 000 EUR	Note no	Q3 2004	Q3 20 03	9M 2004	9M 2003
Net sales	5,6	8 054	5 484	20 146	15 043
Cost of goods sold		-6 380	-4 456	-16 359	-12 234
<b>Gross profit</b>		<b>1 674</b>	<b>1 028</b>	<b>3 787</b>	<b>2 809</b>
Marketing expenses		-329	-269	-917	-765
Administrative and general expenses		-447	-365	-1 347	-1 126
Other operating revenue		6	8	31	11
Other operating charges		-4	-4	-19	-28
<b>Operating profit</b>	5,7	<b>900</b>	<b>398</b>	<b>1 535</b>	<b>901</b>
<b>Financial incomes and expenses, incl.</b>					
-from shares of associated companies		31	614	-12	693
-from other investments	8	311	54	1 620	345
- from revaluation of financial investments	8	-136	1 854	3 122	5 198
- interest expense		-27	-27	-65	-59
- profit/loss from foreign exchange		-1	-1	-2	-2
- other financial expenses/incomes		1	3	6	9
<b>Total financial incomes and expenses</b>		<b>179</b>	<b>2 497</b>	<b>4 669</b>	<b>6 184</b>
<b>Profit from ordinary activities</b>		<b>1 079</b>	<b>2 895</b>	<b>6 204</b>	<b>7 085</b>
Allocation of corporate income tax to relevant periods (in Finland)		-1	0	-3	0
<b>Profit after taxes</b>		<b>1 078</b>	<b>2 895</b>	<b>6 201</b>	<b>7 085</b>
Minority interests		-123	-2	-141	-2
<b>Net profit for the current period</b>		<b>955</b>	<b>2 893</b>	<b>6 060</b>	<b>7 083</b>
Basic earnings per share	9	0,17	0,54	1,12	1,31
Diluted earnings per share	9	0,17	0,52	1,12	1,29

**CASH FLOW STATEMENT**

Note	Note No	1 000 EEK		1 000 EUR	
		Q3 2004	Q3 2003	9M 2004	9M 2003
<b>Business activities</b>					
		24 024	14 101	1 535	901
		<u>Adjustments</u>			
	2	9 307	6 842	595	437
		-105	9	-7	1
		Change in payables and prepayments related to business operations			
		-31 750	-7 632	-2 029	-488
		Changes of inventories			
		-29 138	-6 314	-1 862	-404
		Change in liabilities and prepayments related to business operations			
		0			
		31 172	2 893	1 992	185
		Interests paid			
		-1 123	-869	-72	-55
		Taxes paid			
		-49	-44	-3	-3
		<b>2 338</b>	<b>8 986</b>	<b>149</b>	<b>574</b>
<b>Investing activities</b>					
		-21 486	-31 070	-1 373	-1 986
		Capital gains from fixed assets			
		367	11	23	1
		Payments for financial investments			
		-8 281	-1 061	-529	-68
		Capital gains from sale of fin. investments			
		4 415	13 428	282	858
		Long-term loans granted			
		-76	-25	-5	-2
		Repayment of loan receivables			
		94	448	6	29
		Interests received			
		118	131	8	8
		Dividends received			
		25 133	6 076	1 606	389
		<b>284</b>	<b>-12 062</b>	<b>18</b>	<b>-771</b>
<b>Cash flow from financing activities</b>					
	3	9 099	21 812	582	1 394
	3	-4 685	-6 025	-299	-385
	3	-1 543	-997	-99	-64
		Share issue			
		8 000	0	511	0
		Dividends paid			
		-22 043	-10 800	-1 409	-690
		<b>-11 172</b>	<b>3 990</b>	<b>-713</b>	<b>255</b>
<b>Total cash flow</b>		<b>-8 550</b>	<b>914</b>	<b>-546</b>	<b>58</b>
<b>Cash at the beginning of the period</b>		<b>26 449</b>	<b>11 620</b>	<b>1 690</b>	<b>743</b>
		Net increase in cash			
		-8 550	914	-546	58
		Effect of foreign exchange rate change			
		-37	-38	-2	-2
<b>Cash at the end of the period</b>		<b>17 862</b>	<b>12 496</b>	<b>1 142</b>	<b>799</b>

