

AS HARJU ELEKTER

Interim report 1-3/ 2008

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances real estate holding; management assistance and services
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CEO:	Andres Allikmäe
Auditor:	KPMG Baltics
Beginning of the reporting period:	1 st of January 2008
End of the reporting period:	31 st of March 2008

The interim report of Harju Elekter Group on 18 pages

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

In interim report for Q1 2008 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 2008, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.03.08	31.12.07	31.03.07
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	10.0%	10.0%	10.0%
PKC Group Oyj	financial investment	Finland	8.9%	8.9%	10.1%

Economic environment

The impacts of the global economic cooling that started in the spring of 2007 began to emerge in the Baltic States at the end of that year and deepened this year, giving rise to the slowdown of the economic growth and high inflation rates. According to the Estonian Institute of Economic Research, the economic climate index continued to fall, however at a slower rate than it used to. The oil price, depending on imported energy carriers, has a significant impact on the local price level and consumption. The US dollar, which has remained weak, has mitigated the price increase to a certain extent. At the same time, the exchange rate of the US dollar has not influenced the exportation of the countries in the local region the trading partners of which are mostly countries of the EU and countries related to the EU. The economic situation of the main trading partners of Estonia – Finland, Sweden – is better than the average.

As the economies of the Baltic States are very open to global economic processes, they also have a direct impact on local developments. Both the insufficient liquidity of global financial markets and rapidly growing prices have had a negative impact on the region. The slowdown of economic growth is caused by modest increase in (private) consumption and investments brought along by the limitation of credit offers and growing interest rates. Construction enterprises have not yet come out of the economic downturn following the boom. Households are increasingly disturbed by the increase in prices, as well as the fear of losing their jobs. At the same time, the slowdown of the domestic demand gives rise to a slowdown in import growth and contributes to the decrease in current account deficit. According to the analytics of Hansabank Markets, this year, unemployment is going to increase in all three Baltic States, which presumably will also give rise to certain slowdown in the increase of salaries.

Operating results

in million	%	EEK	EUR		
1 January - 31 March	Growth	2008	2007	2008	2007
Sales revenue	34.5%	203.9	151.6	13.0	9.7
Operating profit	25.6%	11.3	9.0	0.7	0.6
Net profit of the period	12.0%	9.7	8.7	0.6	0.6
incl net profit belonging to the owners of Parent	20.4%	9.7	8.1	0.6	0.5

The sales revenue of the Group in the first quarter of 2008 was 203.9 million kroons (13.0 million euros), growing 34.5% compared to the same period during the previous year, operating profit 25.6% up to 11.3 million kroons (0.7 million euros) and net profit 12.0% up to 9.7 million kroons (0.6 million euros).

SALES REVENUE

Sales revenue by segment:

1 st quarter	growth	EEK (in million)		EUR (in million)		structure	
Segment	Q/Q	2008	2007	2008	2007	2008	2007
Estonia	25.9%	97.8	77.7	6.2	5.0	48.0%	51.2%
Finland	54.2%	87.5	56.7	5.6	3.6	42.9%	37.4%
Lithuania	8.2%	18.6	17.2	1.2	1.1	9.1%	11.4%
Total	34.5%	203.9	151.6	13.0	9.7	100.0%	100.0%

The fastest growth paces were in the Finnish and Estonian segments (54.2% and 25.9%, respectively). The rapid increase that started last financial year in orders in the enterprises in Finland and Estonia which produce electronic equipment has also continued at the beginning of 2008.

The biggest contribution to the increase in sales revenue has been made by the Finnish segment, the sales volume of which to non-Group customers has increased by 30.8 million kroons (2.0 million euros) to 87.5 million kroons (5.6 million euros), constituting 42.9 % (37.4 %) of consolidated sales revenue. The vast majority of the sales revenue (80%) was derived from the sale of products directed to the industrial sector (manufacturers of metal and production equipment). Ship building has become a significant sector.

