



## **AS HARJU ELEKTER**

Interim report 1-3/ 2005

Business name	AS Harju Elekter
Main business area:	designing, production and marketing of various electrical engineering and telecommunication systems
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CEO:	Andres Allikmäe
Auditor:	KPMG Estonia
Beginning of the reporting period:	1 <sup>st</sup> of January 2005
End of the reporting period:	31 <sup>st</sup> of March 2005

*The interim report of Harju Elekter Group on 17 pages*

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

In interim report for Q1 2005 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries - Eltek, Satmatic and Rifas - are consolidated line-by-line and the results of affiliated companies - Keila Kaabel and Saajos Balti - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31.03.2005, Harju Elekter owns significant holdings in the following commercial undertakings:

			Participation %		
			31.03.05	31.12.04	31.03.04
AS Eltek	subsidiary	Estonia	100,0 %	100,0 %	100,0 %
Satmatic OY	subsidiary	Finland	100,0 %	100,0 %	100,0 %
Rifas UAB	subsidiary	Lithuania	51,0 %	51,0 %	51,0 %
AS Keila Kaabel	associated company	EStonia	34,0 %	34,0 %	34,0 %
AS Saajos Balti	associated company	Estonia	33,3 %	33,3 %	33,3 %
PKC Group Oyj	financial investment	Finalnd	10,6 %	10,6 %	10,7 %

***Economic environment***

The situation in the Estonian economy remained favourable also in the first quarter of 2005 and the economy continued to grow at the level of earlier periods. Borrowing conditions continued to be favourable and the employment rate was high for the winter period. Although foreign trade volumes continued to increase, they could be dampened by ongoing increase in oil prices. The economies of Estonia's most important trade partners Finland and Sweden are developing relatively well and have positive expectations for the next six months. The development on the Latvian and Lithuanian markets was very rapid and the Russian market continued to expand as well.

The construction sector that is directly related to our activities recorded a notably smaller average decline in the construction activities caused by the winter season and orders continued to pour in.

***Revenues, expenses and profit***

The sales revenue of the consolidation group AS Harju Elekter comprised MEEK 112,0 (MEUR 7,2) in the Q1 2005, increasing by 31% in comparison with the same period of the previous year. Manufacturing contributed 81% of the consolidated sales revenue (turnover growth 34%), services contributed 10% (turnover growth 33%) and trade accounted for 9% (turnover growth 6%). Of the turnover, 77% was generated by revenue from the sales of industrial production and 23% by the mediation and sale of services. At the same time the sale of industrial output went up by 34% in the first quarter year-on-year to EEK 86,3 million (EUR 5,5 million) and the intermediate sale of services and goods increased by 19% to EEK 25,7 million (EUR 1,7 million).

68% of the sales revenue of the group was contributed by Estonia (an increase in turnover growth by 26% year-on-year), 22% by Finland (turnover growth 36%), and 10% Lithuania (turnover growth 54%). Sales to the Estonian market accounted for 57%, increasing by 59% to EEK 63,5 million (EUR

4,1 million). Export sales formed 43% and increased by 6% to EEK 48,5 million (EUR 3,1 million). Finland remained the largest export market with a share of 31% in the turnover.

The total operating profit of the consolidation group AS Harju Elekter was MEEK 6,8 or MEUR 0,4, being 2,4 times higher than in the previous year.

The net profit of the group was 10,5 million kroons 10,5 million kroons which equals to 0,67 million euros (2004 I quarter: 54,1 million kroons or 3,5 million euros). The reason was that in I quarter of 2005 the market price of PKC Group Oy share changed only by 0,15 euros and the re-evaluation of the shares gave 4,4 million kroons (0,28 million euros) financial income, in I quarter of 2004 the change was 1,10 euros and additional financial income from the re-evaluation was 31,6 million kroons (2,02 million euros). Due to the amendment of the Finnish income tax law in 2005, PKC Group paid exceptionally big dividend (19,4 million kroons or 1,2 million euros), which was received in March 2004. In 2005 the receipt of dividends (5,8 million kroons or 0,37 million euros) took place in II quarter.

The group's operating margin was 6,1% which is 2,7 percentage points higher than in the first quarter of 2004. The net margin was 9,4% (63,7% in Q1 of 2004).

EPS was 1,88 kroons or 0,12 euros (Q1 2004: 10,12 kroons or 0,65 euros).

