

AS HARJU ELEKTER

Interim report 1-9/ 2011

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
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CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 st of January 2011
End of the reporting period:	30 th of September 2011

The interim report of Harju Elekter Group on 21 pages

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

In interim report for 1-9/ 2011 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika (former Eltek), Harju Elekter AB, Satmatic Oy and UAB Rifas - are consolidated line-by-line and the results of affiliated company – AS 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 30 September 2011, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.09.11	31.12.10	30.09.10
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic Oy	subsidiary	Finland	100.0%	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%	0.0%
UAB Rifas	subsidiary	Lithuania	51.0%	51.0%	51.0%
AS DrakaKeila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	7.0%	7.2%	7.9%

Economic environment

The economies of Estonia and the other Baltic States have become stronger during the past crisis, and they are currently resilient against the effects of the uncertain and cooling global economy. The speed of Estonia's economic recovery has exceeded the expectations of the analysts at local banks, and according to their estimates annual GDP growth will be 7.5% this year. The main reason for this success is export growth, and this primarily in manufacturing. Despite the significant global slow-down of industrial production growth, the growth outlook of Estonia's key trading partners, i.e. the Nordic countries, Russia and the Baltic States, is satisfactory.

However, the local economy is not immune against the global economic recession and this factor coupled with high inflation will be one of the key risks for the future. Despite relatively high expectations for inflation (5%) and the unemployment rate (12.5%) this year and the impact of external negative effects, private consumption has recovered strongly in Estonia. Towards the end of the year, the global inflationary pressure is expected to subside, helping also to cool off Estonia's inflation, thereby improving the outlook for domestic consumption. Moderate wage growth will also support consumption growth.

Similarly to Estonia, the export-fuelled economic growth of Latvia and Lithuania has also been significant this year, continuing to depend on the extent of the decline in foreign markets. Modest domestic consumption is based on improved confidence, and the falling unemployment rate is expected to support the Latvian economy in the future. With regard to Lithuania, the current fast economic growth is expected to slow down. The economy of neighbouring country Russia is fuelled by consumption and credit growth, the unemployment rate has fallen to 6%, supporting domestic consumption. The largest risk factor is the decline in crude oil prices.

The probability of an economic recession in the USA and the euro area is increasing. The risk scenario may occur as a consequence of the insecurity of consumers and companies due to market turmoil and cautiousness with regard to the future. The key risk for the euro area is the credit crisis.

Main events

In 2011, Krediidiinfo AS awarded to AS Harju Elekter the credit rating AA (very good). The rating of Krediidiinfo AS assesses the activities of the company as a whole and represents an aggregate assessment of the company's economic and financial condition as well as the payment patterns. Only 7.6% of the Estonian companies have credit rating AA.

In the third quarter, AS Harju Elekter's subsidiary UAB Rifas launched the operation of a solar power plant with the capacity of 50 kW, which, due to the favourable repurchase price of electricity, will cover most of the expenditure incurred to produce electricity at the Lithuanian subsidiary and will enable the testing of various solar energy solutions.

Finnish subsidiary Satmatic Oy was awarded the certificate "Suomen Vahvimmat 2007– 2011" by the client register of Suomen Asiakastiedon. The creditworthiness of the company is the main evaluation criterion. The title of Suomen Vahvimmat is awarded to a company that has met the highest requirements of Alfa rating for five consecutive years. The number of such companies makes up only 10% of all companies registered in Finland.

Bureau Veritas declared the production management of Satmatic Oy to be in conformity with the standards of the international environmental management system ISO 14001:2004.

The Group builds a new production complex of nearly 5000 m² for AS Saajos, manufacturer of fire-proof and safety doors. The construction will be completed by 2012 after which the production premises will be given for a long-term lease to Saajos.

To expand its activities and increase its market share in Sweden, Harju Elekter AB, a subsidiary of AS Harju Elekter, acquired the business of BGB PowerSolutions AB in January. The total cost of the contract was SEK 500,000. On the basis of the contract, Harju Elekter AB acquired assets and a strategic partnership agreement with contractual prices, support services and selling. The deal will be financed from own funds over two years in accordance with the contract.

Subsidiaries of AS Harju Elekter – HE Elektrotehnika, Satmatic and HE Teletehnika (former Eltek) participated in the energy fair Verkosto 2011, held in Finland on February. A stand presented to fair clients substations with a metal casing, which were complemented by construction materials from the other product families. In April, the Harju Elekter Trade Group presented the products, produced by Group's companies, the retail shops and their professional product selection and displayed the products of the companies, represented by the Group, in the international building fair Estbuild 2011.