The sales volume of the of Estonian segment to non-Group customers increased by 20.1 million kroons (1.2 million euros) over the first three months, constituting 48.0 % or 97.8 million kroons (6.2 million euros) of the Group's sales revenue. Additionally, the Estonian segment sold goods and services valued 13.5 million kroons (0.9 million euros) to other segments, which exceeded the sales of the period being compared by 10.1 million kroons (0.7 million euros) and which also had a direct impact on the increase in the sales revenue of the other segments. The main source of growth for the Estonian segment was the increase in the volumes of the sales of prefabricated outdoor substations and distribution substations to the energy sector. During the first three months, the sales to the Estonian market and the sales to the Finnish market exceeded that of the period being compared by 16 and 27 products respectively, constituting the growth in the sales revenue of 19.2 million kroons (1.2 million euros).

In the conditions of the increasing competition, the Lithuanian segment managed to increase their sales volumes by 8.2% from external markets. The sales on external markets increased by 1.6 million kroons (0.1 million euros). Supplies to Finland and Byelorussia were added and supplies to Latvia have increased. Supplies to Norway also continued. Denmark and Poland are also on the "horizon".

Sales revenue by markets:

1 st quarter		EEK (in million)		EUR (in million)		Share	
Markets	Growth	2008	2007	2008	2007	2008	2007
Estonia	22.1%	80.1	65.5	5.1	4.2	39.2%	43.3%
Finland	46.5%	98.7	67.4	6.3	4.3	48.4%	44.4%
Lithuania	-0.4%	15.9	16.0	1.0	1.0	7.8%	10.5%
Other EU countries	255.4%	7.7	2.2	0.5	0.1	3.8%	1.4%
Others	178.1%	1.5	0.5	0.1	0.1	0.8%	0.4%
Total	34.5%	203.9	151.6	13.0	9.7	100.0%	100.0%

Of the markets, the domestic markets of the Group's companies prevailed, where 95.4% (98.2%) of the Group's products and services were sold. The percentage of other EU and other markets is starting to gradually increase. This year the sales of goods and services to these countries have exceeded that of a year ago by 6.5 million kroons (0.4 million euros). The Group has sold its products to the markets of Latvia, Sweden and Poland, as well as Byelorussia, Russia and Norway.

Traditionally, the biggest share of sales revenue – 86.8% (80.6%) came from production, which is the main field of activity of the Group. Supported by the increase in the considerable sales volumes of both the Finnish and Estonian enterprises, which manufacture electrical equipment, the sales volume of the production segment increased by 44.9 %, amounting to 177.2 million kroons (11.3 million euros). The slowdown of the economic growth, which started in the previous financial year, and the decrease in private consumption gave rise to the slowdown in the growth rate in the trade segment, however, this has an insignificant impact on the sales volume of the Group. The sales revenue of the real estate segment is stable and it has mostly been influenced by the increase in rental premises and to some extent by the changes in rental prices.

OPERATING EXPENSES

1 st quarter	Growth	EEK (in million)		EUR (in million)	
		2008	2007	2008	2007
Cost of sales	38.3%	174.2	125.9	11.1	8.0
Distribution costs	21.5%	8.1	6.7	0.5	0.4
Admin expenses	2.3%	8.6	8.4	0.6	0.5
Development costs	14.3%	1.6	1.4	0.1	0.1
Total expenses	35.2%	192.5	142.4	12.3	9.1
incl. depreciation of fixed assets	8.9%	4.8	4.4	0.3	0.3
Total labour cost	24.7%	40.4	32.4	2.6	2.1
incl salary cost	26.1%	32.4	25.7	2.1	1.6

The cost of sold products increased 38.3% during the three first months of 2008, accounting for 85.3% of the turnover (first quarter of 2007: 83.0%). Other operational costs increased by 1.8 million kroons (0.2 million euros) in comparison with the period being compared. The biggest growth - 21.5% - occurred for marketing costs. The growth of operating expenses was 0.7% faster than the growth of sales revenue. The main reasons were the growth of labour costs as well as the number of employees.