**STATEMENT OF CHANGES IN OWNERS' EQUITY**

	Note No	1 000 EEK		1 000 EUR	
		9M 2004	9M 2003	9M 2004	9M 2003
<b>Share capital</b>					
Initial balance		54 000	54 000	3 451	3 451
Received from issue		2 000	0	128	0
<b>Final balance</b>		<b>56 000</b>	<b>54 000</b>	<b>3 579</b>	<b>3 451</b>
<b>Issue premium</b>					
Received from issue		6 000	0	383	0
<b>Final balance</b>		<b>6 000</b>	<b>0</b>	<b>383</b>	<b>0</b>
<b>Reserve requirement</b>					
Initial balance		8 600	8 600	550	550
<b>Final balance</b>		<b>8 600</b>	<b>8 600</b>	<b>550</b>	<b>550</b>
<b>Profit for current period</b>					
Initial balance	1	151 151	108 697	9 660	6 947
Distribution of net profit		175 461	53 254	11 214	3 404
Dividend paid		-21 600	-10 800	-1 380	-691
<b>Final balance</b>		<b>305 012</b>	<b>151 151</b>	<b>19 494</b>	<b>9 660</b>
<b>Profit for current year</b>					
Initial balance		175 461	53 254	11 214	3 404
Distribution of net profit		-175 461	-53 254	-11 214	-3 404
Profit for the current year		94 819	110 822	6 060	7 083
<b>Final balance</b>		<b>94 820</b>	<b>110 822</b>	<b>6 060</b>	<b>7 083</b>
<b>Total owners' equity</b>	4	<b>470 432</b>	<b>324 573</b>	<b>30 047</b>	<b>20 744</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

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

AS Harju Elekter is a company registered in Estonia. The consolidated annual accounts prepared as of 30.09.2004 include AS Harju Elekter and its subsidiaries 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, 30 % of the shares are held by AS Harju KEK.

This consolidated interim report is prepared in accordance with the Accounting Act of the Republic of Estonia applicable as from 1 January 2003, "Guidelines for Preparation and Submission of Interim Reports" issued by the Accounting Standards Board, and 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 31.12.2003.

According to the assessment of the management board, the interim report of the 9M 2004 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 financial statements of AS Harju Elekter are presented in thousands of Estonian kroons and euros. The EEK/EUR exchange rate is 15,64664 according to the quotation of Estonian Bank.

### Note 2 Tangible and intangible assets

	1 000 EEK			1 000 EUR				
	Tangible assets	Investment properties	Intangible assets	TOTAL	Tangible assets	Investment properties	Intangible assets	TOTAL
<b>Initial balance 31.12.03</b>	<b>56 987</b>	<b>86 896</b>	<b>1 790</b>	<b>145 673</b>	<b>3 642</b>	<b>5 554</b>	<b>114</b>	<b>9 310</b>
Acquired	17 730	0	168	17 898	1 133	0	11	1 144
Reconstructed	3 850	2 777	0	6 627	246	177	0	423
Sold and written-off fixed assets at acquisition value	-578	0	0	-578	-37	0	0	-37
Depreciation	-6 573	-2 188	-546	-9 307	-420	-140	-35	-595
Depreciation of sold and written-off fixed	408	0	0	408	26	0	0	26
<b>Final balance</b>	<b>71 824</b>	<b>87 485</b>	<b>1 412</b>	<b>160 721</b>	<b>4 590</b>	<b>5 591</b>	<b>90</b>	<b>10 271</b>

**Note 3 Debt liabilities**

	1 000 EEK		1 000 EUR	
	30.09.04	31.12.03	30.09.04	31.12.03
Short-term loans	16 286	6 913	1 041	442
Repayment of long-term leasing oblig. during the next period	1 319	5 806	84	371
Current portion of long-term leasing obligations	469	1 450	30	93
Repayments of non-convertible debts	0	197	0	13
<b>Total debt obligations</b>	<b>18 074</b>	<b>14 366</b>	<b>1 155</b>	<b>919</b>
Long-term bank loans	18 374	18 374	1 174	1 174
Long-term lease liabilities	4 427	2 426	283	155
<b>Total long-term liabilities</b>	<b>22 801</b>	<b>20 800</b>	<b>1 457</b>	<b>1 329</b>
<b>Total debt liabilities</b>	<b>40 875</b>	<b>35 166</b>	<b>2 612</b>	<b>2 248</b>