The supervisory board and management board of AS Harju Elekter adopted a decision to consolidate all of the Group's Estonian companies under the trademark Harju Elekter. The use of a joint logo helps increase the competitiveness of the Group and creates additional benefits and possibilities in marketing activities. Based on this, the supervisory board of subsidiary AS Eltek approved AS Harju Elekter Teletehnika as the new name of the company. The registration department of the Harju County Court made a respective entry on 18 April of this year.

Operating results

SALES REVENUE

The financial indicators of the Group in the reporting period demonstrated improvement trends. In Q3, the sales revenue of the Group increased more than 17% up to 13.0 million euros and during the 9 months by one fifth to 33.6 million euros. Growth was mainly achieved by growth of production capacities.

Sales revenue by segment:

EUR (in thousands)	Growth		Q3		9 months		Share	
	Q/Q	9m/9m	2011	2010	2011	2010	2011	2010
Manufacturing	18.5%	21.6%	11,816	9,967	30,023	24,698	89.4%	88.2%
Real estate	-13.0%	-4.4%	540	621	1,816	1,899	5.4%	6.8%
Unallocated activities	32.6%	22.8%	679	511	1,735	1,412	5.2%	5.0%
Total	17.4%	19.9%	13,035	11,099	33,574	28,009	100.0%	100.0%

The sales revenue of the production segment increased by more than 18% in the reporting quarter and over 21% within 9 months, traditionally amounting to the largest share – 89% (88%) of the sales revenue. The sale of miscellaneous electrical installations increased by 23% to 10.8 million euros in the Q3, accounting for 83% of the sales revenue of the reporting quarter, and increased by more than 23% to 27.2 million euros within 9 months, making up 81% of the sales revenue.

The sales volume in the real estate segment has declined by 13% in the reporting quarter and by 4.4% in the first 9 months of the year. The sales revenue from intermediation of electricity decreased because some clients have started to purchase electricity in the open market. Therefore, alone the intermediation sales of electricity declined by 63,000 euros in the third quarter.

In the reporting quarter, the sales volume of other unallocated activities increased by a third, and by more than 22% in 9 months. The economic recovery has also led to trading volume growth.

Sales revenue by markets:

EUR (in thousands)	Growth		Q3		9 months		Share	
	Q/Q	9m/9m	2011	2010	2011	2010	2011	2010
Markets								
Estonia	30.1%	30.0%	5,090	3,914	12,700	9,771	37.8%	34.9%
Finland	16.5%	33.2%	5,649	4,848	14,936	11,214	44.5%	40.0%
Lithuania	61.2%	16.9%	1,240	769	3,180	2,721	9.5%	9.7%
Other EU countries	91.0%	-51.8%	644	337	1,062	2,201	3.2%	7.9%
Others	-66.5%	-19.3%	412	1,231	1,696	2,102	5.0%	7.5%
Total	17.4%	19.9%	13,035	11,099	33,574	28,009	100.0%	100.0%

An increase in economic growth in the EU countries at the end of 2010, and at the beginning of this year, has resulted in improvement of the economic situation in the domestic markets of the Group. Sales have increased the most to the Finnish market –in Q3 more than 16% and during the 9 months by one third. At the same time, the sales of production companies of the Estonian and Lithuanian segments to the Finnish market also increased. In the reporting quarter, the sales of products and services to the Estonian market increased by 30% compared to the reference period. Approximately 10% of the sales revenue was earned in the Lithuanian market. In summary, sales in the Lithuanian market have increased by more than 60% in the reporting quarter and by almost 17% in 9 months. Totally, the domestic markets (Estonia, Lithuania and Finland) of the Group's companies prevailed, where 91.8% (84.6%) of the Group's products and services were sold. 62% (65%) of Group products were sold outside of Estonia.

During the reporting quarter, sales revenue from other EU countries totalled 644 (Q3 2010:337) thousand euros. Within 9 months, goods and services in the total amount of 1 062 thousand euros were sold to the other EU states, which was by 1.1 million euros less than in the reference period. From other EU countries dominated Latvia, France and Sweden.

At the same time, the work towards finding new export markets is continuing. During the 9 months, a sale outside the European Union was 5% of the total sales revenues. Sales volumes to the markets of Norway, Russia, Belarus, and Malaysia have increased.