In the first quarter, the average number of employees in the Group was 471 (Q1 2007: 416), the salary costs were 32.4 million kroons (2.1 million euros) and in the comparable period 25.7 million kroons (1.6 million euros). The average salary in the Group have increased by 2,300 kroons (150 euros) compared to the same period during the previous year. The costs on labour force have increased by 24.7% up to 40.4 million kroons (2.6 million euros) in the first quarter of 2008, compared to the same period of 2007. As of 31 March 2008 there were 507 (439) people working in the Group.

Depreciation of fixed assets in the first quarter was expensed in a total amount of 4.8 million kroons (307 thousand euros), which is 8.9% more compared to the same period of the previous year. The Group has invested on average 40 million kroons (2.7 million euros) a year in fixed assets over the last four years, which is also accompanied by increased depreciation costs. During the reporting period and in the comparable period, investments in tangible and intangible assets of the Group totalled 3.8 million kroons (242 thousand euros) and 5.9 million kroons (377 thousand euros), respectively.

PROFIT

The total profit of the Group was 29.7 million kroons (1.9 million euros), having increased by 15.7% compared to the previous year. The total profit margin was 14.6% (Q1 2007: 17.0%).

The operating profit increased by 25.6% up to 11.3 million kroons (724 thousand euros) in the first quarter. The operating profitability was 5.6% (6.0%).

To sum up, the consolidated post-tax profit was 9.7 million kroons or 0.6 million euros (Q1 2007: 8.7 million kroons or 0.6 million euros), of which the share of the owners of the parent company comprised 9.7 million kroons (0.6 million euros). Net profit per share in the first quarter was 0.58 kroons or 0.04 euros (0.48 kroons or 0.03 euros).

Balance sheet

The amount of the consolidated balance sheet as of 31 March 2008 was 694.8 million kroons or 44.4 million euros (31 March 2007: 691.8 million kroons or 44.2 million euros), decreasing by 25.5 million kroons (1.6 million euros) in the first quarter.

As of the end of March, the stocks have increased within three months by 9.1 million kroons (0.58 million euros) up to 137.7 million kroons (8.8 million euros). The Group's liabilities increased in the first quarter by 9.1% up to 92.3 million kroons (5.9 million euros) and the current assets 6.9 % up to 257.8 million kroons (16.5 million euros).

The main reason for the decrease in assets was a change in the market price of a share of PKC Group Oyj in the first quarter. The price of the share on the Helsinki Stock Exchange decreased during the quarter by 1.66 euros (25.97 kroons). The difference resulting from reassessment of shares –41.0 million kroons (2.6 million euros) – was recognised directly in the equity as a decrease of reserves.

Being influenced by reassessment of financial assets, the share of equity (owners of parent company) in the assets decreased by 1.8% to a share of 72.2% (74.0%) in the first quarter.

Cash flows, investments and financing

The cash flows from operating activities totalled 7.1 million kroons (0.5 million euros) and in the comparable period 5.5 million kroons (0.3 million euros), from investing activities' expenditure -3.7 million kroons (-0.2 million euros) and in the comparable period -4.5 million kroons (-0.3 million euros), from investing activities' expenditure -3.7 million kroons (-0.2 million euros) and in the comparable period the cash flow was positive 163 thousand kroons (10 thousand euros). Cash and cash equivalents decreased in the first quarter by 0.3 million kroons (20 thousand euros) to 25.9 million kroons (1.7 million euros) and increase in the comparable period by 1.1 million kroons (69 thousand euros) to 7.8 million kroons (0.5 million euros).

The following investments were made in the fixed assets of the Group during the reporting period:

1 st quarter	EEK (in thousand)		EUR (in thousand)	
	2008	2007	2008	2007
Property, plant and equipment	3,499	5,434	225	346
Investment property	186	222	12	14
Intangible assets	70	256	5	17
Total	3,755	5,912	242	377

In the Q2 2007, construction was begun on a manufacturing and office building in Lithuania, due to be completed in the first half of 2008. In Q1, the volume of construction output amounted to 2.3 million kroons (130 thousand euros). As of 31 March, the cost of construction in progress was 9.1 million kroons (0.6 million euros) in the balance sheet. 0.6 million kroons (40 thousand euros) worth of production equipment and means of transport were acquired in three months. The total investment

volume was 3.8 million kroons (240 thousand euros), which is 1.1 million kroons (137 thousand euros) less than in the previous year.