Changes in debt obligations:

	1 000 EEK	1 000 EUR
<b>Initial balance 31.12.03</b>	<b>35 166</b>	<b>2 248</b>
Changes in short-term loans	9 374	599
Loans repaid	-4 685	-299
New leasing obligations	2 563	163
New long-term lease liabilities	-1 543	-99
<b>Final balance 30.09.04</b>	<b>40 875</b>	<b>2 612</b>

**Note 4 Equity**

In relation to placing in equity option, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for. MEEK 8 (TEUR 511) was received for the shares to equity capital, of which MEEK 6 (TEUR 383) was issue premium. The management board of the company confirmed the results of subscription as of 30 September 2004 by its resolution adopted on 4 October 2004.

After the issue, the share capital of Harju Elekter is MEEK 56, divided into 5,6 million ordinary shares.

Based to the good results of 2003 the annual general meeting of shareholders was decided to pay dividends to the owners at the rate of EEK 4,00 (EUR 0,26) per share, totally in amount MEEK 21,6 (MEUR 1,38) without obligation to paying taxes. Dividends paid to the shareholders in 12<sup>th</sup> of May 2004.

**Note 5 Segmental reporting**

Pursuant to the established internal accounting and reporting procedure, the primary form of accounting in the Group is by business segments and the secondary by geographic areas. The business activities of the Group have been classified by business segments, based on the characteristics of the products and services as well as of the consumers of these products and services.

**Business segments**

The Group operates in two business segments:

“electrical engineering” – designing, production and marketing of power distribution and control systems, subcontracting for energy, construction and production sectors, intermediary trade in electrical equipment.

“telecommunications” – manufacturing and marketing of various type of sheet metal and fiber-optic products for data networks for the telecommunications sector, installation of computer, communication and alarm networks, provision of communication services and intermediary trade in communication systems.

9M 2004	1 000 EEK				1 000 EUR			
	Electrical engineerin	Telecom municat.	Elimina-tion	TOTAL	Electrical	Telecom municat.	Elimina-tion	TOTAL
Sales revenue	281 488	33 735		315 223	17 990	2 156	0	20 146
Transact. with other segments	7 656	1 577	-9 233	0	489	101	-590	0
<b>Total</b>	<b>289 144</b>	<b>35 312</b>	<b>-9 233</b>	<b>315 223</b>	<b>18 479</b>	<b>2 257</b>	<b>-590</b>	<b>20 146</b>
<b>Operating profit</b>	<b>17 667</b>	<b>2 286</b>	<b>4 071</b>	<b>24 024</b>	<b>1 129</b>	<b>146</b>	<b>260</b>	<b>1 535</b>

9M 2003	1 000 EEK				1 000 EUR			
	Electrical engineerin	Telecom municat.	Elimina-tion	TOTAL	Electrical	Telecom municat.	Elimina-tion	TOTAL
Sales revenue	202 746	32 636		235 382	12 958	2 086	0	15 044
Transact. with other segments	5 390	895	-6 285	0	344	57	-401	0
<b>Total</b>	<b>208 136</b>	<b>33 531</b>	<b>-6 285</b>	<b>235 382</b>	<b>13 302</b>	<b>2 143</b>	<b>-401</b>	<b>15 044</b>
<b>Operating profit</b>	<b>12 788</b>	<b>1 772</b>	<b>-459</b>	<b>14 101</b>	<b>817</b>	<b>113</b>	<b>-29</b>	<b>901</b>

**Geographical segments**

The operations of the concern fall into three geographical areas by business locations:

*Estonia* – country of establishment for the parent company and its subsidiary Eltek;