### ***Establishment of subsidiary***

For the purpose of streamlining the management structure of the group, specifying the rights and liability as well as better organisation of accounting and analysis, the management of the parent company decided to establish a 100% subsidiary of Harju Elekter on the basis of the Electrical Equipment Plant of Harju Elekter. The business name of the company will be AS Harju Elekter Elektrotehnika. The new company was registered in the Trade Register at 24.03.2005 and it has independent economic activities since 1.04.2005. The financial year of the company will last from 1 January to 31 December. AS Harju Elekter Elektrotehnika will continue in its present area of activity which is design, manufacturing and marketing of electrical equipment for energy distribution, industrial and construction sector. The company will remain liable for the manufacturing of electrical equipment and product development in the entire group, including in Finland and Lithuania.

The share capital of AS Harju Elekter Elektrotehnika will be MEEK 16, divided into 1,6 million shares with a nominal value of EEK 10 or 0,64 euros. Shares were paid for by monetary contributions into the bank account of the established company. The electrical equipment unit continues to buy all materials required for its operations from the parent company. All claims and liabilities resulting from the economic operations of the plant of electrical equipment until 31 March 2005 will remain in the parent company's balance sheet. All the present employees of the Electrical Equipment Plant were transferred to the established subsidiary under the currently valid employment contracts. On 1.04.2005, the Electrical Equipment Plant employs 150 people.

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

During the accounting period, the Group invested in tangible and intangible assets a total of MEEK 18,2 or MEUR 1,16 (Q1 2004: MEEK 15,3 or MEUR 0,98). The construction of the substation plant and the new production premises of PKC continued. The construction costs and costs of the ventilation systems in three months totalled EEK 14,4 million (EUR 0,92 million). The plan is to launch the production premises in the second quarter of 2005. The group invested EEK 2,4 million (EUR 0,15

million) in machinery and equipment as well as EEK 1,3 million (EUR 0,08 million) in acquisition of land.

### *Financing*

In Q1 2005 AS Harju Elekter entered into two loan agreements in the amount MEUR 1,8 (MEEK 28,2) and MEUR 1,0 (MEEK 15,6). The loans, which were received on favourable terms, were used to refinance earlier loans of MEUR 1,1 (MEEK 17,1). The loan interest is composed of 3 months' Euribor and margins of 0,5% and 0,48%, respectively. As a result of refinancing the existing loans, the mortgage established on the properties located in Haapsalu for the benefit of the bank was released.

The loans will be repaid during 5 years. The borrowed money will be used to finance real estate investments.

The company purchased, on the conditions of a financial lease, a sheet metal centre with an acquisition cost of MEEK 0,85 (TEUR 54). The debt is repayable within four years.

In the first quarter the group repaid long-term bank loans in the total amount of EEK 1,3 million (EUR 0,08 million) and made capital lease payments in the total amount of EEK 0,6 million (EUR 0,04 million).

### *Employees*

The average number of employees in the Group in Q1 2005 was 394 (Q1 2004: 352). As of the balance sheet date 31 of March 2005, the number of employees in the Group was 406 (2004: 361).

<i>Shares of Harju Elekter</i>	EEK		EUR			
	Q1 2005	2004	Q1 2004	Q1 2005	2004	Q1 2004
No of the shares (1000 pc)	5 600	5 600	5 400	5 600	5 600	5 400
Nominal value	10	10	10	0,64	0,64	0,64
Low price	138,00	104,83	105,61	8,82	6,70	6,75
High price	223,75	148,49	129,08	14,30	9,49	8,25
Closing price	211,23	142,38	128,30	13,50	9,13	8,20
EPS	1,88	26,60	10,12	0,12	1,70	0,65

### *Approval the profit distribution.*

The AGM of shareholders was decided to pay dividends for the year 2004 at the rate of EEK 4,40 (EUR 0,28) per share, totally in amount MEEK 24,6 (MEUR 1,57). The shareholders registered in the shareholders' registry on 9 May 2005 at 8 am are entitled to dividend. Dividends shall be paid to the shareholders in 23<sup>rd</sup> of May 2005.

