

## **AS HARJU ELEKTER**

Interim report 1-3/ 2009

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 <sup>st</sup> of January 2009
End of the reporting period:	31 <sup>st</sup> of March 2009

*The interim report of Harju Elekter Group on 18 pages*

**Contents**

Explanatory note	3
Interim financial statements	9
<i>Consolidated statement of financial position</i>	9
<i>Consolidated statement of comprehensive income</i>	10
<i>Consolidated statement of cash flows</i>	11
<i>Consolidated statement of changes in Equity</i>	12
<i>Notes to the Interim financial statement</i>	13
<i>Note 1. Accounting methods and valuation principles used in the consolidated interim report</i>	13
<i>Note 2. Non-current assets</i>	14
<i>Note 3. Interest-bearing loans and borrowings</i>	15
<i>Note 4. Segment reporting</i>	15
<i>Note 5. Net financing income/costs</i>	17
<i>Note 6. Basic and diluted earnings per shares</i>	17
<i>Note 7. Transactions with related parties</i>	17
Statement of Management responsibility	19

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

In interim report for Q1 2009 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated line-by-line and the results of affiliated company – Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 March 2009, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.03.09	31.12.08	31.03.08
AS Eltek	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	10.0%	10.0%
PKC Group Oyj	financial investment	Finland	8.3%	8.9%	8.9%

***Economic environment***

There has been no improvement in the economic situation of the world and there are no signs of upcoming change. According to the forecasts of Swedbank, the recession will reach 0.9% this year. The situation on the world's financial markets is still tense, with brief periods of optimism now and then. The money market interests in the world keep falling, as the continuing interest cuts by central banks have slowly revived trust and reduced risk ratings. The situation differs in so-called risk areas that also include the three Baltic States. The Russian economy has also entered the recession phase. The forecasts imply a rather steep decline; hence, the expectations of some entrepreneurs to use the strength of the eastern market to make up for the weakness of the western market will not be met. It is more likely that the economic policy of Russia and other non-EU countries will become more protectionism in nature.

The small Baltic States are very open to developments on the world economy, which means that a modest demand on their main export markets — Germany, Sweden, Finland and Great Britain — has a considerable impact on their developments. In addition to the decreased foreign demand, the Baltic States' economies have also been significantly influenced by weak domestic demand, fed by a low level of security, increasing unemployment, salary cuts and lack of credit facilities. A painful readjustment process has begun, which, if it proves successful, may give rise to a more competitive and efficient business and public sector. Estonia has gone further in the process of change to date than the other two countries. However, the considerably improved external balances of the countries serve as positive examples. According to bank analysts, the current and capital account deficits of Estonia and Latvia will close with a surplus this year, and Lithuania's deficit will decrease considerably.

The short-term prospects of the Estonian economy do not look good because world economy risks remain high, regardless of the decreasing uncertainty compared to the autumn of 2008. The approaching elections are becoming a domestic problem (to the European Parliament on 7 June, local elections on 18 October), which have impaired the decision-making process within the government. Local analysts' assessments indicate that the average unemployment rate will increase over 12% this year. Wages and salaries are expected to significantly decrease as well. A decline in the number of orders is likely to result in smaller work load for companies or even temporary shutdowns, affecting about 5–10% of businesses this year.

All in all, recession is predicted for all three Baltic States in 2009: for Latvia -15%, for Lithuania -13% and for Estonia -10.5%. Only Estonia may see a slight growth (+0.5%) in 2010, according to an optimistic scenario; however, any considerable growth in the area cannot be expected before 2011.

### *Main events*

Harju Elekter Elektrotehnika and Satmatic, the subsidiaries of Harju Elekter, along with their long-term cooperation partner Siemens Oy, participated in the electricity networks fair Verkosto 2009 in Tampere, Finland, from 4-5 February. Two compact substations with sheet metal enclosures, as well as a medium voltage distribution point, were presented to the fair visitors. The visitors expressed a great deal of interest in the novel products, with an air insulated medium voltage substation manufactured for the Finnish market proving to be the most attractive. The large number of participants and visitors allows for presuming that the recession has a more modest effect in the area of energy and electric equipment than in other areas.

### *Operating results*

#### SALES REVENUE

Regardless of the present economic situation, the financial results of the Group were normal in every way. The consolidated sales profit of the Group in the first quarter was 181.8 million kroons, which was 10.8% less than the result of the comparable quarter. The core business of the Group is the production and sales of electrical distribution systems and control panels as well as other supportive side-activities (hereinafter „Production“), which was traditionally the largest share of sales revenues – 89.9% (86.9%).