OPERATING EXPENSES

EUR (in thousands)	Growth		Q3		9 months	
	Q/Q	9m/9m	2011	2010	2011	2010
Cost of sales	16.8%	18.0%	10,698	9,161	27,907	23,650
Distribution costs	47.8%	31.4%	631	427	1,666	1,268
Admin expenses	46.8%	26.4%	900	613	2,461	1,947
Total expenses	19.9%	19.2%	12,229	10,201	32,034	26,865
incl. depreciation of fixed assets	0.6%	0.4%	339	337	1,037	1,033
Total labour cost	24.2%	18.8%	2,694	2,169	7,670	6,453
incl salary cost	20.1%	14.7%	2,031	1,691	5,799	5,054

In the third quarter, expenses of the operating activities increased by 19.9%, which was by 2.5 percentage points higher than the growth rate of sales revenue; within nine months expenses increased by 19.2%, which was by 0.7 percentage points lower than the growth rate of sales revenue. The cost of sales increased by 16.8% up to 10.7 million euros in the third quarter and by 18.0% to 27.9 million euros in 9 months, being lower than sales revenue growth. Distribution costs as well as admin expenses increased by 48% and 47%, respectively, in the third quarter, and by 31% and 26%, respectively, during 9 months. One of the reasons for the increase in operating expenses was higher labour costs.

Expenses on staff in Q3 2011 were 2,694 thousand euros, increasing by 24.2% and in 9m 2011 7,670 thousand euros, increasing by 18.8%. In 2010, a costs savings regime was implemented at the Group, wages were frozen and employees worked temporarily on a part-time basis. Due to the increase in the volume of orders this year, new employees have been hired at Group companies and temporary employees were used in the third quarter. In the reporting quarter, the average number of employees was 14 employees more than in the comparable period. Wages and salaries were also marginally adjusted. In the reporting period, additional remuneration was paid to the employees under the current bonus system; a bonus reserve was also set up for payment of annual bonuses.

EARNINGS AND MARGINS

In the accounting quarter the gross profit of the Group increased by 20.6% and was 2,337 thousand euros and the gross profit margin was 17.9% (Q3 2010: 17.5%). In 9m 2011, the gross profit of the Group was 5,667 thousand euros increasing by 30% compared to the same period last year. The gross profit margin was 16.9%, increasing by 1.3 per cent point compared to the same period a year before.

Operating profit of Q3 2011 was 806 (Q3 2010: 917) thousand euros and EBITDA was 1,145 (Q3 2010:1,254) thousand euros. Return of sales for the period was 6.2% (Q3 2010: 8.3%) and return of sales before depreciation was 8.8% (Q3 2010: 11.3%). Operating profit of the 9m 2011 was 1,506 thousand euros, which was 340 thousand euros more than comparing period and EBITDA was 2,543 thousand euros, growth 15.6%. Return of sales before depreciation in 9m was 7.6% (9m 2010: 7.9%) and return of sales for the period 4.5%, which was 0.3 per cent point better than a year before.

In the accounting quarter the Group consolidated from the related company a profit of 291,000 (Q3 2010: loss 1,000) euros and within the 9 months 400,000 (9m 2010: 57,000) euros. In the Q3, net financial income amounted 15,000 (Q3 2010: 13,000) euros. Within the 9 months net financial income amounted 760,000 euros, which was 295,000 euros less than comparing period. In the reporting period, dividend income was received more by 235 thousand euros, totalling 795 thousand euros. At the same time, 80,000 shares in PKC Group Oyj were sold in the Q1 2010 and financial income from selling the shares was 522 thousand euros.

Overall, the consolidated net profit of the Q3 2011 was 996 (Q3 2010: 852) thousand euros, of which the share of the owners of the parent company was 945 (Q3 2010: 841) thousand euros. EPS in the Q3 was 0.06 (Q3 2010: 0.05) euros. During the first 9 months earnings per share were 0.13 (9m 2010: 0.12) euros. The consolidated net profit increased during nine months by 15.4% and was 2,324 thousand euros, of which the share of the owners of the parent company was 2,202 (9m 2010: 2,000) thousand euros.

Employees

In the third quarter, employee wages and salaries totalled 2,031 thousand euros, which is one fifth higher than in the comparable quarter and they totalled 5,799 (9M 2010: 5,054) thousand euros in 9 months; and the average wages per employee per month have increased by 198 euros to 1,519 euros.

Average number of employees	Q3		9 months		Number of employees at 30 September		
	2011	2010	2011	2010	Growth	2011	2010
Estonia	284	270	272	273	12	302	290
Finland	84	82	84	82	5	86	81
Lithuania	66	69	67	70	-3	66	69
Sweden	1	0	1	0	1	1	0
Total	435	421	424	425	15	455	440

In the reporting quarter, on the average 435 people worked in the Group – on the average by 14 persons more than in the reference period; the average number of employees within 9 months was 424 which is on the average by an employee less than in 9m 2010. As at the balance day on 30 September, there were 455 people working in the Group, which were 15 employees more than on the beginning of the year (440 employees) and 15 employees more than a year before.

Financial position and cash flows

The amount of the consolidated balance sheet as of 30 September 2011 was 50,476 (30.9.2010: 49,470) thousand euros, decreasing by 4,638 thousand euros during the last nine months.

