AS HARJU ELEKTER

Interim report 1-3/ 2007

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
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CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2007
End of the reporting period:	31st of March 2007

The interim report of Harju Elekter Group on 19 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for Q1 2007 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated linebyline and the results of affiliated companies – Draka Keila Cables and Saajos Inexa - 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 2007, Harju Elekter has substantial holdings in the following companies:

Participation %			31.03.07	31.12.06	31.03.06
AS Eltek	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	0.0%
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%
AS Saajos Inexa	associated company	Estonia	33.3%	33.3%	33.3%
PKC Group Oyj	financial investment	Finland	10.1%	10.3%	10.6%

Economic environment

According to analysts' estimates, economic growth in the world will remain strong this year as well as in the following year, although the growth figures will decrease somewhat. The rate of US economic growth has been stable for a while at around 2-2.5%, which has led to long-awaited positive developments in foreign trade.

Economic developments in some euro zone countries – in particular in Germany – proved to be substantially better than analysts' expectations, but the slowdown of economic growth is also forecast here. The economic growth in Europe is supported by export and investments, but private consumption has had a relatively weak positive influence up to now. However, that influence is expected to grow as the situation on the labour market (unemployment fell to 7.4% in February) facilitates a more vigorous increase in salaries.

In 2006, the economic climate was very good in three Baltic States: the economic growth indicators in Estonia and Latvia reached the highest levels in history (11.4% and 11.9%, respectively) and the economic growth in Lithuania (7.5%) was among the strongest in the EU. But all of this growth was attributed to internal consumption: the expenses and investments of households increased rapidly, while the growth of exports was quite modest.

The growth trend of the economy also continued in the first quarter of 2007. According to the estimates of analysts, growth will slow down substantially faster in 2007 after the strong first half than in 2006 and in summary, the economic growth is forecast to be 8.2-8.9% in Estonia and 7% in Lithuania.

Events

Harju Elekter Elektrotehnika AS, a subsidiary of Harju Elekter, entered into a sales contract of low-voltage equipment with Greek company METKA Metal Constructions of Greece S.A. In the framework of the contract, Harju Elekter Elektrotehnika shall prepare various control centres with frequency converters for Kardia and Mavropigisi mines in Macedonia. The volume of the contract is 3.2 million euros (50.1 million kroons) and the deliveries shall be made in the second and third quarter this year. The signed contract is a significant breakthrough to the Western European market.

Operating results

TURNOVER

1st quarter	Growth	EEK'000		EUR'000		Structure	
Segment	Q/Q	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Estonia	12.2%	77 676	69 206	4 964	4 423	51.2%	55.9%
Finland	36.5%	56 741	41 583	3 626	2 658	37.4%	33.5%
Lithuania	31.2%	17 194	13 106	1 100	837	11.4%	10.6%
Total	**22.4%**	**151 611**	**123 895**	**9 690**	**7 918**	**100.0%**	**100.0%**

The sales revenue of the Group in the first quarter of 2007 was MEEK 151.6 (9.7 million euros) and MEEK 123.9 (7.9 million euros) in the comparable period, growing 22.4% compared to the same period during the previous year.

The fastest growth paces were in the Finnish and Lithuanian segments (36.5% and 31.2%, respectively). The growth of sales volume in the Finnish segment was supported in the first quarter by the acquisition of the Keravale production and sales units in April of last year, as well as the strong sales work and the growth of the corresponding economic sector in Finland. The fast growth of the Lithuanian economy has also continued to favourably influence the work of the Lithuanian segment. The largest contribution to the growth of sales revenue, in the amount of MEEK 27.7 (1.8 million euros), was made by the Finnish and Estonian sectors, MEEK 15.2 (1.0 million euros) and MEEK 8.5 (500 000 euros), respectively.

<u>*Sales revenue by business activities*</u>

Traditionally, the largest share – 80.6% (80.4%) – of the sales revenue accounted for production, which is the main area of activity of the Group.

1st quarter	Growth	EEK'000		EUR'000		Structure	
Segment	Q/Q	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Production	22.8%	122 253	99 544	7 813	6 362	80.6%	80.4%
Real estate	3.7%	9 022	8 703	577	556	6.0%	7.0%
Trade	35.6%	17 195	12 685	1 099	811	11.3%	10.2%
Other	6.0%	3 141	2 963	201	189	2.1%	2.4%
Total	**22.4%**	**151 611**	**123 895**	**9 690**	**7 918**	**100.0%**	**100.0%**

Warm weather in the last quarter of 2006 and in the first quarter of 2007 ensured that construction activities remained at an above normal level, which positively influenced the economic results of the production segment of the Group as well as trade. The sale of industrial products and services grew, compared to the same period of the previous year, by MEEK 22.7 (1.4 million euros) up to MEEK 122.3 (7.8 million euros). The fastest growth, 35.6%, was achieved in trade. With the support of the continuing construction boom, the trade group sold electrical goods valued at of over MEEK 17 (1 million euros), accounting for over 11% (10%) of the consolidated sales revenue. The fastest growth occurred in the sale of electrical switchboards, components and cables. To a certain extent, the growth in sales has been caused by the growth of prices, which was in the range of 5-10% depending on the group of goods. The sales and purchasing prices of land cables increased the most (25-35%), but their share in the trade turnover was around 2%.