Sales revenue by segment:

1 <sup>st</sup> quarter	growth	EEK (in million)		EUR (in million)		structure	
Segment	Q/Q	2009	2008	2009	2008	2009	2008
Manufacturing	-7.8%	163.5	177.2	10.5	11.3	89.9%	86.9%
Real estate	6.7%	10.1	9.5	0.6	0.6	5.6%	4.7%
Unallocated activities	-52.4%	8.2	17.2	0.5	1.1	4.5%	8.4%
<b>Total</b>	<b>-10.8%</b>	<b>181.8</b>	<b>203.9</b>	<b>11.6</b>	<b>13.0</b>	<b>100.0%</b>	<b>100.0%</b>

Of the markets, the domestic markets (Estonia, Lithuania and Finland) of the Group's companies prevailed, where 93.6% (95.4%) of the Group's products and services were sold. The Group has sold its products to the markets of Latvia, Sweden and Poland, as well as Byelorussia, Russia and Norway.

Sales revenue by markets:

1 <sup>st</sup> quarter		EEK (in million)		EUR (in million)		Share	
Markets	Growth	2009	2008	2009	2008	2009	2008
Estonia	-30.8%	55.4	80.0	3.5	5.1	30.5%	39.2%
Finland	0.9%	99.6	98.8	6.4	6.3	54.8%	48.4%
Lithuania	-5.3%	15.1	15.9	1.0	1.0	8.3%	7.8%
Other EU countries	-16.2%	6.5	7.7	0.4	0.5	3.5%	3.8%
Others	241.1%	5.2	1.5	0.3	0.1	2.9%	0.8%
<b>Total</b>	<b>-10.8%</b>	<b>181.8</b>	<b>203.9</b>	<b>11.6</b>	<b>13.0</b>	<b>100.0%</b>	<b>100.0%</b>

## OPERATING EXPENSES

1 <sup>st</sup> quarter	Growth	EEK (in million)		EUR (in million)	
		2009	2008	2009	2008
Cost of sales	-9.8%	157.0	174.2	10.0	11.1
Distribution costs	-5.6%	7.6	8.1	0.5	0.5
Admin expenses	7.0%	10.9	10.2	0.7	0.7
<b>Total expenses</b>	<b>-8.8%</b>	<b>175.6</b>	<b>192.5</b>	<b>11.2</b>	<b>12.3</b>
incl. depreciation of fixed assets	3.2%	4.9	4.8	0.3	0.3
Total labour cost	0.0%	40.4	40.4	2.6	2.6
incl salary cost	3.9%	33.7	32.4	2.2	2.1

Expenditures on sold products decreased by 9.8% during the first three months of 2009, constituting 86.4% of turnover (Q12008: 85.3%). Other operating expenses increased by 0.2 million kroons (16 000 euros) compared to that of the comparable period, whereas sales expenditures decreased by 5.6% compared to the period, and administrative and general expenses increased by 7.0%. Because of the fixed costs, the decrease in operational expenditures remained 2 percentage points smaller than that of sales expenditures, falling by 8.8%.

In the first quarter, there was an average of 461 people working in the Group (Q12008: 477), included 301 (316) employees in Estonia, 77 (74) employees in Lithuania and 83 (87) employees in Finland. As at the balance day on 31 March, there were 492 people working in the group, which are 23 employees less than in the beginning of the year and 15 employees less than a year ago. All labour cost in Q1 2009 were 40.4 million kroons (2.6 million euros), staying stable in the same level as the comparable period. Spending on wages and salaries increased by 3.9% to 33.7 million kroons (2.1 million euros), which was mostly on account of bonuses, paid for the excellent work results during the previous financial year, from the reserves accumulated in 2008.

The increase in production volumes has brought about an increase in the number of employees as well as an increase in labour costs. In Q1 2009 the average monthly wages of the employees of the Group was 24.3 thousand kroons (1.5 thousand euros), which is 1.7 thousand kroons (0.1 thousand euros) more than in the comparable period. The main reason behind the rise of salaries was the company in Finland.

The accumulated depreciation in a total of 4.9 million kroons (316 000 euros) was written off in the first quarter, which is 3.2% more compared to the same period of the previous year. Over the past five years, the Group has invested an average of 40 million kroons (2.7 million euros) in fixed assets per year. The Group invested a total of 2.5 million kroons (160 000 euros) in tangible assets during the accounting period and 3.5 million kroons (225 000 euros) during the comparable period.

## PROFIT

The gross profit of the Group amounted to 24.8 million kroons (1.6 million euros), which was 16.7% less than in the previous period. The total profit margin was 13.6% (Q12008: 14.6%).