During the Q3 the market price of the PKC Group share decreased by 5.23 euros and during the nine months by 5.01 euros to 10.36 euros. The cost of investment in assets and reserves in equity capital decreased by the loss of -7,322 in Q3 (Q3 2010 was a profit 714) thousand euros and in 9m 2011 totally -7,014 thousand euros received from stock revaluation. In the comparing period, the book value of financial assets increased by 6,050 thousand euros, included by 714,000 euros in Q3.

During the 9 months the Group invested 1,801 thousand euros in real estate, 369 thousand euros in tangible fixed assets and 85 thousand euros in intangible fixed assets, totally 2,255 thousand euros. During the compared period the Group invested 286 in real estate, 2,082 in tangible fixed assets and 55 thousand euros in intangible fixed assets, totally 2,423 thousand euros.

During the first nine months of the year the cost of fixed assets decreased by 5.4 million euros to 35.3 million euros, accounting for 69.9% of the cost of assets (9m 2010: 70.6%).

As of the balance sheet date, the Group's working capital (current assets – current liabilities) amounted to 6,446 thousand euros, declining by 237 thousand euros within 9 months and by 232 thousand euros compared to the reference period. Receivables and prepayments of operating activities increased by 763 thousand euros within 9 months and, in conjunction with growth of sales volumes, inventories increased by 1,597 thousand euros to 7,008 thousand euros. Current liabilities increased by

995 thousand euros to 8,725 thousand euros, of which growth of payables of the operating activities accounted for 1,324 thousand euros. Both liquidity ratio (1.0) and current ratio (1.8) improved by 0.1 points compared to the reference period.

Therefore, overdraft decreased during the nine months period by 318 thousand euros to 3,049 thousand euros. Within 9 months, long-term loan was repaid in the amount of 65 (9m 2010: 211) thousand euros and principal payments of financial lease were made in the amount of 205 (9m 2010: 218) thousand euros. The overdraft facility decreased by 61,000 euros to 1,143 thousand euros.

PKC Group Oyj paid dividends in the amount of 795 thousand euros, which was by 235 thousand euros more than in the reference period. At the same time, a total of 590 thousand euros was received from selling financial investments in the previous period.

The Group paid the owners dividends in the sum of 1,051 thousand euros, within the comparable period 902 thousand euros.

During the first nine months, cash and cash equivalents decreased by 1,602 thousand euros to 798 thousand euros. The cash inflow from business was 896 thousand euros; the cash outflow from investing activities was 1,113 thousand euros and from financing activities 1,382 thousand euros. Within the comparable period cash and its equivalents decreased by 550 thousand euros to 1,728 thousand euros. Cash outflow from business was 115 thousand euros and from investing activities 959 thousand euros; cash inflow from financing activity was 524 thousand euros.

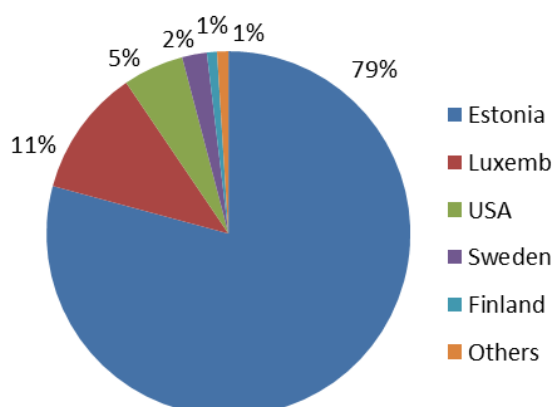
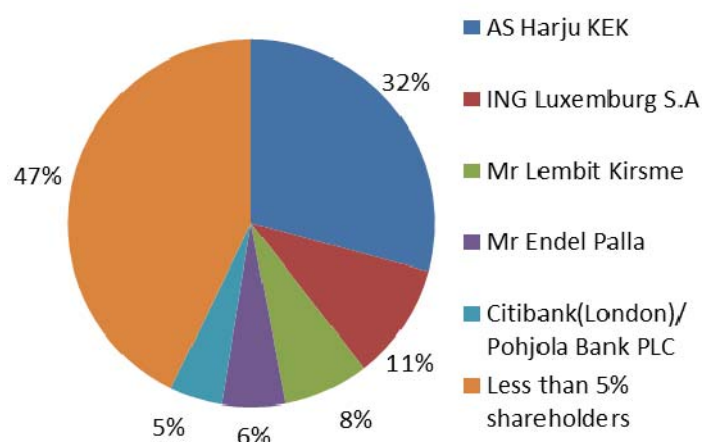
Shares of Harju Elekter