### *The fund issue*

On the basis of Harju Elekter's audited annual accounts of 2004 the Supervisory Boards made the proposition to the AGM to increase the Company's share capital by means of fund issue on owners' equity. In the AGM on the 22.04.2005 decides shareholders to increase the Company's share capital in the amount 112 million kroons from present 56 million kroons to 168 million kroons by issuing 2 new

ordinary shares for every present share. During the fund issue totally 11,2 million shares with the nominal value 10 kroons or 0,64 euros will be issued. The shareholders registered in the shareholders' registry on 9 May 2005 at 8 am are entitled to fund issue. The newly issued shares will be moved to the shareholders accounts during the same day. After the fund issue the total number of the shares is 16,8 million. The maximum number of the shares allowed by the Articles of Associations of Harju Elekter is 20 million. The new shares shall carry applicable shareholder rights as of the financial year which begins on 01 January 2005

**Key indicators**

	1 000 EEK			1 000 EUR		
	Q1 2005	2004	Q1 2004	Q1 2005	2004	Q1 2004
<b>Accounting period</b>						
Net sales	112 009	453 780	85 733	7 159	21 880	5 479
Operating profit	6 821	31 229	2 896	436	1 273	185
Net profit for the current period	10 527	145 365	54 636	673	11 214	3 492
<b>At the end of the period</b>						
Total current assets	154 762	142 073	127 808	9 892	9 080	8 168
Total fixed assets	517 724	498 520	421 582	33 088	31 861	26 944
Total assets	672 486	640 593	549 390	42 980	40 941	35 112
Total liabilities	126 719	105 235	92 989	8 098	6 726	5 943
Total owners' equity	531 504	520 977	443 848	33 970	33 297	28 367
				Q1 2005	2004	Q1 2004
<b>Performance indicators (%)</b>						
Net sales growth				30,6	32,5	21,0
Operating profit growth				135,5	56,8	-34,6
Net profit growth				-79,8	-17,2	614,7
Return of sales (operating profit/net sales *100)				6,1	6,9	3,4
Net profit margin (net profit /net sales *100)				9,4	32,0	63,7
Owners' equity margin (equity / balance sheet total *100)				79,0	81,3	80,8
<b>Employees</b>						
Average number of employees on the current period				394	378	352
Number of employees on 30.09.2004				406	405	361

## INTERIM FINANCIAL STATEMENTS

**CONSOLIDATED BALANCE SHEET**

<b>ASSETS</b>	<b>Note no</b>	<b>1 000 EEK</b>		<b>1 000 EUR</b>	
		<b>31.03.05</b>	<b>31.12.04</b>	<b>31.03.05</b>	<b>31.12.04</b>
<b>Current assets</b>					
<b>Cash and bank</b>		<b>37 280</b>	<b>18 786</b>	<b>2 383</b>	<b>1 201</b>
<b>Short-term receivables</b>					
Trade receivables		48 203	49 824	3 081	3 184
Other short-term receivables	10	2 989	4 156	191	266
Accrued expenses		707	221	45	14
Prepaid expenses		1 181	1 136	76	73
<b>Total short-term receivables</b>		<b>53 080</b>	<b>55 337</b>	<b>3 393</b>	<b>3 537</b>
<b>Inventories</b>		<b>64 402</b>	<b>67 950</b>	<b>4 116</b>	<b>4 342</b>
<b>Current assets</b>		<b>154 762</b>	<b>142 073</b>	<b>9 892</b>	<b>9 080</b>
<b>Fixed assets</b>					
Long-term investments	8	327 612	323 138	20 938	20 652
Investment properties	2	86 086	86 880	5 502	5 553
Tangible assets	2	102 226	86 551	6 533	5 531
Intangible assets	2	1 800	1 951	115	125
<b>Total fixed assets</b>		<b>517 724</b>	<b>498 520</b>	<b>33 088</b>	<b>31 861</b>
<b>Total assets</b>		<b>672 486</b>	<b>640 593</b>	<b>42 980</b>	<b>40 941</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Debt obligations	3	20 249	14 380	1 294	919
Prepayments received from customers		1 466	2 666	94	170
Accounts payable to suppliers		39 762	45 535	2 541	2 910
Other payables	10	1 177	1 750	75	112
Tax payable		5 993	7 560	383	483
Accrued expenses		12 587	12 044	804	770
Short-term provision		207	300	13	19
Other prepaid revenue		4 566	3 643	292	233
<b>Total current liabilities</b>		<b>86 007</b>	<b>87 878</b>	<b>5 496</b>	<b>5 616</b>
<b>Long-term liabilities</b>	3	<b>40 712</b>	<b>17 357</b>	<b>2 602</b>	<b>1 109</b>
<b>Total liabilities</b>		<b>126 719</b>	<b>105 235</b>	<b>8 098</b>	<b>6 725</b>
<b>Minority interests</b>		<b>14 263</b>	<b>14 381</b>	<b>912</b>	<b>919</b>
<b>Owners' equity</b>					
Share capital (nominal value)		56 000	56 000	3 579	3 579
Issue premium		6 000	6 000	384	384
Reserve requirement		8 600	8 600	550	550
Retained profit		460 904	450 377	29 457	28 784
<b>Total owners' equity</b>		<b>531 504</b>	<b>520 977</b>	<b>33 970</b>	<b>33 297</b>
<b>Total current liabilities</b>		<b>672 486</b>	<b>640 593</b>	<b>42 980</b>	<b>40 941</b>