The operating profit dropped by 43.7% to 6.4 million kroons (408 000 euros) in the first quarter. The operating margin was 3.5% (5.6%).

Because of the recession, the sales volume of the affiliated undertaking decreased considerably, resulting in loss. The Group consolidated from the affiliated undertaking a loss of 7.5 million kroons (0.5 million euros), while the loss had been 0.2 million kroons (12 000 euros) in the comparable period. In the first quarter, the Group sold 100 000 shares of PKC Group Oyj. The realised gains from the sale of shares were 5.0 million kroons (318 000 euros). No shares were sold in 2008. As a result of

the decreasing interest-bearing obligations, the interest expenses dropped by 155 thousand kroons (10 000 euros), being 581 thousand kroons (37 000 euros).

The consolidated net profit of the Q1 2009 was 2.7 million kroons or 172 thousand euros (in Q1 2008: 9.7 million kroons or 623 thousand euros), of which the share of the owners of the parent company was 2.6 million kroons (169 thousand euros). EPS of the reporting period was 0.16 kroons or 0.01 euros (in Q1 2008: 0.58 kroons or 0.04 euros).

### ***Balance sheet and cash flows***

The amount of the consolidated balance sheet as of 31 March 2009 was 556.3 million kroons or 35.6 million euros (31.3.2008:694.8 million kroons or 44.4 million euros), decreasing by 45.6 million kroons (2.9 million euros) in the first quarter.

During the first quarter, the operating liabilities decreased by 14.5 million kroons (0.9 million euros) and the inventories by 13.7 million kroons (0.9 million euros), but cash at bank increased by 4.8 million kroons (0.3 million euros) up to 28.2 million kroons (1.8 million euros). All in all, the balance sheet total decreased by 24.2 million kroons (1.5 million euros) regarding current assets to 225.2 million kroons (14.4 million euros), the main causes of which were decreasing sales volumes. Both the quick (0.8) and the solvency ratio (1.6) of the Group remained at the level of 2008 during the first months of the year.

The cost of fixed assets decreased by 21.4 million kroons (1.4 million euros) during the first quarter to 331.1 million kroons (21.2 million euros). The decrease concerned all types of fixed assets.

A sudden drop in cable prices in the second half of 2008 continued to influence the financial results of the affiliated undertaking at the beginning of this year. At the same time, because of the slowdown of the economy, the sales volume of the company has dropped significantly, as a result of which the Group consolidated from the affiliated undertaking a loss of 7.5 million kroons (0.5 million euros), causing a similar drop in book value of the investment.

The Group increased its participation in the Latvian company SIA Energokomplekss from 10% to 14%, paying 178 thousand kroons (11 000 euros) for the investment. The Group sold 100 000 shares of PKC Group Oyj in the accounting quarter with a book value of 4.7 million kroons (0.3 million euros). The sale of the investment produced a yield of 6.3 million kroons (0.4 million euros). The market price of the share decreased by 0.30 euros (4.69 kroons) over the quarter, the book value of the investment and the reserves in equity capital decreased by the loss on revaluation of 6.9 million kroons (0.4 million euros). All in all, the book value of financial assets decreased by 11.5 million kroons (0.7 million euros) to 62.9 million kroons (4.0 million euros).

The Group invested 2.5 million kroons (159 000 euros) in tangible assets in the first quarter, while the amount was 3.5 million kroons (225 000 euros) during the comparable period.

The liability of the Group decreased by 38.0 million kroons (2.4 million euros) to 145.2 million kroons (9.3 million euros) during the first three months, and this was mainly on account of interest-bearing liabilities. Due to high interest rates, the Lithuanian subsidiary repaid the long-term loan in full in the amount of 6.2 million kroons (0.4 million euros) at the beginning of the year. During the first three months, the Group companies repaid a total of 8.7 million kroons (0.6 million euros) of the long-term loan and the short-term loan in the amount of 24.1 million kroons (1.5 million euros) along with the capital lease in the amount of 0.5 million kroons, i.e. 34 000 euros (1Q2008: 0.3 million kroons, i.e. 21 000 euros). All in all, the book value of the interest-bearing liabilities decreased by 33.3 million kroons (2.1 million euros), as a result of which the share of foreign capital decreased by 4 percentage points to 26% as of the balance sheet date of 31 March 2009.

As a consequence of the sale of financial investments and decreasing market prices, the reserves in equity capital decreased by 10.3 million kroons (0.7 million euros). The equity capital constituted 74% (in 2008:75%) of the assets, including the owners' share of 70% in the parent company (in 2008: 72%).