EUR	1-9/2011	1-9/2010	1-12/ 2010
Number of the shares, (1000 pc)	16,800	16,800	16,800
Nominal value	0.70	0.64	0.64
High price	3.54	2.73	3.14
Low price	2.23	2.02	2.02
Closing price	2.40	2.27	3.02
Market value (in million)	40.3	38.1	50.7
EPS	0.13	0.12	0.13

At the balance date, Sept 30 2011 Harju Elekter had 1,443 shareholders. The number of shareholders increased during the accounting period by 73 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32.14% of Harju Elekter's share capital. Members of the supervisory and management boards hold 15.7% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Shareholders structure by size of holding at 30 September 2011

Holding	No of shareholders	% of all shareholders	% of votes held
> 10%	2	0.14%	43.50%
1,0 - 10,0%	18	1.25%	36.00%
0,1 - 1,0 %	103	7.14%	11.40%
< 0,1%	1,320	91.47%	9.10%
Total	1,443	100.0%	100.0%

Shareholders by country**>5% shareholders****AGM**

On 29th of April 2011 was held the AGM where attended by 77 shareholders and their authorised representatives who represented the total of 71.96 % of the total votes. The general meeting approved the annual report of 2010 and profit distribution, as well as due to the introduction of the euro the conversion of the share capital and the nominal value of shares into euro, and the corresponding changes in the Articles of Association. On the basis of a decision the owners are paid dividends for 2010 at the rate of 0.06 euros per share in the total amount of 1 million euros. The dividends paid to the shareholders on 24 May 2011.

Supervisory and management boards

The annual general meeting of AS Harju Elekter in 2007 appointed the five members Supervisory Board for the next five years. There were no changes to the Supervisory Board of AS Harju Elekter. The Supervisory Board continues with the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Chairman of Kabal&Partners OÜ), Lembit Kirsme (Chairman of OÜ Kirschmann), Madis Talgre (Chairman of the Management Board, AS Harju KEK) and Andres Toome (consultant).

In connection with the expiration of the authorisation deadline of the Management Board of AS Harju Elekter, the Supervisory Board assigned a one-member Management Board for the next three-year period, at its meeting on 4 May 2011, and appointed Andres Allikmäe, the former Chairman of the Management Board, as its Chairman.

At the same meeting, the Supervisory Board also removed Lembit Libe and Karin Padjus from their positions as Members of the Management Board. They will continue in their former positions in the company as chief economist and financial director, respectively. The changes effected on 12 May 2011.

The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. The manager is entitled to receive a severance payment in the amount of 12 months' remuneration of a member of the management board.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 9m 2011 amounted to a total of 158.3 thousand euros and in the comparable period 169.2 thousand euros. No other transactions were made with members of the Group's directing bodies and the persons connected with them.

Information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

Key indicators

Accounting period EUR (in thousands)	Q3		9 months		year
	2011	2010	2011	2010	2010
Net sales	13,035	11,099	33,574	28,009	40,885
EBIDTA	1,145	1,254	2,543	2,199	2,898
Operating profit	806	917	1,506	1,166	1,519
Net profit for the current period	996	852	2,324	2,014	2,295
Incl. equity holders of the parents	945	841	2,202	2,000	2,173

At the end of the period	Structure (%)			EUR (in thousands)		
	30.09. 2011	31.12. 2010	30.09. 2010	30.09. 2011	31.12. 2010	30.09. 2010
Total current assets	30.1	26.2	29.4	15,171	14,413	14,532
Total non-current assets	69.9	73.8	70.6	35,305	40,701	34,938
Total assets	100.0	100.0	100.0	50,476	55,114	49,470
Total liabilities	21.0	17.4	20.2	10,594	9,568	10,017
Total equity	79.0	82.6	79.8	39,882	45,546	39,453
Inclusive equity attributable to equity holders of the parent	75.7	79.8	76.8	38,214	43,957	37,983

<u>Growth (%)</u>	Q 3		9 months		year
	2011	2010	2011	2010	2010
Turnover	17.4	44.0	19.9	-7.6	1.1
EBITDA	-8.6	79.1	15.6	-7.1	-6.0
Operating profit (EBIT)	-12.0	137.2	29.2	-18.0	-16.1
Net profit for the current period	17.0	118.0	15.4	83.6	65.6
incl. equity holders of the parent	12.5	130.8	10.1	103.3	76.9

Performance indicators (%)

Return of sales before depreciation	8.8	11.3	7.6	7.9	7.1
Return of sales (operating profit/turnover *100)	6.2	8.3	4.5	4.2	3.7
Net profit margin (net profit/turnover *100)	7.6	7.7	6.9	7.2	5.6

Employees

Average number of employees	435	421	424	425	424
Number of employees in the end of the period	455	440	455	440	440