**INCOME STATEMENT**

	Note no	1 000 EEK Q1 2005	Q1 2004	1 000 EUR Q1 2005	Q1 2004
Net sales	5	112 009	85 733	7 159	5 479
Cost of goods sold		-92 009	-71 670	-5 881	-4 580
<b>Gross profit</b>		<b>20 000</b>	<b>14 063</b>	<b>1 278</b>	<b>899</b>
Marketing expenses		-5 101	-4 392	-326	-281
Administrative and general expenses		-8 043	-6 852	-514	-438
Other operating revenue		121	185	8	12
Other operating charges		-156	-108	-10	-7
<b>Operating profit</b>	5	<b>6 821</b>	<b>2 896</b>	<b>436</b>	<b>185</b>
Net financial incomes/expenses	6	4 101	51 874	262	3 315
Income from associated companies		108	-661	7	-42
<b>Profit from ordinary activities</b>		<b>11 030</b>	<b>54 109</b>	<b>705</b>	<b>3 458</b>
Allocation of corporate income tax to relevant periods		-126	-16	-8	-1
<b>Profit after taxes</b>		<b>10 904</b>	<b>54 093</b>	<b>697</b>	<b>3 457</b>
Minority interests		-377	543	-24	35
<b>Net profit for the current period</b>	7	<b>10 527</b>	<b>54 636</b>	<b>673</b>	<b>3 492</b>
Basic earnings per share	7	1,88	10,12	0,12	0,65
Diluted earnings per share	7	1,88	9,87	0,12	0,63



**CASH FLOW STATEMENT**

	Note	1 000 EEK		1 000 EUR	
	no	Q1 2005	Q1 2004	Q1 2005	Q1 2004
<b>Business activities</b>					
Operating profit		6 821	2 896	436	185
<u>Adjustments</u>					
Depreciation and value decrease	2	3 436	2 922	220	187
Profit/loss from sales of tangible assets		34	-5	2	0
Change in payables and prepayments related to business operations		1 690	-7 172	108	-458
Changes of inventories		3 548	-9 616	227	-615
Change in liabilities and prepayments related to business operations		-2 835	8 589	-181	549
Interests paid		-263	-355	-17	-23
Taxes paid		-413	-16	-26	-1
<b>Total cash flow from business activities</b>		<b>12 018</b>	<b>-2 757</b>	<b>769</b>	<b>-176</b>
<b>Investing activities</b>					
Investments in fixed assets		-21 936	-12 762	-1 402	-816
Capital gains from fixed assets		18	123	1	8
Payments for financial investments		0	-8 281	0	-529
Capital gains from sale of fin. investments		0	4 415	0	282
Long-term loans granted		-20	-24	-1	-2
Repayment of loan receivables		21	16	1	1
Interests received		36	56	2	4
Dividends received		0	19 402	0	1 240
<b>Total cash flow from investing activities</b>		<b>-21 881</b>	<b>2 945</b>	<b>-1 399</b>	<b>188</b>
<b>Cash flow from financing activities</b>					
Loans received	3	30 597	3 691	1 955	236
Loans repaid	3	-1 620	-1 584	-104	-101
Repayment of princ. amounts of capital lease	3	-603	-546	-38	-35
<b>Total cash flow from financial activities</b>		<b>28 374</b>	<b>1 561</b>	<b>1 813</b>	<b>100</b>
<b>Total cash flow</b>		<b>18 511</b>	<b>1 749</b>	<b>1 183</b>	<b>112</b>
<b>Cash at the beginning of the period</b>		<b>18 786</b>	<b>26 449</b>	<b>1 201</b>	<b>1 690</b>
Net increase in cash		18 511	1 749	1 183	112
Effect of foreign exchange rate change		-17	-6	-1	0
<b>Cash at the end of the period</b>		<b>37 280</b>	<b>28 192</b>	<b>2 383</b>	<b>1 802</b>