The cash flow from operations amounted to 36.2 million kroons, i.e. 2.3 million euros in the first quarter and 7.1 million kroons, i.e. 0.5 million euros in the comparable period. The cash flow from investments was a positive 2.0 million kroons, i.e. 127 000 euros in the accounting period, the cash flow spent during the comparable period was 3.7 million kroons (234 000 euros). The cash flow from financial investments was 33.3 million kroons (2.1 million euros) and 3.7 million kroons (0.2 million euros) in the comparable period.

Cash and cash equivalents increased by 4.8 million kroons (310 000 euros) in the first quarter and decreased by 0.3 million kroons (19 000 euros) during the comparable period.

### *Shares of Harju Elekter*

	EEK			EUR		
	Q1 2009	Q1 2008	2008	Q1 2009	Q1 2008	2008
Number of the shares ('000)	16,800	16,800	16,800	16,800	16,800	16,800
Nominal value	10.00	10.00	10.00	0.64	0.64	0.64
Low price	10.48	40.52	53.98	0.67	2.59	3.45
High price	16.74	53.98	14.86	1.07	3.45	0.95
Closing price	11.73	41.46	15.49	0.75	2.65	0.99
EPS	0.16	0.58	2.29	0.01	0.04	0.15

### *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 (OÜ Kirschmann, Manager), Madis Talgre (AS Harju KEK, Manager) and Andres Toome (finance consultant).

In Q1 2009 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.

More specific 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](http://www.harjuelekter.ee)

### *Post-balance events*

On 23<sup>th</sup> of April 2009 was held the AGM where attended by 100 shareholders and their authorised representatives who represented the total of 61.77 % of the total votes. The general meeting approved the annual report of 2008 and profit distribution. On the basis of a decision, the owners are paid dividends for 2008 at the rate of 1.00 kroons (0.064 euros) per share, in the total amount of 16.8 million kroons (1.1 million euros). The dividends will be paid to the shareholders on 20 May 2009.

### *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 32.2% 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 1.5 million kroons (0.1 million euros) and sold goods and services to them totally in the amount of 2.7 million kroons (0.2 million euros) and in the comparable period in the amount of 3.2 million kroons (0.2 million euros) and 2.7 million kroons (0.2 million euros) respectively.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in Q1 2009 amounted to a total of 1.2 million kroons (74 thousand euros) and in the comparable period 1.2 million kroons (74 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

	EEK (in million)		€ (in million)			
	1-3/ 2009	1-3/ 2008	2008	1-3/ 2009	1-3/ 2008	2008
<b>Accounting period</b>						
Net sales	181.8	203.9	871.6	11.6	13.0	55.7
Operating profit	6.4	11.3	50.1	0.4	0.7	3.2
Net profit for the current period	2.7	9.7	42.1	0.2	0.6	2.7
Incl. equity holders of the parents	2.6	9.7	38.6	0.2	0.6	2.5
<b>At the end of the period</b>						
Total current assets	225.2	257.8	249.4	14.4	16.5	15.9
Total non-current assets	331.1	437.0	352.6	21.2	27.9	22.6
Total assets	556.3	694.8	602.0	35.6	44.4	38.5
Total liabilities	145.2	174.5	183.3	9.3	11.2	11.7
Total equity	411.1	520.3	418.7	26.3	33.2	26.8
Inclusive equity attributable to equity holders of the parent	389.5	501.8	397.2	24.9	32.1	25.4

	1-3/ 2009	1-3/ 2008	2008
<b>Performance indicators (%)</b>			
Growth in revenue	-10.8	34.5	19.1
Operating profit growth	-43.7	25.6	-2.8
Net profit growth (Equity holders of the parent)	-72.9	20.4	-54.3
Return of sales (operating profit/revenue *100)	3.5	5.6	5.7
Net profit margin (net profit /net sales *100)	1.5	4.8	4.4
Owners' equity margin (equity / balance sheet total *100)	70.0	72.2	66.0
<b>Employees</b>			
Average number of employees on the current period	461	477	501
Number of employees at the end of the period	492	507	515