<u>*Sales revenue by markets*</u>

Of the markets, the domestic markets of the Group's companies prevailed, where 98.2% (95.9%) of the Group's products and services were sold.

1st quarter	Growth	EEK'000		EUR'000		Share	
Markets		**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Estonia	21.0%	65 541	54 169	4 189	3 462	43.3%	43.7%
Finland	23.1%	67 359	54 716	4 305	3 497	44.4%	44.2%
Lithuania	61.0%	15 987	9 929	1 022	634	10.5%	8.0%
Other	-47.7%	2 724	5 081	174	325	1.8%	4.1%
Total	**22.4%**	**151 611**	**123 895**	**9 690**	**7 918**	**100.0%**	**100.0%**

Sales volumes increased on all three of the markets. The largest markets were in Finland (44%) and Estonia (43%), yielding a total of 87.7% (87.9%) of the Group's sales volume during the quarter. The growth pace continued to be the fastest on the Lithuanian market, where the growth, compared to the Estonian and Finnish market, was almost three times faster, reaching 61.0%. The share of the Lithuanian market increased by 2.5%, accounting for 10.5% of the consolidated sales revenue in the first quarter.

EXPENSES

The cost of sold products increased 24.3% during the three first months of 2007, accounting for 83.0% of the turnover (first quarter of 2005: 81.7%). The growth of expenses was 1.9% faster than the growth of sales revenue. The main reason was the growth of labour costs.

In the first quarter, the average number of employees in the Group was 416 (421 in the first quarter of 2006), the sales costs were MEEK 25.7 (1.6 million euros) and in the comparable period MEEK 20.2 (1.3 million euros). The costs on labour force have increased by 28.1% up to MEEK 32.4 (2.1 million euros) in the first quarter of 2007, compared to the same period of 2006. On the one hand, the growth in costs may be explained by the growth of salaries and, on the other hand, by the changes in the structure of the Group in the previous financial year. In connection with the purchase of a production unit in Finland in the second quarter of 2006, the number of employees in Finland has increased from 56 to 74. In the last quarter of 2006, a subsidiary with 32 employees was sold in Lithuania. It is understood that the level of salaries in Finland is significantly higher than in Estonia and Lithuania. As of 31 March 2007, the number of employees working in Estonian companies has increased by 12 compared to a year ago. In summary, 439 (437) people worked in the Group as of 31 March 2007.

Depreciation of fixed assets in the first quarter was expensed in a total amount of MEEK 4.4 (281 000 euros), which is 10.5% more compared to the same period of the previous year. The Group has invested on average MEEK 40 (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 MEEK 5.9 (377 000 euros) and MEEK 6.7 (432 000 euros), respectively.

The marketing costs totalled MEEK 6.7 (426 000 euros), with growth being 18.7% and general administration costs MEEK 9.8 (628 000 euros), with growth being 9.9%. The increase in expenses may be explained by the growth in the number of employees dealing with sales and production development and, to a certain extent, the growth of salaries.

PROFIT

The total profit of the Group was MEEK 25.7 (1.6 million euros), having increased by 13.6% compared to the previous year. The total profit margin was 17.0% (18.3% in the first quarter of 2006).

The operating profit in the first quarter increased by 13.3% to MEEK 9.0 (577 000 euros). The operating profitability was 6.0% (6.4%).

The pre-tax profit of the Group was MEEK 9.1 (600 000 euros), which is MEEK 5.1 (300 000 euros) less than in the comparable period. In the first quarter of 2006, the Group sold the shares of PKC Group Oyj. The profit from the sale of shares was MEEK 5.2 (300 000 euros), in the reporting period the profit from the sale of shares was EEK 200 000 (15 000 euros). In the first quarter, profit was consolidated from related companies by EEK 900 000 (58 000 euros) less than a year ago. The growth of labour costs also influenced the financial results of related companies. The results of Draka Keila Cables AS were significantly influenced by the fluctuation of market prices of non-ferrous metals on the world market.

To sum up, the consolidated post-tax profit was MEEK 8.7 or 600 000 euros (MEEK 13.9 or 900 000 euros in the first quarter of 2006), of which the share of the owners of the parent company comprised MEEK 8.1 (500 000 euros). Net profit per share in the first quarter was EEK 0.48 or 0.03 euros (EEK 0.82 or 0.05 euros).