**STATEMENT OF CHANGES IN OWNERS' EQUITY**

1000 EEK	Share capital	Issue premium	Reserve requirement	Retained profit	Total
<b>Balance as of 31.12.2003</b>	<b>54 000</b>	<b>0</b>	<b>8600</b>	<b>326 612</b>	<b>389 212</b>
Profit for current period	0	0	0	54 636	<b>54 636</b>
<b>Balance as of 31.03.2004</b>	<b>54 000</b>	<b>0</b>	<b>8600</b>	<b>381 248</b>	<b>443 848</b>
<b>Balance as of 31.12.2004</b>	<b>56 000</b>	<b>6 000</b>	<b>8 600</b>	<b>450 377</b>	<b>520 977</b>
Profit for current period	0	0	0	10 527	<b>10 527</b>
<b>Balance as of 31.03.2005</b>	<b>56 000</b>	<b>6 000</b>	<b>8 600</b>	<b>460 904</b>	<b>531 504</b>
1000 EUR					
<b>Balance as of 31.12.2003</b>	<b>3 451</b>	<b>0</b>	<b>550</b>	<b>20 874</b>	<b>24 875</b>
Profit for current period	0	0	0	3 492	<b>3 492</b>
<b>Balance as of 31.03.2004</b>	<b>3 451</b>	<b>0</b>	<b>550</b>	<b>24366</b>	<b>28367</b>
<b>Balance as of 31.12.2004</b>	<b>3 579</b>	<b>384</b>	<b>550</b>	<b>28 784</b>	<b>33 297</b>
Profit for current period	0	0	0	673	<b>673</b>
<b>Balance as of 31.03.2005</b>	<b>3 579</b>	<b>384</b>	<b>550</b>	<b>29 457</b>	<b>33 970</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 31.03.2005 include AS Harju Elekter and its subsidiaries AS Eltek, Satmatic Oy and Rifas UAB (together referred to as "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since September 30, 1997, more than 30 % of the shares are 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 31.12.2004.

According to the assessment of the management board, the interim report for Q1 2005 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the group.

The financial statements of AS Harju Elekter are presented in thousands of Estonian kroons and euros. The EEK/EUR exchange rate is 15,6466 according to the quotation of Estonian Bank.

### Note 2 Tangible and intangible assets

	1 000 EEK			1 000 EUR				
	Tangible assets	Investment properties	Intangible assets	TOTAL	Tangible assets	Investment properties	Intangible assets	TOTAL
<b>Initial balance 31.12.04</b>	<b>86 551</b>	<b>86 880</b>	<b>1 951</b>	<b>175 382</b>	<b>5 531</b>	<b>5 553</b>	<b>125</b>	<b>11 209</b>
Acquired	18 179	0	40	<b>18 219</b>	1 162	0	3	<b>1 164</b>
Sold and written-off fixed assets at acquisition value	-52	0	0	<b>-52</b>	-3	0	0	<b>-3</b>
Expenses take into account	-2 451	-794	-191	<b>-3 436</b>	-157	-51	-12	<b>-220</b>
<b>Final balance at the end of the current period</b>	<b>102 226</b>	<b>86 086</b>	<b>1800</b>	<b>190 112</b>	<b>6 533</b>	<b>5 502</b>	<b>115</b>	<b>12 150</b>

**Note 3 Debt liabilities**

	1 000 EEK		1 000 EUR	
	31.03.05	31.12.04	31.03.05	31.12.04
Short-term loans	12 239	8 699	782	556
Repayment of long-term leasing oblig. during the next period	6 572	3 892	420	249
Repayments of long-term lease in next period	1 438	1 789	92	114
<b>Total current liabilities</b>	<b>20 249</b>	<b>14 380</b>	<b>1 294</b>	<b>919</b>
Long-term bank loans	37 239	14 482	2 380	925
Long-term lease payables	3 473	2 875	222	184
<b>Total long term liabilities</b>	<b>40 712</b>	<b>17 357</b>	<b>2 602</b>	<b>1 109</b>
<b>Total debt liabilities</b>	<b>60 961</b>	<b>31 737</b>	<b>3 896</b>	<b>2 028</b>