INTERIM FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

ASSETS	Note	EUR (in thousands)		
		30.09.2011	31.12.2010	30.09.2010
Current assets				
Cash and cash equivalents		798	2,400	1,728
Trade receivables and other receivables		7,260	6,479	5,727
Prepayments		105	123	38
Income tax prepayments		0	0	75
Inventories		7,008	5,411	6,964
Total current assets		15,171	14,413	14,532
Non-current assets				
Investments in associate	2	1,080	680	676
Other long-term financial investments	2	14,525	21,539	15,771
Investment property	2	10,219	8,711	8,790
Property, plant and equipment	2	9,051	9,350	9,337
Intangible assets	2	430	421	364
Total non-current assets		35,305	40,701	34,938
TOTAL ASSETS		50,476	55,114	49,470
LIABILITIES AND EQUITY				
Liabilities				
Interest-bearing loans and borrowings	3	1,210	1,539	1,294
Trade payables and other payables		6,545	5,178	5,703
Tax liabilities		875	915	778
Income tax liabilities		27	19	12
Short-term provision		68	79	67
Total current liabilities		8,725	7,730	7,854
Interest-bearing loans and borrowings	3	1,839	1,828	2,163
Other non-current liabilities		30	10	0
Non-current liabilities		1,869	1,838	2,163
Total liabilities		10,594	9,568	10,017
Equity				
Share capital		11,760	10,737	10,737
Share premium		0	384	384
Reserves	4	14,379	21,396	15,621
Retained earnings		12,075	11,440	11,241
Total equity attributable to equity holders of the parent		38,214	43,957	37,983
Non-controlling interests		1,668	1,589	1,470
Total equity		39,882	45,546	39,453
TOTAL LIABILITIES AND EQUITY		50,476	55,114	49,470

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR (in thousands)	Note	1 July- 30 September		1 January - 30 September	
		2011	2010	2011	2010
Revenue	5	13,035	11,099	33,574	28,009
Cost of sales		-10,698	-9,161	-27,907	-23,650
Gross profit		2,337	1,938	5,667	4,359
Distribution costs		-631	-427	-1,666	-1,268
Administrative expenses		-900	-613	-2,461	-1,947
Other income		16	26	21	50
Other expenses		-16	-7	-55	-28
Operating profit	5	806	917	1,506	1,166
Net financing income/costs	6	-15	-13	760	1,055
Share of profit of equity-accounted investees	2	291	-1	400	57
Profit before tax		1,082	903	2,666	2,278
Income tax expense		-86	-51	-342	-264
Profit for the period		996	852	2,324	2,014
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-7,322	714	-7,014	6,510
Realised gain from sale of financial assets (-)		0	0	0	-460
Currency translation differences		0	0	-3	0
Other comprehensive income for period, net of tax		-7,322	714	-7,017	6,050
Total comprehensive income for the period		-6,326	1,566	-4,693	8,064
Profit attributable to:					
Owners of the Company		945	841	2,202	2,000
Non-controlling interests		51	11	122	14
Profit for the period		996	852	2,324	2,014
Total comprehensive income attributable to:					
Owners of the Company		-6,377	1,555	-4,815	8,050
Non-controlling interests		51	11	122	14
Total comprehensive income for the period		-6,326	1,566	-4,693	8,064
Earnings per share					
Basic earnings per share (EUR)	7	0.06	0.05	0.13	0.12
Diluted earnings per share (EUR)	7	0.06	0.05	0.13	0.12

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 30 September	Note	EUR (in thousands)	
		2011	2010
Cash flows from operating activities			
Operating profit	5	1,506	1,166
<u>Adjustments for:</u>			
Depreciation and amortisation	2	1,037	1,033
Share-based payment transactions		80	80
Change in receivables related to operating activity		-765	-1,171
Change in inventories		-1,597	-1,893
Change in payables related to operating activity		1,014	1,031
Effect of exchange rate fluctuations on cash held	6	-1	-3
Corporate income tax paid	8	-334	-311
Interest paid	8	-44	-47
Net cash from operating activities		896	-115
Cash flows from investing activities			
Acquisition of investment property	8	-1,516	-416
Acquisition of property, plant and equipment	8	-355	-178
Acquisition of intangible assets	8	-46	-55
Proceeds from sale of other financial investments		0	590
Interest received	6	9	23
Dividends received		795	560
Net cash used in investing activities		-1,113	524
Cash flows from financing activities			
Changes in short-term loans	3	-61	372
Repayment of borrowings	3	-65	-211
Payment of finance lease principal	3	-205	-218
Dividends paid		-1,051	-902
Net cash used in financing activities		-1,382	-959
Net cash flows		-1,599	-550
Cash and cash equivalents at beginning of period		2,400	2,278
Net increase / decrease		-1,599	-550
Currency translation differences		-3	0
Cash and cash equivalents at end of period		798	1,728