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

		EEK'000			€000		
	Note	31.03.09	31.12.08	31.03.08	31.03.09	31.12.08	31.03.08
<b>Current assets</b>							
Cash and cash equivalents		28,207	23,379	25,946	1,803	1,494	1,658
Trade receivables and other receivables		84,977	99,449	92,279	5,431	6,356	5,898
Prepayments		2,348	3,217	1,870	150	205	119
Inclusive income tax		180	47	853	12	3	55
Inventories		109,673	123,351	137,691	7,009	7,884	8,800
<b>Total current assets</b>		<b>225,205</b>	<b>249,396</b>	<b>257,786</b>	<b>14,393</b>	<b>15,939</b>	<b>16,475</b>
<b>Non-current assets</b>							
Investments in associates	2	10,362	17,907	21,782	662	1,144	1,392
Other long-term financial investments	2	62,859	74,323	174,198	4,017	4,750	11,133
Investment property	2	132,395	133,737	132,746	8,462	8,547	8,484
Property, plant and equipment	2	122,636	123,423	105,216	7,838	7,889	6,725
Intangible assets	2	2,897	3,201	3,061	185	205	196
<b>Total non-current assets</b>		<b>331,149</b>	<b>352,591</b>	<b>437,003</b>	<b>21,164</b>	<b>22,535</b>	<b>27,930</b>
<b>TOTAL ASSETS</b>		<b>556,354</b>	<b>601,987</b>	<b>694,789</b>	<b>35,557</b>	<b>38,474</b>	<b>44,405</b>
<b>Liabilities</b>							
Interest-bearing loans and borrowings	3	12,931	41,958	22,428	827	2,682	1,433
Trade payables and other payables		103,820	112,395	110,407	6,635	7,183	7,056
Tax liabilities		15,270	11,216	18,574	976	717	1,187
Inclusive income tax		1,732	1,551	1,079	111	99	69
Short-term provision		1,092	1,294	415	70	83	27
<b>Total current liabilities</b>		<b>133,113</b>	<b>166,863</b>	<b>151,824</b>	<b>8,508</b>	<b>10,665</b>	<b>9,703</b>
Non-current liabilities	3	12,110	16,381	22,195	773	1,046	1,419
Other non-current liabilities		0	0	469	0	0	30
<b>Total non-current liabilities</b>		<b>12,110</b>	<b>16,381</b>	<b>22,664</b>	<b>773</b>	<b>1,046</b>	<b>1,449</b>
<b>Total liabilities</b>		<b>145,223</b>	<b>183,244</b>	<b>174,488</b>	<b>9,281</b>	<b>11,711</b>	<b>11,152</b>
<b>Equity</b>							
Share capital		168,000	168,000	168,000	10,737	10,737	10,737
Share premium		6,000	6,000	6,000	384	384	384
Reserves		59,447	69,746	166,221	3,798	4,457	10,623
Retained earnings		156,081	153,445	161,629	9,977	9,808	10,330
<b>Total equity attributable to equity holders of the parent</b>		<b>389,528</b>	<b>397,191</b>	<b>501,850</b>	<b>24,896</b>	<b>25,386</b>	<b>32,074</b>
Minority interest		21,603	21,552	18,451	1,380	1,377	1,179
<b>Total equity</b>		<b>411,131</b>	<b>418,743</b>	<b>520,301</b>	<b>26,276</b>	<b>26,763</b>	<b>33,253</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>556,354</b>	<b>601,987</b>	<b>694,789</b>	<b>35,557</b>	<b>38,474</b>	<b>44,405</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period 1 January - 31 March	Note	EEK'000 2009	2008	€000 2009	2008
<b><u>I Income statement</u></b>					
Revenue	4	181,769	203,883	11,617	13,030
Cost of sales		-156,999	-174,143	-10,034	-11,130
<b>Gross profit</b>		<b>24,770</b>	<b>29,740</b>	<b>1,583</b>	<b>1,900</b>
Distribution costs		-7,644	-8,101	-489	-518
Administrative expenses		-10,925	-10,209	-698	-652
Other income		316	37	20	2
Other expenses		-132	-128	-8	-8
<b>Operating profit</b>	4	<b>6,385</b>	<b>11,339</b>	<b>408</b>	<b>724</b>
Net financing income/costs	5	4,454	-613	285	-39
Share of profit of associates	2	-7,545	-193	-482	-12
<b>Profit before tax</b>		<b>3,294</b>	<b>10,533</b>	<b>211</b>	<b>673</b>
Allocation of corporate income tax to relevant periods		-607	-789	-39	-50
<b>Profit for the period</b>		<b>2,687</b>	<b>9,744</b>	<b>172</b>	<b>623</b>
<b>Attributable to:</b>					
Equity holders of the parent		2,636	9,735	169	623
Non-controlling interests		51	9	3	0
Basic and diluted earnings per share (EEK/EUR)	6	0.16	0.58	0.01	0.,04
<b><u>II Statement of comprehensive income</u></b>					
Profit for the period		2,687	9,744	172	623
Available-for-sale financial assets		-10,299	-41,038	-659	-2,623
<b>Total comprehensive income for the period</b>		<b>-7,612</b>	<b>-31,294</b>	<b>-487</b>	<b>-2,000</b>
<b>Attributable to:</b>					
Equity holders of the parent		-7,663	-31,303	-490	-2,000
Non-controlling interests		51	9	3	0