To finance new construction in Lithuania, the Group took out an additional long-term loan in the amount of 1.8 million kroons (116 thousand euros) in Q1 2008. The loan is being used as suits the course of construction. The loan contract has been concluded for five years in the amount of 1.8 million litta (8.2 million kroons or 0.5 million euros). AS of 31 March long-term loans have been used in the amount of 6.2 million kroons (0.4 million euros). Long-term loans were repaid within three months in the amount of 2.5 million kroons (161 thousand euros) and in the reference period in the amount of 2.5 million kroons (160 thousand euros). 2.7 million kroons (170 thousand euros) of short-time bank loans were repaid during Q1, however, during the period being compared, the Group needed an additional credit of 2.9 million kroons (187 thousand euros) due to the drastic increase in production volumes.

Shares of Harju Elekter

	EEK			EUR		
	Q1 2008	Q1 2007	2007	Q1 2008	Q1 2007	2007
Number of the shares ('000)	16,800	16,800	16,800	16,800	16,800	16,800
Nominal value	10	10	10	0.64	0.64	0.64
Low price	40.52	56.80	47.25	2.59	3.63	3.02
High price	53.98	71.97	71.97	3.45	4.60	4.60
Closing price	41.46	58.52	53.20	2.65	3.74	3.40
EPS	0.58	0.48	5.03	0.04	0.03	0.32

Supervisory and management boards

Supervisory Board of Harju Elekter has 5 members: the Chairman of the Supervisory Board is Endel Palla, the R&D manager at AS Harju Elekter and the members Ain Kabal (Kabal & Partners OÜ, Manager), Lembit Kirsme (Ch of the Supervisory Board of AS Harju KEK), Madis Talgre (Ch of the Management Board of AS Harju KEK) and Andres Toome (finance consultant).

In Q1 2008 there were no changes in the Management of AS Harju Elekter. The Management Board continues with the following membership: Andres Allikmäe as Ch of the Management Board and members Karin Padjus, the Financial Director, and Lembit Libe, the Chief Economist. All members of the Management Board belong to the executive management of the company.

Post-balance events

On 24th of April 2008 was held the AGM where attended by 121 shareholders and their authorised representatives who represented the total of 71.84 % of the total votes. The general meeting approved the annual report of 2007 and profit distribution. On the basis of a decision, the owners are paid dividends for 2007 at the rate of 2.00 kroons (0.128 euros) per share, in the total amount of 33.6 million kroons (2.1 million euros). The dividends will be paid to the shareholders on 19 May 2008.

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 32.14 percent of the shares of AS Harju Elekter.

During the reporting period the Group has purchased goods and services from associated company and AS Harju KEK in the amount of 3.2 million kroons (0.2 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 2.5 million kroons (0.2 million euros) and 3.2 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 2008 amounted to a total of 1.2 million kroons (74 thousand euros) and in the comparable period 1.0 million kroons (62 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/ 2008	1-3/ 2007	2007	1-3/ 2008	1-3/ 2007	2007
Accounting period						
Net sales	203.9	151.6	732.0	13.0	9.7	46.8
Operating profit	11.3	9.0	51.5	0.7	0.6	3.3
Net profit for the current period	9.7	8.7	85.9	0.6	0.6	5.5
Incl. equity holders of the parents	9.7	8.1	84.5	0.6	0.5	5.4
At the end of the period						
Total current assets	257.8	181.8	241.0	16.5	11.6	15.4
Total non-current assets	437.0	510.0	479.3	27.9	32.6	30.6
Total assets	694.8	691.8	720.3	44.4	44.2	46.0
Total liabilities	174.5	139.4	168.7	11.1	8.9	10.8
Total equity	520.3	552.4	551.6	33.3	35.3	35.2
Inclusive equity attributable to equity holders of the parent	501.8	533.5	533.2	32.1	34.1	34.1