Balance sheet

The amount of the consolidated balance sheet as of 31 March 2007 was MEEK 691.8 (44.2 million euros), decreasing by MEEK 65.9 (4.2 million euros) in the first quarter.

The growth of the sales orders caused a growth of the stocks in the balance sheet. As of the end of March, the stocks have increased within three months by MEEK 10.2 (650 000 euros) up to MEEK 89.2 (5.7 million euros) and within a year by MEEK 8.9 (570 000 euros). The turnover ratio of stocks (sales revenue of the last 12 months/average stocks of 12 months) was 7.7 (7.3). The receivables increased within three months by 1.5% up to MEEK 84.0 (5.4 million euros), the current assets altogether by 7.3% up to MEEK 181.8 (11.6 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 2.84 euros (EEK 44.44). The difference resulting from reassessment of shares – MEEK 79.9 (5.1 million euros) – was recognised directly in the equity as a decrease of reserves.

The Group’s liabilities increased in the first quarter by 4.3% up to MEEK 139.4 (8.9 million euros), the increase is attributed mainly to the growth in payables to suppliers.

Being influenced by reassessment of financial assets, the share of equity (owners of parent company) in the assets decreased by 2.9% to a share of 77.1% (80.0%) in the first quarter.

Cash flows, investments and financing

The cash flows from operating activities totalled MEEK 5.5 (300 000 euros) and in the comparable period MEEK 7.4 (500 000 euros), from investing activities’ expenditure MEEK -4.5 (-300 000 euros) and in the comparable period from the sales revenue of financing investments EEK 500 000 (30 000 euros) and as a result of a growth in the bank loans the cash flow from financing activities was positive EEK 163 000 (10 000 euros) and in the comparative period negative MEEK -3.9 (-300 000 euros). As a result of increased production volumes, the Group needed an additional credit. A short-term bank loan grew during the first quarter by MEEK 2.9 (187 000 euros), but in the comparable period decreased by MEEK 1.4 (87 000 euros). Long-term bank loans were repaid within three months in the amount of MEEK 2.5 (160 000) and in the comparable period MEEK 2.2 (140 000 euros), and leasing payments in the amount of EEK 254 000 (17 000 euros) and in the comparable period EEK 359 000 (23 000 euros).

Cash and cash equivalents increased in the first quarter by MEEK 1.1 (69 000 euros) to MEEK 7.8 (500 000 euros) and in the comparable period by MEEK 4.0 (253 000 euros) to MEEK 29.9 (1.9 million euros).

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

1st quarter	EEK'000		EUR'000	
	2007	**2006**	**2007**	**2006**
Property, plant and equipment	5,434	6,488	346	415
Investment property	222	0	14	0
Intangible assets	256	260	17	17
Total	**5,912**	**6,748**	**377**	**432**

The reconstruction of the production building located in Keila was started in the first quarter. As of 31 March, the cost of construction in progress was MEEK 3.9 (200 000 euros) in the balance sheet. The renovated premises will be launched in the second quarter. The cost of fixed assets acquired by financial lease was EEK 424 000 (27 000 euros), in the comparable period EEK 0 (0 euros).

Shares of Harju Elekter

	EEK			EUR		
	Q1 2007	**Q1 2006**	**2006**	**Q1 2007**	**Q1 2006**	**2006**
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	56.80	54.76	51.63	3.63	3.50	3.30
High price	71.97	69.47	69.47	4.60	4.44	4.44
Closing price	58.52	60.55	64.93	3.74	3.87	4.15
EPS	0.48	0.82	2.81	0.03	0.05	0.18

Post-balance events

On 26th of April 2007 was held the AGM where attended by 96 shareholders and their authorised representatives who represented the total of 58.7 % of the total votes. The general meeting approved the annual report of 2006 and profit distribution. On the basis of a decison, the owners are paid dividends for 2006 at the rate of 1.80 kroons (0.115 euros) per share, in the total amount of 30.2 million kroons (1.9 million euros).The dividends will be paid to the shareholders on 21 May 2007.

The general meeting elected a new Supervisory Board fxt five years. The Supervisory Board is comprised of five members. Endel Palla, Development Director of AS Harju Elekter, was elected as the Chairman of the Supervisory Board. Lembit Kirsme, Ain Kabal, Madis Talgre and Andres Toome were elected as the members of the Supervisory Board.