Changes in debt obligations:

	1 000 EEK	1 000 EUR
<b>Initial balance 31.12.04</b>	<b>31 737</b>	<b>2 028</b>
Changes in short-term loans	3 541	226
Received long-term loans	26 755	1 710
Long-term loan repaid	-1 319	-84
New leasing obligations	850	54
New long-term lease liabilities	-603	-38
<b>Final balance 31.03.05</b>	<b>60 961</b>	<b>3 896</b>

In Q1 2005 Harju Elekter entered into two long-term loan agreements for MEUR 1,8 (MEEK 28,2) and for MEUR 1,0 (MEEK 15,6). The loans, which were received on favourable terms, were used to refinance earlier loans of MEUR 1,1 (MEEK 17,1). The loan interest is composed of 3 months' Euribor and margins of 0,5% and 0,48%, respectively. The loans will be repaid during 5 years. The borrowed money will be used to finance real estate investments.

**Note 4 Guarantees and pledges**

As a security for new investment loans (Annex 3), an additional amount of 210 000 shares of PKC Group Oyj was pledged with the banks. At the same time, as a result of refinancing the existing loans, the mortgage established on the properties located in Haapsalu for the benefit of the bank was released. As of the balance sheet date of 31 March 2005 the company has pledged 924 000 shares as collaterals for its liabilities with a book value of EUR 9,6 million (EEK 150 million). The balance of the long-term secured loans was EUR 2,8 million (EEK 44 million) and the total overdraft limits were EUR 0,67 million (EEK 10 million).

## Note 5 Segmental reporting

Segments of the Groups are differentiated geographically and by areas of activities. The primary segmentation which is based on the areas of activities derives from the structure, management and internal reporting of the Group.

Inter-segment price formation is based on market prices.

Results, assets and liabilities of segments include indicators directly related to the activities of the segment and the indicators distributed to segment activities. The most important indicators which cannot be distributed between segments are cash in hand and in bank accounts.

The Group operates in three main business segments.

Segment investments include the costs of assets acquired during the financial year and in use for longer than one year.

### *Business segments*

Main business segments of the Group are:

“*Production*” – manufacturing and sales of power distribution and control systems to energy, construction and industrial sectors; manufacturing and sales of data and communication systems and fibre optic connection cables to the telecommunications sector; manufacturing and sales of various sheet metal products and subcontracting in the area of sheet metal works; research and development; other services related to the manufacturing intermediary trade in different components;

“*Trade*” – sales of products manufactured by the Harju Elekter Group and associated companies, as well as other products necessary for electric installation works mainly to retail customers and small- and medium-size electrical installation companies;

“*Services*” – real estate development, maintenance and renting, services related to the maintenance of real estate and manufacturing capacity and intermediary trade of those services; managerial 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.

### *Geographical segments:*

By the location of businesses the operations of the Group falls into three geographical segments:

*Estonia* – domicile of the parent company (production, trade and services) and the subsidiary Eltek (production);

*Finland* – domicile of the subsidiary Satmatic (production);

*Lithuania* – domicile of the subsidiary Rifas (production and services).

The income and assets of the geographic segments are reporting according to the geographical location of assets. The income of the segments by markets is reflected on the basis of the location of its customers.