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR (in thousands)	Attributable to equity holders of the parent					Non-control- ling interests	TOTAL
	Share capital	Share premium	Reserves	Retained earnings	Total		
At 31.12.2009	10,737	384	9,571	10,020	30,712	1,499	32,211
Profit for the period	0	0	0	2,000	2,000	14	2,014
Other comprehensive income	0	0	6,050	0	6,050	0	6,050
Comprehensive income for the period	0	0	6,050	2,000	8,050	14	8,064
Share-based payment transactions	0	0	0	80	80	0	80
Dividends			0	-859	-859	-43	-902
At 30.9.2010	10,737	384	15,621	11,241	37,983	1,470	39,453
At 31.12.2010	10,737	384	21,396	11,440	43,957	1,589	45,546
Profit for the period	0	0	0	2,202	2,202	122	2,324
Other comprehensive income	0	0	-7,017	0	-7,017	0	-7,017
Comprehensive income for the period	0	0	-7,017	2,202	-4,815	122	-4,693
Increase of share capital	1,023	-384	0	-639	0	0	0
Share-based payment transactions	0	0	0	80	80	0	80
Dividends	0	0	0	-1,008	-1,008	-43	-1,051
At 30.9.2011	11,760	0	14,379	12,075	38,214	1,668	39,882

Further information on reserves can be found in Note 4.

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.9.2011 comprises AS Harju Elekter (the “parent company”) and its subsidiaries AS Harju Elekter Teletehnika (former Eltek), AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group’s interest in associate AS DrakaKeila Cables. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 32.14% of its shares are held by AS Harju KEK.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. 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 31.12.2010. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2010 annual report.

According to the assessment of the management board, the interim report for 1-9/2011 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 Euro. The consolidated interim financial statement has been drawn up in thousands of Euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Note 2 Non-current assets

For the period 1 January – 30 September	EUR (in thousands)	
	2011	2010
Investments in associate		
At 1 January	680	619
Profit under the equity method	400	57
At the end of the period	1,080	676
Other long-term financial investments		
At 1 January	21,539	9,789
Sale of shares	0	-528
Changes in the fair value reserve	-7,014	6,510
At the end of the period	14,525	15,771
Investment property		
At 1 January	8,711	8,768
Additions	1,801	286
Depreciation charge	-293	-264
At the end of the period	10,219	8,790
Property, plant and equipment		
At 1 January	9,350	7,962
Additions	369	2,082
Depreciation charge	-668	-707
At the end of the period	9,051	9,337
Intangible assets		
At 1 January	421	371
Additions	85	55
Depreciation charge	-76	-62
At the end of the period	430	364
Total non-current assets	35,305	34,938

Note 3 Interest-bearing loans and borrowings

EUR (in thousands)	30.09.2011	31.12.2010	30.09.2010
Liabilities			
Short-term bank loans	1,143	1,204	1,199
Current portion of long-term bank loans	0	65	24
Current portion of lease liabilities	67	270	71
Total current liabilities	1,210	1,539	1,294
Long-term bank loans	0	0	65
Lease liabilities	1,839	1,828	2,098
Total non-current liabilities	1,839	1,828	2,163
TOTAL	3,049	3,367	3,457

Changes during the period 1 January – 30 September

EUR (in thousands)	2011	2010
Loans and borrowings at the beginning of the year	3,367	1,609
Changes in short-term loans	-61	372
Long-term loan repaid	-65	-211
New finance lease	13	1,905
Payment of finance lease principal	-205	-218
Loans and borrowings at the end of the current period	3,049	3,457

Note 4 Reserves

EUR (in thousands)	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2009	1,073	8,498	0	9,571
Other comprehensive income	0	6,050	0	6,050
At 30.09.2010	1,073	14,548	0	15,621
At 31.12.2010	1,073	20,317	6	21,396
Other comprehensive income	0	-7,014	-3	-7,017
At 30.09.2011	1,073	13,303	3	14,379

Note 5 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.

“*Manufacturing*” – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Satmatic Oy and UAB Rifas.

“*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.