	1-3/ 2008	1-3/ 2007	2007
Performance indicators (%)			
Growth in revenue	34.5	22.4	17.7
Operating profit growth	25.6	13.3	14.0
Net profit growth (Equity holders of the parent)	20.4	-41.5	78.6
Return of sales (operating profit/revenue *100)	5.6	6.0	7.0
Net profit margin (net profit /net sales *100)	5.2	5.3	11.5
Owners' equity margin (equity / balance sheet total *100)	72.2	77.1	74.0

Employees

Average number of employees on the current period	471	416	458
Number of employees at the end of the period	507	439	486

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Note	EEK'000 31.3.2008	31.12.2007	€'000 31.3.2008	31.12.2007
Current assets					
Cash and cash equivalents		25,946	26,257	1,658	1,678
Trade receivables and other receivables		92,279	84,601	5,898	5,407
Prepayments		1,870	1,548	119	99
Inclusive income tax		853	717	55	46
Inventories		137,691	128,639	8,800	8,222
Total current assets		257,786	241,045	16,475	15,406
Non-current assets					
Investments in associates		21,782	21,975	1,392	1,404
Other long-term financial investments		174,198	215,236	11,133	13,756
Investment property	2	132,746	133,839	8,484	8,554
Property, plant and equipment	2	105,216	104,948	6,725	6,707
Intangible assets	2	3,061	3,269	196	209
Total non-current assets		437,003	479,267	27,930	30,630
TOTAL ASSETS		694,789	720,312	44,405	46,036
Liabilities					
Interest-bearing loans and borrowings	3	22,428	27,942	1,433	1,786
Trade payables and other payables		110,407	106,495	7,056	6,806
Tax liabilities		18,574	12,008	1,187	767
Inclusive income tax		1,079	672	69	43
Short-term provision		415	1,421	27	91
Total current liabilities		151,824	147,866	9,703	9,450
Non-current liabilities	3	22,195	20,382	1,419	1,302
Other non-current liabilities		469	469	30	30
Total non-current liabilities		22,664	20,851	1,449	1,332
Total liabilities		174,488	168,717	11,152	10,782
Equity					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		166,221	207,259	10,623	13,246
Retained earnings		161,629	151,894	10,330	9,708
Total equity attributable to equity holders of the parent		501,850	533,153	32,074	34,075
Minority interest		18,451	18,442	1,179	1,179
Total equity		520,301	551,595	33,253	35,254
TOTAL LIABILITIES AND EQUITY		694,789	720,312	44,405	46,036

CONSOLIDATED INCOME STATEMENT

For the period 1 January - 31 March	Note	EEK'000		€'000	
		2008	2007	2008	2007
Revenue	4	203,883	151,611	13,030	9,690
Cost of sales		-174,143	-125,909	-11,130	-8,047
Gross profit		29,740	25,702	1,900	1,643
Distribution costs		-8,101	-6,667	-518	-426
Administrative expenses		-10,209	-9,819	-652	-628
Other income		37	94	2	6
Other expenses		-128	-281	-8	-18
Operating profit	4	11,339	9,029	724	577
Net financing income/costs	5	-613	-313	-39	-20
Share of profit of associates		-193	352	-12	22
Profit before tax		10,533	9,068	673	579
Allocation of corporate income tax to relevant periods		-789	-365	-50	-23
Profit for the period		9,744	8,703	623	556
Attributable to:					
Equity holders of the parent	6	9,735	8,087	623	517
Minority interests		9	616	0	39
Basic and diluted earnings per share	6	0.58	0.48	0.04	0.03