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period 1 January - 31 March	Note	EEK'000		€000	
		2009	2008	2009	2008
<b>Cash flows from operating activities</b>					
Operating profit	4	6,385	11,339	408	724
<u>Adjustments for:</u>					
Depreciation and amortisation	2	4,941	4,788	316	307
Gain on sale of property, plant and equipment		-66	-13	-4	-1
Change in receivables related to operating activity		12,864	-9,091	822	-581
Change in inventories		13,678	-9,052	874	-579
Change in payables related to operating activity		-490	10,059	-32	643
Corporate income tax paid		-559	-382	-36	-24
Interest paid		-583	-593	-37	-38
<b>Net cash from operating activities</b>		<b>36,170</b>	<b>7,055</b>	<b>2,311</b>	<b>451</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		0	-186	0	-12
Acquisition of investment property		-4,345	-3,519	-278	-225
Acquisition of intangible assets		0	-69	0	-4
Proceeds from sale of property, plant and equipment		66	13	4	1
Acquisition of other financial investments		-178	0	-11	0
Proceeds from sale of other financial investments		6,318	0	404	0
Loans given		0	-35	0	-2
Repayment of loans given		0	10	0	1
Interest received		118	128	8	7
<b>Net cash used in investing activities</b>		<b>1,979</b>	<b>-3,658</b>	<b>127</b>	<b>-234</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	3	0	1,812	0	116
Repayment of borrowings	3	-32,767	-5,182	-2,094	-331
Payment of finance lease principal	3	-531	-331	-34	-21
<b>Net cash used in financing activities</b>		<b>-33,298</b>	<b>-3,701</b>	<b>-2,128</b>	<b>-236</b>
<b>Net cash flows</b>		<b>4,851</b>	<b>-304</b>	<b>310</b>	<b>-19</b>
<b>Cash and cash equivalents at beginning of period</b>					
		<b>23,379</b>	<b>26,257</b>	<b>1,494</b>	<b>1,678</b>
Net increase / decrease		4,851	-306	310	-20
Effect of exchange rate fluctuations on cash held		-23	-5	-1	0
<b>Cash and cash equivalents at end of period</b>		<b>28,207</b>	<b>25,946</b>	<b>1,803</b>	<b>1,658</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EEK '000	Attributable to equity holders of the parent						Non-controlling interest	TOTAL
	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total		
For the period 1-3/ 2008								
Balance at 31 December 2007	168,000	6,000	13,400	193,859	151,894	533,153	18,442	551,595
Comprehensive income for period	0	0	0	-41,038	9,735	-31,303	9	-31,294
<b>Balance at 31 March 2008</b>	<b>168,000</b>	<b>6,000</b>	<b>13,400</b>	<b>152,821</b>	<b>161,629</b>	<b>501,850</b>	<b>18,451</b>	<b>520,301</b>
For the period 1-3/ 2009								
Balance at 31 December 2008	168,000	6,000	16,800	52,946	153,445	397,191	21,552	418,743
Comprehensive income for period	0	0	0	-10,299	2,636	-7,663	51	-7,612
<b>Balance at 31 March 2009</b>	<b>168,000</b>	<b>6,000</b>	<b>16,800</b>	<b>42,647</b>	<b>156,081</b>	<b>389,528</b>	<b>21,603</b>	<b>411,131</b>
€000								
For the period 1-3/ 2008								
Balance at 31 December 2007	10,737	384	856	12,390	9,708	34,075	1,179	35,254
Comprehensive income for period	0	0	0	-2,623	623	-2,000	0	-2,000
	0	0						
<b>Balance at 31 March 2008</b>	<b>10,737</b>	<b>384</b>	<b>856</b>	<b>9,767</b>	<b>10,331</b>	<b>32,075</b>	<b>1,179</b>	<b>33,254</b>
For period 1-3/ 2009								
Balance at 31 December 2008	10,737	384	1,073	3,384	9,808	25,386	1,377	26,763
Comprehensive income for period	0	0	0	-659	169	-490	3	-487
<b>Balance at 31 March 2009</b>	<b>10,737</b>	<b>384</b>	<b>1,073</b>	<b>2,725</b>	<b>9,977</b>	<b>24,896</b>	<b>1,380</b>	<b>26,276</b>

## 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 31.03.2009 comprise 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; 32.2% 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 31.12.2008

According to the assessment of the management board, the interim report for 1-3/2009 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.