<b>Business segments</b>	<b>Production</b>		<b>Trade</b>		<b>Services</b>		<b>Elimination</b>		<b>Consolidated</b>	
(thousand kroons)	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Business activities</b>	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
Electrical equipment	75 170	51 676	0	0	0	0	0	0	75 170	51 676
Sh.metal products /services	6 445	7 935	0	0	0	0	0	0	6 445	7 935
Products for telecom sector	4 716	4 617	0	0	0	0	0	0	4 716	4 617
Trade and intermediation	3 509	3 462	9 930	9365	251	263	0	0	13 690	13 090
Design	0	0	0	0	2 430	53	0	0	2 430	53
Installation work	0	0	0	0	926	934	0	0	926	934
Leasing of capital assets	0	0	0	0	5 160	4 980	0	0	5 160	4 980
Other services	1 335	484	0	0	2 137	1 964	0	0	3 472	2 448
<b>Total revenue from non-concern costumers</b>	<b>91 175</b>	<b>68 174</b>	<b>9 930</b>	<b>9 365</b>	<b>10 904</b>	<b>8 194</b>	<b>0</b>	<b>0</b>	<b>112 009</b>	<b>85 733</b>
Inter-segment revenue	1 821	1 338	200	90	3 071	2 041	-5 092	-3 469	0	0
<b>Income from business in segment</b>	<b>92 996</b>	<b>69 512</b>	<b>10 130</b>	<b>9 455</b>	<b>13 975</b>	<b>10 235</b>	<b>-5 092</b>	<b>- 3 469</b>	<b>112 009</b>	<b>85 733</b>
<b>Operating profit</b>	<b>3 806</b>	<b>1 059</b>	<b>542</b>	<b>621</b>	<b>2 541</b>	<b>1 280</b>	<b>-68</b>	<b>-64</b>	<b>6 821</b>	<b>2 896</b>

<b>Business segments</b>	<b>Production</b>		<b>Trade</b>		<b>Services</b>		<b>Elimination</b>		<b>Consolidated</b>	
(thousand euros)	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Business activities</b>	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
Electrical equipment	4 804	3 303	0	0	0	0	0	0	4 804	3 303
Sh.metal products /services	412	507	0	0	0	0	0	0	412	507
Products for telecom sector	301	295	0	0	0	0	0	0	301	295
Trade and intermediation	224	221	635	599	16	17	0	0	875	837
Design	0	0	0	0	155	3	0	0	155	3
Installation work	0	0	0	0	59	60	0	0	59	60
Leasing of capital assets	0	0	0	0	330	318	0	0	330	318
Other services	86	30	0	0	137	126	0	0	223	156
<b>Total revenue from non-concern costumers</b>	<b>5 827</b>	<b>4 356</b>	<b>635</b>	<b>599</b>	<b>697</b>	<b>524</b>	<b>0</b>	<b>0</b>	<b>7 159</b>	<b>5 479</b>
Inter-segment revenue	116	86	13	6	196	130	-325	-222	0	0
<b>Income from business in segment</b>	<b>5 943</b>	<b>4 442</b>	<b>648</b>	<b>605</b>	<b>893</b>	<b>654</b>	<b>-325</b>	<b>-222</b>	<b>7 159</b>	<b>5 479</b>
<b>Operating profit</b>	<b>243</b>	<b>68</b>	<b>35</b>	<b>40</b>	<b>162</b>	<b>82</b>	<b>-4</b>	<b>-4</b>	<b>436</b>	<b>185</b>

**Geographical segments**

(thousand kroons)		Estonia		Finland		Lithuania		Consolidated	
Markets	2005	2004	2005	2004	2005	2004	2005	2004	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1	
Estonia	63 486	39 983	0	0	0		63 486	39 983	
Finland	10 415	10 892	24 858	18 255	0		35 273	29 147	
Lithuania	96	834	0	0	10 202	6 814	10 298	7 648	
Other Europe	1 496	7 338	55	101	607	202	2 158	7 641	
USA	647	451	0	0	0	0	647	451	
Russia	147	863	0	0	0	0	147	863	
<b>Revenue from non-concern costumers</b>	<b>76 287</b>	<b>60 361</b>	<b>24 913</b>	<b>18 356</b>	<b>10 809</b>	<b>7 016</b>	<b>112 009</b>	<b>85 733</b>	

(thousand euros)

Estonia	4 057	2 555	0	0	0	0	4 057	2 555
Finland	667	696	1 588	1 167	0	0	2 255	1 863
Lithuania	6	54	0	0	652	435	658	489
Other Europe	96	469	4	6	39	13	139	488
USA	41	29	0	0	0	0	41	29
Russia	9	55	0	0	0	0	9	55
<b>Revenue from non-concern costumers</b>	<b>4 876</b>	<b>3 858</b>	<b>1 592</b>	<b>1 173</b>	<b>691</b>	<b>448</b>	<b>7 159</b>	<b>5 479</b>

**Note 6 Net financial incomes**

	1 000 EEK		1 000 EUR	
	Q1 2005	Q1 2004	Q1 2005	Q1 2004
Interest charges	-265	-225	-17	-14
Interest return	18	30	1	2
Dividend income	0	19 402	0	1 240
Net exchange profit (+)/loss (-)	-17	-6	-1	-1
<i>Marketable investments:</i>				
Profit from sales of investments	0	1 092	0	70
Revaluation at fair value	4 365	31 581	279	2 018
<b>TOTAL</b>	<b>4 101</b>	<b>51 874</b>	<b>262</b>	<b>3 315</b>

In 2005 the dividends will be received in the Q2.