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 March	Note	EEK'000		€'000	
		2008	2007	2008	2007
Cash flows from operating activities					
Operating profit	4	11,339	9,029	724	577
<u>Adjustments for:</u>					
Depreciation and amortisation	2	4,788	4,397	307	281
Gain on sale of property, plant and equipment		-13	-21	-1	-1
Change in receivables related to operating activity		-9,091	1,333	-581	85
Change in inventories		-9,052	-10,208	-579	-652
Change in payables related to operating activity		10,059	1,858	643	118
Corporate income tax paid		-382	-362	-24	-23
Interest paid		-593	-570	-38	-36
Net cash from operating activities		7,055	5,456	451	349
Cash flows from investing activities					
Acquisition of property, plant and equipment		-3,519	-4,386	-225	-280
Acquisition of investment property		-186	-222	-12	-14
Acquisition of intangible assets		-69	-256	-4	-17
Proceeds from sale of property, plant and equipment		13	24	1	2
Proceeds from sale of other financial investments		0	258	0	17
Loans given		-35	0	-2	0
Repayment of loans given		10	2	1	0
Interest received		128	36	7	2
Net cash used in investing activities		-3,658	-4,544	-234	-290
Cash flows from financing activities					
Proceeds from borrowings	3	1,812	2,925	116	187
Repayment of borrowings	3	-5,182	-2,508	-331	-160
Payment of finance lease principal	3	-331	-254	-21	-17
Net cash used in financing activities		-3,701	163	-236	10
Net cash flows		-304	1,075	-19	69
Cash and cash equivalents at beginning of period					
		26,257	6,712	1,678	429
Net increase / decrease		-306	1,075	-20	69
Effect of exchange rate fluctuations on cash held		-5	-11	0	-1
Cash and cash equivalents at end of period		25,946	7,776	1,658	497

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							Mino- rity interest	TOTAL
	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total			
For the period 1-3/ 2007									
Balance at 31 December 2006	168,000	6,000	11,000	320,552	100,078	605,630	18,429	624,059	
Profit for period	0	0	0	0	8,087	8,087	616	8,703	
Income recognized directly in equity	0	0	0	-80,186	0	-80,186	0	-80,186	
Total income for period	0	0	0	-80,186	8,087	-72,099	616	-71,483	
Dividends	0	0	0	0	0	0	-133	-133	
Balance at 31 March 2007	168,000	6,000	11,000	240,366	108,165	533,531	18,912	552,443	
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	
Profit for period	0	0	0	0	9,735	9,735	9	9,744	
Income recognized directly in equity	0	0	0	-41,038	0	-41,038	0	-41,038	
Total income for period	0	0	0	-41,038	9,735	-31,303	9	-31,294	
Balance at 31 March 2008	168,000	6,000	13,400	152,821	161,629	501,850	18,451	520,301	
€'000									
For the period 1-3/ 2007									
Balance at 31 December 2006	10,737	384	703	20,487	6,396	38,707	1,178	39,885	
Profit for period	0	0	0	0	517	517	39	556	
Income recognized directly in equity	0	0	0	-5,125	0	-5,125	0	-5,125	
Total income for period	0	0	0	-5,125	517	-4,608	39	-4,569	
Dividends	0	0	0	0	0	0	-9	-9	
Balance at 31 March 2007	10,737	384	703	15,362	6,913	34,099	1,208	35,307	
For period 1-3/ 2008									
Balance at 31 December 2007	10,737	384	856	12,390	9,708	34,075	1,179	35,254	
Profit for period	0	0	0	0	622	622	0	622	
Income recognized directly in equity	0	0	0	-2,623	0	-2,623	0	-2,623	
Total income for period	0	0	0	-2,623	622	-2,001	0	-2,001	
Balance at 31 March 2008	10,737	384	856	9,767	10,330	32,074	1,179	33,253	

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 31.03.2008 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; 32.14% of its shares is held by AS Harju KEK.

This consolidated interim report is prepared in accordance with the requirements for international accounting standard IAS 34 “Interim Financial Reporting” on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2007

According to the assessment of the management board, the interim report for 1-3/2008 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the group.

The presentation currency is the Estonian kroon (EEK). The consolidated interim financial statement has been drawn up in thousands of Estonian kroons and all the figures have been rounded to the nearest thousand, unless indicated otherwise. In accordance with Tallinn Stock Exchange Rules, the annual financial statement is also presented in euros. As the Estonian kroon is pegged to the euro at the rate of EEK 15.6466 to € 1 presentation of the statements does not entail differences in the exchange rate. In the statement the abbreviation EEK’000 means a thousand kroons and abbreviation €’000 means a thousand euros.