### *Changes in the presentation of information in 2009*

*Revised IAS 1 Presentation of Financial Statements*, which will come into force as of 1 January 2009, requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. Since 1<sup>st</sup> of January 2009 items of income and expense and components of comprehensive income are presented in a single statement of comprehensive income. In connection with the compilation of the consolidated comprehensive income statement, the presentation of the report on changes in equity also changed. The report on changes in equity does not recognize statement of comprehensive income elements as separate changes just on the one row „*Comprehensive income for period*”.

Pursuant to IAS I, the term “*Consolidated balance sheet*” used previously is replaced by the term “*Statement of financial position*”. The presentation of basic reports and the new terms do not affect the recognition of transactions and balances or the accounting principles.

## Note 2 Non-current assets

For the period 1 January - 31 March	EEK'000	2009	2008	€000	2009	2008
<b>Investments in associate</b>						
At 1 January	17,907	21,975		1,144		1,404
Loss(-)under the equity method	-7,545	-193		-482		-12
<b>At 31 March</b>	<b>10,362</b>	<b>21,782</b>		<b>662</b>		<b>1,392</b>
<b>Other long-term financial investments</b>						
At 1 January	74,323	215,236		4,750		13,756
Additions	178	0		11		0
Sale of shares	-4,694	0		-300		0
Changes in the fair value reserve	-6,948	-41,038		-444		-2,623
<b>At 31 March</b>	<b>62,859</b>	<b>174,198</b>		<b>4,017</b>		<b>11,133</b>
<b>Investment property</b>						
At 1 January	133,737	133,839		8,547		8,554
Additions	0	186		0		12
Depreciation charge	-1,342	-1,279		-85		-82
<b>At 31 March</b>	<b>132,395</b>	<b>132,746</b>		<b>8,462</b>		<b>8,484</b>
<b>Property, plant and equipment</b>						
At 1 January	123,423	104,948		7,889		6,707
Additions	2,508	3,499		160		225
Depreciation charge	-3,295	-3,231		-211		-207
<b>At 31 March</b>	<b>122,636</b>	<b>105,216</b>		<b>7,838</b>		<b>6,725</b>
<b>Intangible assets</b>						
At 1 January	3,201	3,269		205		209
Additions	0	70		0		5
Depreciation charge	-304	-278		-20		-18
<b>At 31 March</b>	<b>2,897</b>	<b>3,061</b>		<b>185</b>		<b>196</b>
<b>Total non-current assets</b>	<b>331,149</b>	<b>437,003</b>		<b>21,164</b>		<b>27,930</b>

**Note 3 Interest-bearing loans and borrowings**

	EEK'000		€000			
	31.3.2009	31.12.2008	31.3.2008	31.3.2009	31.12.2008	31.3.2008
<b>Liabilities</b>						
Short-term bank loans	3,774	27,849	13,851	241	1,780	885
Current portion of long-term bank loans	7,645	12,066	7,593	489	771	485
Current portion of lease liabilities	1,512	2,043	984	97	131	63
<b>Total current liabilities</b>	<b>12,931</b>	<b>41,958</b>	<b>22,428</b>	<b>827</b>	<b>2,682</b>	<b>1,433</b>
Long-term bank loans	4,696	8,967	21,087	300	573	1,348
Lease liabilities	7,414	7,414	1,108	473	473	71
<b>Total non-current liabilities</b>	<b>12,110</b>	<b>16,381</b>	<b>22,195</b>	<b>773</b>	<b>1,046</b>	<b>1,419</b>
<b>TOTAL</b>	<b>25,041</b>	<b>58,339</b>	<b>44,623</b>	<b>1,600</b>	<b>3,728</b>	<b>2,852</b>

Changes during the period 1 January - 31 March

	EEK'000		€000	
	2009	2008	2009	2008
<b>Loans and borrowings at the beginning of the year</b>	<b>58,339</b>	<b>48,324</b>	<b>3,728</b>	<b>3,088</b>
Changes in short-term loans	-24,075	-2,658	-1,539	-170
New long-term loan	0	1,812	0	116
Long-term loan repaid	-8,692	-2,524	-555	-161
Payment of finance lease principal	-531	-331	-34	-21
<b>Loans and borrowings at the end of the current period</b>	<b>25,041</b>	<b>44,623</b>	<b>1,600</b>	<b>2,852</b>

**Note 4 Segment reporting**

*IFRS 8 Operating Segments* (effective for annual periods beginning on or after 1 January 2009), introduces the “management approach” to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group’s Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

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 Eltek, Satmatic Oy and Rifas UAB.

“*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.