As of the end of the quarter on 31 of March 2005, the financial investment was revalued at the closing price of the last trading day that is 10,40 euro (162,72 krooni). In the Q1 2005 the revaluation generated financial expenses in the amount of 4,4 MEEK or 0,2 MEUR (Q1 2004: 311,6 MEEK or 2,0 MEUR)

**Note 7 Basic and diluted earnings per share**

Basic EPS is calculated on the basis of the ratio between the net profit(loss) owned by shareholders and weighted average number of shares not including own shares.

	Unit	EEK		EUR	
		Q1 2005	Q1 2004	Q1 2005	Q1 2004
Net profit for the period	1000	10 527	54 636	673	3 492
Average number of shares for the period	1000 pc	5 600	5 400	5 600	5 400
<i>Basic EPS</i>		1,88	10,12	0,12	0,65
<i>Diluted earnings per share</i>		1,88	9,87	0,12	0,63

*Diluted net profit per share* is calculated by considering the number of potential options. As of the balance sheet date of 31 March 2005, the group did not have potentially issuable common shares. As a result, the diluted net profit (loss) per share in the quarter was equal to the regular earnings per share. In the figures of the first quarter of 2004, discount options have been included that entitled the option holders to acquire shares of Harju Elekter at lower-than-market price of EEK 40. The options were realised in September 2004.

**Note 8 Establishment of the subsidiary**

For the purpose of streamlining the management structure of the group, specifying the rights and liability as well as better organisation of accounting and analysis, the management of the parent company decided to establish a 100% subsidiary of Harju Elekter on the basis of the Electrical Equipment Plant of Harju Elekter. The business name of the company will be AS Harju Elekter Elektrotehnika. The new company was registered in the Trade Register at 24.03.2005 and it has independent economic activities since 1.04.2005. The financial year of the company will last from 1 January to 31 December. AS Harju Elekter Elektrotehnika will continue in its present area of activity which is design, manufacturing and marketing of electrical equipment for energy distribution, industrial and construction sector.

The share capital of AS Harju Elekter Elektrotehnika will be MEEK 16, divided into 1,6 million shares with a nominal value of EEK 10 or 0,64 euros. Shares were paid for by monetary contributions into the bank account of the established company. The electrical equipment unit continues to buy all materials required for its operations from the parent company. All claims and liabilities resulting from the economic operations of the plant of electrical equipment until 31 March 2005 will remain in the parent company's balance sheet. All the present employees of the Electrical Equipment Plant were transferred to the established subsidiary under the currently valid employment contracts. On 1.04.2005, the Electrical Equipment Plant employs 150 people.

**Note 9 Transactions with related parties**

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

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





ordinary shares for every present one. During the fund issue totally 11,2 million shares with the nominal value 10 kroons or 0,64 euros will be issued. The shareholders registered in the shareholders' registry on 9 May 2005 at 8 am are entitled to fund issue. The newly issued shares will be moved to the shareholders accounts during the same day. After the fund issue the total number of the shares is 16,8 million. The maximum number of the shares allowed by the Articles of Associations of Harju Elekter is 20 million. The new shares shall carry applicable shareholder rights as of the financial year which begins on 01 January 2005

### **Signatures of the members of the Management Boards to the interim report 1-3/2005**

Management Board of AS Harju Elekter has prepared the consolidated Interim report for Q1 2005 as presented on pp. 3-18

Approval of the Interim report 1-3/2005 as of March 31, 2005 by the Management Board members:

#### **Management Board**

Andres Allikmäe	Chairman of the Board	/signature/	May the 10th 2005
Lembit Libe	Member of the Board	/signature/	May the 10th 2005
Karin Padjus	Member of the Board	/signature/	May the 10th 2005