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

For the period 1 January - 31 March EEK’000	Property, plant and equipment		Investment property		Intangible assets	
	2008	2007	2008	2007	2008	2007
Balance at 1 January	104,948	87,446	133,839	127,268	3,269	3,595
Additions	3,499	5,434	186	222	70	256
Transfer from investment property	0	2,496	0	-2,496	0	0
Disposals	0	-3	0	0	0	0
Amortisation change for the period	-3,231	-2,926	-1,279	-1,196	-278	-275
Balance at the end of the current period	105,216	92,447	132,746	123,798	3,061	3,576
€’000						
Balance at 1 January	6,707	5,589	8,554	8,134	209	230
Additions	225	346	12	14	5	17
Transfer from investment property	0	160	0	-160	0	0
Amortisation change for the period	-207	-187	-82	-76	-18	-18
Balance at the end of the current period	6,725	5,908	8,484	7,912	196	229

Note 3 Interest-bearing loans and borrowings

	EEK'000		€'000			
	31.3.08	31.12.07	31.3.07	31.3.08	31.12.07	31.3.07
Liabilities						
Short-term bank loans	13,851	16,509	12,627	885	1,055	807
Current portion of long-term bank loans	7,593	10,118	7,546	485	646	482
Current portion of lease liabilities	984	1,315	862	63	85	55
Total current liabilities	22,428	27,942	21,035	1,433	1,786	1,344
Long-term bank loans	21,087	19,274	24,999	1,348	1,232	1,598
Lease liabilities	1,108	1,108	1,893	71	70	121
Total non-current liabilities	22,195	20,382	26,892	1,419	1,302	1,719
Total interest-bearing loans and borrowings	44,623	48,324	47,927	2,852	3,088	3,063

Changes during the period 1 January - 31 March

	EEK'000		€'000	
	2008	2007	2008	2007
Loans and borrowings at the beginning of the year	48,324	47,340	3,088	3,026
Changes in short-term loans	-2,658	2,925	-170	187
New long-term loan	1,812	0	116	0
Long-term loan repaid	-2,524	-2,508	-161	-160
New finance lease liabilities	0	424	0	27
Payment of finance lease principal	-331	-254	-21	-17
Loans and borrowings at the end of the current period	44,623	47,927	2,852	3,063

Note 4 Segment reporting

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on the basis of market prices.

Group's geographical segment report – primary segment

Segment reporting is presented in respect of the Group's business and geographical segments.

Estonia – the domicile of AS Harju Elekter and its subsidiaries AS Harju Elekter Elektrotehnika and AS Eltek;

Finland – the domicile of the subsidiary Satmatic Oy;

Lithuania – the domicile of the subsidiary Rifas UAB.

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

For the period 1 January - 31 March

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	97,764	77,676	87,519	56,741	18,600	17,194	0	0	203,883	151,611
Inter-segment revenue	13,518	3,397	-1	0	318	132	-13,835	-3,529	0	0
Total revenue	111,282	81,073	87,518	56,741	18,918	17,326	-13,835	-3,529	203,883	151,611
Segment result	8,133	6,376	2,705	1,177	510	1,478	-9	-2	11,339	9,029

€'000

Revenue from external customers	6,248	4,964	5,593	3,626	1,189	1,100	0	0	13,030	9,690
Inter-segment revenue	864	217	0	0	20	8	-884	-225	0	0
Total revenue	7,112	5,181	5,593	3,626	1,209	1,108	-884	-225	13,030	9,690
Segment result	520	408	173	75	32	94	-1	0	724	577