EEK'000 1.1. -31.3.	Manufacturing		Real estate		Unallocated items		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	163,476	177,212	10,120	9,484	8,173	17,187	0	0	181,769	203,883
Inter-segment revenue	4,855	11,621	3,751	3,627	729	910	-9,335	-16,158	0	0
<b>Total revenue</b>	<b>168,331</b>	<b>188,833</b>	<b>13,871</b>	<b>13,111</b>	<b>8,902</b>	<b>18,097</b>	<b>-9,335</b>	<b>-16,158</b>	<b>181,769</b>	<b>203,883</b>
Segment result	2,863	7,530	3,828	3,910	-311	-92	5	-9	<b>6,385</b>	<b>11,339</b>

€000

Revenue from external customers	10,448	11,326	647	606	522	1,098	0	0	11,617	13,030
Inter-segment revenue	310	743	240	232	47	58	-597	-1,033	0	0
<b>Total revenue</b>	<b>10,758</b>	<b>12,069</b>	<b>887</b>	<b>838</b>	<b>569</b>	<b>1,156</b>	<b>-597</b>	<b>-1,033</b>	<b>11,617</b>	<b>13,030</b>
Segment result	183	481	245	250	-20	-6	0	-1	<b>408</b>	<b>724</b>

Revenue based on the geographical location of the assets and customers:

EEK'000 1.1. -31.3.	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Estonia	55,399	80,016	107	0	90	324	-197	-317	55,399	80,023
Finland	14,124	23,858	89,134	87,098	0	672	-3,671	-12,950	99,587	98,678
Lithuania	549	952	0	0	14,925	15,544	-396	-568	15,078	15,928
Other EU countries	3,257	6,317	933	420	2,279	982	0	0	6,469	7,719
Other	4,831	139	0	0	405	1,396	0	0	5,236	1,535
<b>Total</b>	<b>78,160</b>	<b>111,282</b>	<b>90,174</b>	<b>87,518</b>	<b>17,699</b>	<b>18,918</b>	<b>-4,264</b>	<b>-13,835</b>	<b>181,769</b>	<b>203,883</b>

€000

Estonia	3,541	5,113	7	0	6	21	-13	-20	3,541	5,114
Finland	903	1,526	5,697	5,566	0	43	-235	-828	6,365	6,307
Lithuania	35	61	0	0	954	993	-25	-36	964	1,018
Other EU countries	208	403	59	27	145	63	0	0	412	493
Other	309	9	0	0	26	89	0	0	335	98
<b>Total</b>	<b>4,996</b>	<b>7,112</b>	<b>5,763</b>	<b>5,593</b>	<b>1,131</b>	<b>1,209</b>	<b>-273</b>	<b>-884</b>	<b>11,617</b>	<b>13,030</b>



**Note 5 Net financing income/costs**

For the period 1 January - 31 March	EEK'000		€000	
	2009	2008	2009	2008
Interest income	83	128	5	8
Interest expense	-581	-736	-37	-47
Net loss from foreign exchange differences	-23	-5	-1	0
<i>Marketable investments:</i>				
Income from sale of investments	4,975	0	318	0
<b>TOTAL</b>	<b>4,454</b>	<b>-613</b>	<b>285</b>	<b>-39</b>

**Note 6 Basic and diluted earnings per share**

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

For the period 1 January - 31 March		2009	2008	2009		2008
Profit attributable to equity holders of the parent	EEK'000	2,636	9,735	€000	169	623
Average number of shares outstanding	'000	16,800	16,800	'000	16,800	16,800
Basic and diluted earnings per share	EEK	0.16	0.58	€	0.01	0.04

*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 March 2009, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

**Note 7 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 32.2% of the shares of AS Harju Elekter.

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

	EEK '000		€000	
For the period 1 January - 31 March	2009	2008	2009	2008
<b>Purchase of goods and services from related parties:</b>				
- from associates	1,261	3,054	81	195
- from Harju KEK	256	155	16	10
<b>TOTAL</b>	<b>1,517</b>	<b>3,209</b>	<b>97</b>	<b>205</b>
<i>Inclusive:</i>				
- goods and materials for manufacturing	1,261	3,054	81	195
- lease of property, plant and equipment	256	155	16	10
<b>Sale of goods and services to related parties:</b>				
- to associates	2,734	2,659	175	170
<i>Inclusive:</i>				
- goods and materials for manufacturing	44	226	3	15
- lease of property, plant and equipment	1,807	1,522	116	97
- management services	678	678	43	43
- other	205	233	13	15
<b>Balances with related parties at 31 March</b>				
Receivables with associates: goods and services	2,638	2,410	169	154
Payables with associates: goods and services	793	2,305	51	147

## Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/ 2009, as set out on pages 3 to 18, 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/	„06.“ May 2009
Lembit Libe	Member of the Board	/signature/	„06.“ May 2009
Karin Padjus	Member of the Board	/signature/	„06.“ May 2009