*Finland* – original country for the subsidiary Satmatic

*Lithuania* – original country for the subsidiary Rifas

	1 000 EEK			1 000 EUR				
	<b>Estonia</b>	<b>Finland</b>	<b>Lithuania</b>	<b>Total</b>	<b>Estonia</b>	<b>Finland</b>	<b>Lithuania</b>	<b>Total</b>
Revenue from non-concern buyers								
9M 2004	195 337	83 778	36 108	<b>315 223</b>	12 484	5 354	2 308	<b>20 146</b>
9M 2003	171 839	63 543	0	<b>235 382</b>	10 983	4 061	0	<b>15 044</b>

**Note 6 Net sales****By markets**

		1 000 EEK		1 000 EUR		Structure	
	<b>Growth</b>	<b>9M 2004</b>	<b>9M 2003</b>	<b>9M 2004</b>	<b>9M 2003</b>	<b>9M 2004</b>	<b>9M 2003</b>
Estonia	21,3%	150 480	124 050	9 617	7 928	47,7%	52,7%
Finland	23,0%	121 240	98 606	7 749	6 302	38,5%	41,9%
Lithuania	2010,9%	36 012	1 706	2 301	109	11,4%	0,7%
Other EU	9,1%	2 860	2 622	183	168	0,9%	1,1%
Other Europe	-90,3%	184	1 898	12	121	0,1%	0,8%
Russia and CEEC	-14,5%		2 760		177	0,7%	1,2%
		2 360		151			
USA	-44,2%	2 087	3 740	133	239	0,7%	1,6%
<b>Total</b>	<b>33,9%</b>	<b>315 223</b>	<b>235 382</b>	<b>20 146</b>	<b>15 044</b>	<b>100,0%</b>	<b>100,0%</b>

**Net sales by business activities and product groups**

Business activities of the Group are divided into two main types:

“core business” - industrial production and marketing of own products;

“other activities” – intermediate sale of electrical engineering and telecommunication products; provision of services that belong to core business activities and leasing of production capacities to companies that belong to the same business segment.

	Growth	1 000 EEK		1 000 EUR	
		9M 2004	9M 2003	9M 2004	9M 2003
<b>Core business and products</b>					
- electrical equipment	38,2%	204 724	148 144	13 084	9 468
-wiring systems for automobile and telecom industries (subcontr.)	-3,0%	14 770	15 234	944	974
	0,7%	21 149	20 998	1 352	1 342
- products for telecom sector	#DIV/0!	288	0	18	0
- sheet metal products and work	#DIV/0!	3 662	0	234	0
<b>TOTAL CORE BUSINESS</b>	<b>32,7%</b>	<b>244 593</b>	<b>184 376</b>	<b>15 632</b>	<b>11 784</b>
<b>Other activities</b>					
- trade and intermediation	31,1%	45 980	35 084	2 939	2 242
- leasing of capital assets	40,1%	15 085	10 771	964	688
- other services	85,7%	9 565	5 151	611	330
<b>TOTAL OTHER ACTIVITIES</b>	<b>38,5%</b>	<b>70 630</b>	<b>51 006</b>	<b>4 514</b>	<b>3 260</b>
<b>TOTAL</b>	<b>33,9%</b>	<b>315 223</b>	<b>235 382</b>	<b>20 146</b>	<b>15 044</b>

In the results of 9M 2004 contains the consolidated net sales of Rifas. The addition of the Lithuanian segment increased the nine-month sales of the group by a total of 14,7% compared to the same period of last year, including 13,6% in terms of electrical equipment and 28,9% in terms of trade and intermediate sale. This also explains the excessive growth in the sales volume on the Lithuanian market. The Lithuanian subsidiary was acquired in October 2003.

The increase in income from rent was achieved due to the growth of rented space.