For the period 1 January – 30 September

EUR (in thousands) 2010	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
Revenue from external customers	24,698	1,899	1,412	0	28,009
Inter-segment revenue	151	697	240	-1,088	0
Total revenue	24,849	2,596	1,652	-1,088	28,009
Operating profit	221	968	-24	1	1,166
Segment assets	22,432	9,348	1,998	-79	33,699
Indivisible assets					15,771
Total assets					49,470
2011					
Revenue from external customers	30,023	1,816	1,735	0	33,574
Inter-segment revenue	272	698	205	-1,175	0
Total revenue	30,295	2,514	1,940	-1,175	33,574
Operating profit	847	955	-216	-80	1,506
Segment assets	23,790	10,579	2,050	-460	35,959
Indivisible assets					14,517
Total assets					50,476

Revenue by markets:

For the period EUR (in thousands)	1 January – 30 September	
	2011	2010
Estonia	12,700	9,771
Finland	14,936	11,214
Lithuania	3,180	2,721
Ohter EU countries	1,062	2,201
Non-EU countries	1,696	2,102
Total	33,574	28,009

Revenue by business area:

For the period EUR (in thousands)	1 January – 30 September	
	2011	2010
Electrical equipment	27,171	21,974
Sheet metal products and services	847	922
Boxes for telecom sector and services	656	731
Intermediary sale of electrical products and components	2,814	2,153
Commerce and mediation of services	315	417
Rental income	1,549	1,544
Other services	222	268
Total	33,574	28,009

Note 6 Net financing income/costs

For the period EUR (in thousands)	1 January – 30 September	
	2011	2010
Interest income	9	23
Interest expense	-43	-47
Dividend income	795	560
Net loss from foreign exchange differences	-1	-3
<i>Marketable investments:</i>		
Income from sale of investments	0	522
TOTAL	760	1,055

Note 7 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.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 30.9.2011 the Group had 578.4 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 23 April 2009 the price of a share was established at the level of 1.10 euros. As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.55 euros. Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 euros and the potential shares become dilutive only after their average market price of the period exceed 1.65 euros.

The average market price of the share of 1-9/2011 was 2.99 (1-9/2010: 2.46) euros and in the third quarter it was 2.82 (Q3/2010: 2.28) euros. The issue of shares would account for 954 thousand euros. In order to obtain the same amount 319 thousand (954/2.99) new shares at the average market price of 9 months would be issued and 339 thousand new shares at the average market price of the reporting quarter would be issued. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 259 thousand shares (578-319) in 1-9/2011 (9M 2010: 190 thousand euros) and 239 thousand shares (578-339) in the reporting quarter (2010 Q3: 160 thousand shares) could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

For the period 1 January – 30 September	Unit	2011	2010
Profit attributable to equity holders of the parent	EUR'000	2,202	2,000
Average number of shares outstanding	Pc'000	16,800	16,800
Basic earnings per share	EUR	0.13	0.12
Adjusted number of shares during the period	Pc'000	17,059	16,990
Diluted earnings per share	EUR	0.13	0.12

For the period 1 July- 30 September			
Profit attributable to equity holders of the parent	EUR'000	945	841
Average number of shares outstanding	Pc'000	16,800	16,800
Basic earnings per share	EUR	0.06	0.05
Adjusted number of shares during the period	Pc'000	17,039	16,960
Diluted earnings per share	EUR	0.06	0.05

Note 8 Cash flow statement line items

For the period		1 January – 30 September	
EUR (in thousands)	Note	2011	2010
Corporate income tax paid			
Income tax expense		-342	-264
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		8	-47
Corporate income tax paid		-334	-311
Interest paid			
Interest expense		-43	-47
Liability decrease incurred by purchase		-1	0
Interest paid		-44	-47
Paid for investment property			
Additions of investment property	2	-1,801	-286
Liability decrease (-)/ increase (+) incurred by purchase		285	-130
Acquisition of investment property		-1,516	-416
Paid for property plant and equipment			
Additions of property plant and equipment	2	-369	-2,082
Acquired with finance lease		13	1,906
Liability decrease (-)/ increase (+) incurred by purchase		1	-2
Acquisition of property plant and equipment		-355	-178
Paid for intangible assets			
Additions of intangible assets	2	-85	-55
Liability decrease (-)/ increase (+) incurred by purchase		39	0
Acquisition of intangible assets		-46	-55

Note 9 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 32.14% 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 EUR (in thousands)	1 January – 30 September	
	2011	2010
Purchase of goods and services from related parties:		
- from associates	313	170
- from Harju KEK	51	52
TOTAL	364	222
<i>Inclusive:</i>		
- goods and materials for manufacturing	313	170
- lease of property, plant and equipment	49	49
- other	2	3
Sale of goods and services to related parties:		
- to associates	572	650
- to Harju KEK	3	2
TOTAL	575	652
<i>Inclusive:</i>		
- goods and materials for manufacturing	27	22
- lease of property, plant and equipment	515	446
- other	33	184
Balances with related parties at 30 September		
Receivables with associates: goods and services	223	220
Payables with associates: goods and services	64	45

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-9/2011 as set out on pages 3 to 21 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.

/signature/

Andres Allikmäe
Member of the Board

„3.“ November 2011