Segment revenue based on the geographical location of customers

For the period 1 January - 31 March

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Estonia	80,016	65,541	0	0	324	132	-317	-132	80,023	65,541
Finland	23,858	13,822	87,098	56,585	672	0	-12,950	-3,048	98,678	67,359
Lithuania	952	790	0	0	15,544	15,546	-568	-349	15,928	15,987
Other EU countries	6,317	803	420	156	982	1,213	0	0	7,719	2,172
Other	139	117	0	0	1,396	435	0	0	1,535	552
Total	111,282	81,073	87,518	56,741	18,918	17,326	-13,835	-3,529	203,883	151,611

€'000

Estonia	5,113	4,190	0	0	21	8	-20	-8	5,114	4,190
Finland	1,526	883	5,566	3,616	43	0	-828	-195	6,307	4,304
Lithuania	61	50	0	0	993	994	-36	-22	1,018	1,022
Other EU countries	403	51	27	10	63	78	0	0	493	139
Other	9	7	0	0	89	28	0	0	98	35
Total	7,112	5,181	5,593	3,626	1,209	1,108	-884	-225	13,030	9,690

Group's business segment report – secondary segment

As at 31 March 2008 the Group was active in the following fields and the accompanying risks and rewards were very different. Every field of activity had enough weight to form a separate segment:

“*Manufacturing*” – The manufacture and sale of power distribution and control systems as well as data and communications systems and fibre optic cables and various sheet metal products and subcontracting in the area of sheet metal works; research and development; services related to manufacturing and intermediary sale of components.

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

“*Real estate*” – real estate development, maintenance and rental. 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 – 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.

Business segment revenue in areas of activity:

EEK'000 For the period 1 January - 31 March	Revenue		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007
Manufacturing	181,249	126,426	-4,100	-4,173	177,149	122,253
Real estate	13,111	12,227	-3,627	-3,205	9,484	9,022
Trade	16,488	17,270	-51	-75	16,437	17,195
Unallocated activities	1,697	4,017	-884	-876	813	3,141
Total revenue	212,545	159,940	-8,662	-8,329	203,883	151,611
€'000						
Manufacturing	11,584	8,080	-262	-267	11,322	7,813
Real estate	838	781	-232	-204	606	577
Trade	1,054	1,104	-4	-5	1,050	1,099
Unallocated activities	108	257	-56	-56	52	201
Total revenue	13,584	10,222	-554	-532	13,030	9,690

Note 5 Net financing income/costs

For the period 1 January - 31 March	EEK'000		€'000	
	2008	2007	2008	2007
Interest income	128	30	8	2
Interest expense	-736	-570	-47	-36
Net loss from foreign exchange differences	-5	-11	0	-1
<i>Marketable investments:</i>				
Income from sale of investments	0	238	0	15
TOTAL	-613	-313	-39	-20

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		2008	2007		2008	2007
Profit attributable to equity holders of the parent	EEK'000	9,735	8,087	€'000	623	517
Average number of shares outstanding	'000	16,800	16,800	'000	16,800	16,800
Basic and diluted earnings per share	EEK	0.58	0.48	€	0.04	0.03

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 2008, 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 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 32.14 percent of the shares of AS Harju Elekter.

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

For the period 1 January - 31 March	EEK '000		€'000	
	2008	2007	2008	2007
Purchase of goods and services from related parties:				
- from associates	3,054	2,542	195	162
- from Harju KEK	155	146	10	9
TOTAL	3,209	2,688	205	171
<i>Inclusive:</i>				
- goods and materials for manufacturing	3,054	2,508	195	160
- lease of property, plant and equipment	155	146	10	9
- other	0	34	0	2
Sale of goods and services to related parties:				
- to associates	2,659	3,229	170	206
<i>Inclusive:</i>				
- goods and materials for manufacturing	226	236	15	15
- lease of property, plant and equipment	1,522	1,786	97	114
- management services	678	678	43	43
- other	233	529	15	34
Balances with related parties at 31 March				
Receivables with associates: goods and services	2,410	3,948	154	252
Payables with associates: goods and services	2,305	2,048	147	131

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/ 2008, as set out on pages 3 to 17, 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/	„07.“ May 2008
Lembit Libe	Member of the Board	/signature/	„07.“ May 2008
Karin Padjus	Member of the Board	/signature/	„07.“ May 2008