#### Note 7 Operating profit

Operating profit contains the following write-downs and other essential income and cost items arising beyond current business operations:

	1 000 EEK		1 000 EUR	
	9M 2004	9M 2003	9M 2004	9M 2003
- collected amounts of acc. recognised as doubtful	7	0	0	0
- revaluation of inventory	-250	0	-16	0
- profit from sales tangible assets	105	0	7	0

#### Note 8 Financial incomes and expenses from other financial investments

	1 000 EEK		1 000 EUR	
	9M 2004	9M 2003	9M 2004	9M 2003
- dividends paid by PKC Group Oyj	24 252	4 551	1 549	291
- profit from the sales of PKC shares	1 097	0	70	0
- change of the value of PKC shares	48 849	52 324	3 122	3 344

PKC Group Oyj paid dividends 2 euros (31,29 EEK) in March and additionally 0,5 euros per share in September.

The additional dividend amount received to the bank account of Harju Elekter on 30.09.2004 was TEUR 310 (MEEK 4,85).



The EGM of shareholder gave on 20<sup>th</sup> of September its approval to the proposal of the management board to organise bonus issue. The list of shareholders participating in the bonus issue will be compiled on 23.09.2004. During the bonus issue, 11 640 348 new shares will be distributed so that two new shares will be given for each old share. New shares give the right to dividends for the financial year of 2004. After the bonus issue, the number of PKC shares will be 17 460 522. Harju Elekter is the largest shareholder of PKC who, after the bonus issue, will own 1 860 003 PKC shares or have a holding of 10.65%.

As of the end of the quarter on 30 September 2004, the financial investment was revalue at the closing price of the last trading day that is 8,76 EUR (137,06 EEK). The revaluation generated financial expenses in the amount of 2,1 MEEK (0,14 MEUR)

### Note 9 Basic and diluted earnings per share

*Ordinary net profit per share* is calculated by dividing the net profit earned during the reporting period by the average weighted number of issued shares.

*Diluted net profit per share* is calculated by dividing the net profit by the average number of shares of the period, considering also the number of potential options. In relation to placing in equity option, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for. As of 30 September 2004, the parent company has no potential shares. Thus, the diluted net income per share equals net income per share.

	Unit	EEK		EUR	
		9M 2004	9M 2003	9M 2004	9M 2003
Net profit of the current period (MEEK)	1000	94 820	65 565	6 060	4 190
Average no of the company shares	1000 pc.	5 422	5 400	5 422	5 400
<i>Basic and diluted EPS</i>		17,49	12,14	1,12	0,78
Terms of option:					
- number of issued shares	1000 pc.	0	200	0	200
- fixed purchase price		0	40	0	2,56
- amount to be raised from the issue	1000	0	8 000	0	511
Diluted net profit per share:					
- average market price for the period		114,10	60,49	7,29	3,87
- number of shares issued at market price	1000 pc.	0	132	0	132
- no of shares to be distrib. free of charge	1000 pc.	0	68	0	68
- average adjusted number of shares	1000	5 422	5 468	5 422	5 468
- <i>diluted net profit per share</i>		17,49	11,99	1,12	0,77

**Note 10 Transactions with related parties**

Related parties to AS Harju Elekter are the subsidiaries AS Eltek and Satmatic Oy, Rifas UAB and associated companies AS Keila Kaabel and AS Saajos Balti, its own employees and the members of the governing bodies, also AS Harju KEK that owns more than 30% of AS Harju Elekter shares.

In the consolidated interim report, all intra-group receivables and payables, transactions between the Group companies and unrealised profit and loss incurred as a result have been eliminated.

AS Harju Elekter bought from, sold its products to and provided services to related parties as follows:

	1 000 EEK				1 000 EUR			
	9M 2004		9M 2003		9M 2004		9M 2003	
	Bought	Sold	Bought	Sold	Bought	Sold	Bought	Sold
Eltek	1 577	3 627	647	2 470	101	232	41	158
RifasUAB	0	1 436	0	0	0	92	0	0
Satmatic Oy	263	2 330	14	422	17	149	1	27
Keila Kaabel	6 112	6 538	2 864	3 283	390	418	183	210
Saajos Balti	1 860	2 739	749	2 436	119	175	48	156
Harju KEK	146	104	1 000	18	9	6	64	1
<b>TOTAL</b>	<b>9 958</b>	<b>16 774</b>	<b>5 274</b>	<b>8 629</b>	<b>636</b>	<b>1 072</b>	<b>337</b>	<b>552</b>

Type of transaction	1 000 EEK		1 000 EUR	
	Bought	Sold	Bought	Sold
Goods purchased for resale	5 866	10	375	1
Material, components for production needs	3 523	3 193	225	204
Industrial subcontracting (outsourcing)	137	2 776	9	177
Lease of fixed assets	0	6 074	0	388
Management services	0	2 992	0	191
Other services (building and communication, repairs and maintenance of real estate)	432	1 729	27	111
<b>TOTAL</b>	<b>9 958</b>	<b>16 774</b>	<b>636</b>	<b>1 072</b>

The executive management of the company is of the opinion that prices applied in transactions with the related parties did not differ significantly from market prices.

**Financing:**

TEUR 200 (MEEK 3,1) of the loan granted to the subsidiary Satmatic OY was allocated for the increase of the subsidiary's share capital. By the end of the H1 Satmatic returned to the parent company the full long-term loan in the amount of MEEK 2,07 (TEUR 133). In the second quarter Harju Elekter gave to Satmatic OY a short-term loan in the amount of TEUR 200 (MEEK 3,1), which was returned by the end of the quarter. Loan interest was 5%.

The parent company rented to Eltek a truck on terms of financial lease with the acquisition cost of TEEK 274 (TEUR 17,5) and interest 5,5%. During 9 months Eltek paid financial lease payments to the parent company in the total amount of TEEK 76,3 (TEUR 4,9).

During 9M a total of TEEK 68,4 (TEUR 4,4) of interest income from subsidiaries was entered to the financial revenues of the income statement of the parent company.

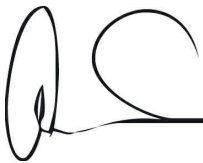



**Balance with related parties:**

Claims	1 000 EEK		1 000 EUR	
	30.09.04	31.12.03	30.09.04	31.12.03
<b>Total loans to subsidiaries</b>	<b>3 064</b>	<b>7 254</b>	<b>157</b>	<b>457</b>
<b>Eltek</b>	<b>1 506</b>	<b>1 684</b>	<b>97</b>	<b>108</b>
Incl. outstanding accounts	1 308	1 684	84	108
short-term loan	198	0	13	0
<b>Satmatic</b>	<b>950</b>	<b>5 469</b>	<b>61</b>	<b>350</b>
Incl. outstanding accounts	950	257	61	16
long-term loan	0	5 203	0	333
interest of the long-term loan	0	9	0	1
<b>Rifas</b>	<b>609</b>	<b>101</b>	<b>39</b>	<b>6</b>
Incl. outstanding accounts	609	101	39	6
<b>Total loans to associated companies</b>	<b>3 853</b>	<b>6 028</b>	<b>246</b>	<b>385</b>
Incl. outstanding accounts of AS Keila Kaabel	1 379	2 007	88	128
Incl. outstanding dividends of AS Keila Kaabel	881	0	56	0
outstanding accounts of AS Saajos Balti	1 593	4 021	102	257
<b>Obligations</b>				
<b>Total loans to subsidiaries</b>	<b>849</b>	<b>237</b>	<b>32</b>	<b>15</b>
Incl. outstanding accounts to Eltek	688	231	20	15
Incl. outstanding accounts to Satmatic	161	6	12	0
<b>Total loans to associated companies</b>	<b>1 661</b>	<b>848</b>	<b>102</b>	<b>55</b>
Incl. AS Keila Kaabel	755	401	64	26
AS Saajos Balti	906	447	38	29

**Signatures of the Management Board to the Interim report 1-9/2004**

Management Board of AS Harju Elekter has prepared the consolidated Interim report for M9 2004 as presented on pp. 3-19

Approval of the Interim report 1-9/2004 as of September 30, 2004 by the Management Board members:

Andres Allikmäe	Chairman of the Board		1 <sup>st</sup> of November 2004
Lembit Libe	Member of the Board		1 <sup>st</sup> of November 2004
Ülo Merisalu	Member of the Board		1 <sup>st</sup> of November 2004
Karin Padjus	Member of the Board		1 <sup>st</sup> of November 2004