The general meeting decided to plan to issue shares in 2010 by way of direct placement with the employees of Harju Elekter Group in order to motivate them to work for the benefit of a better financial result, thereby ensuring the economic development of the Group and involvement of additional financial means in the equity of Harju Elekter and thus increasing the value of the company's share. The amount of planned issue of shares by way of direct placement is up to MEEK 6 (383 000 euros), for which purpose up to 600 000 new registered ordinary shares with a nominal value of EEK 10 (0.64 euros) will be issued. The issue price of the new shares to be issued in 2010 shall be the average price of a share of AS Harju Elekter on the Tallinn Stock Exchange from 16 July-27 July 2007. The subscription of shares to be issued will be carried out after a decision on increase of the share capital in the time period of 1 September -30 September 2010.

Key indicators	EEK'000			€'000		
	1-3/ 2007	**1-3/ 2006**	**2006**	**1-3/ 2007**	**1-3/ 2006**	**2006**
Accounting period						
Net sales	151,611	123,895	622,087	9,690	7,918	39,759
Operating profit	9,029	7,970	45,174	577	509	2,887
Net profit for the current period	8,703	13,905	52,043	556	888	3,326
Incl. equity holders of the parents	8,087	13,823	47,289	517	883	3,022
At the end of the period						
Total current assets	181,778	176,559	169,352	11,618	11,285	10,823
Total non-current assets	510,038	559,583	588,380	32,597	35,763	37,605
Total assets	691,816	736,142	757,732	44,215	47,048	48,428
Total liabilities	139,373	130,735	133,673	8,908	8,356	8,543
Total equity	552,443	605,407	624,059	35,307	38,692	39,885
Inclusive equity attributable to equity holders of the parent	533,531	589,187	605,630	34,099	37,656	38,707

	1-3/ 2007	**1-3/ 2006**	**2006**
Performance indicators (%)			
Growth in revenue	22.4	10.6	21.1
Operating profit growth	13.3	16.8	20.5
Net profit growth (Equity holders of the parent)	-41.5	124.3	13.6
Return of sales (operating profit/revenue *100)	6.0	6.4	7.3
Net profit margin (net profit /net sales *100)	5.3	11.2	7.6
Inventory turnover ratio (net sales/average inventory for the period)	7.7	7.3	8.4
Owners' equity margin (equity / balance sheet total *100)	77.1	80.0	79.9
Employees			
Average number of employees on the current period	416	421	439
Number of employees at the end of the period	439	437	427

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

		EEK'000		€'000	
	Note	**31.03.2007**	**31.12.2006**	**31.03.2007**	**31.12.2006**
Current assets					
Cash and cash equivalents		7,776	6,712	497	429
Trade receivables and other receivables		83,990	82,765	5,369	5,290
Prepayments		774	845	49	54
Inclusive income tax		0	2	0	0
Inventories		89,238	79,030	5,703	5,050
Total current assets		**181,778**	**169,352**	**11,618**	**10,823**
Non-current assets					
Investments in associates		25,539	25,187	1,632	1,610
Other long-term financial investments		264,678	344,884	16,916	22,042
Investment property	2	123,798	127,268	7,912	8,134
Property, plant and equipment	2	92,447	87,446	5,908	5,589
Intangible assets	2	3,576	3,595	229	230
Total non-current assets		**510,038**	**588,380**	**32,597**	**37,605**
TOTAL ASSETS		**691,816**	**757,732**	**44,215**	**48,428**
Liabilities					
Interest-bearing loans and borrowings	3	21,035	20,772	1,344	1,328
Trade payables and other payables		78,691	73,496	5,029	4,697
Tax liabilities		12,213	12,268	781	784
Inclusive income tax		2,401	2,401	154	154
Short-term provision		73	100	5	6
Total current liabilities		**112,012**	**106,636**	**7,159**	**6,815**
Non-current liabilities	3	26,892	26,568	1,719	1,698
Other non-current liabilities		469	469	30	30
Total non-current liabilities		**27,361**	**27,037**	**1,749**	**1,728**
Total liabilities		**139,373**	**133,673**	**8,908**	**8,543**
Equity					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		251,366	331,552	16,065	21,190
Retained earnings		108,165	100,078	6,913	6,396
Total equity attributable to equity holders of the parent		**533,531**	**605,630**	**34,099**	**38,707**
Minority interest		18,912	18,429	1,208	1,178
Total equity		**552,443**	**624,059**	**35,307**	**39,885**
TOTAL LIABILITIES AND EQUITY		**691,816**	**757,732**	**44,215**	**48,428**

CONSOLIDATED INCOME STATEMENT

		EEK'000		€'000	
For period 1 January - 31 March	Note	**2007**	**2006**	**2007**	**2006**
Revenue	4	151,611	123,895	9,690	7,918
Cost of sales		-125,909	-101,274	-8,047	-6,472
Gross profit		**25,702**	**22,621**	**1,643**	**1,446**
Distribution costs		-6,667	-5,619	-426	-359
Administrative expenses		-9,819	-8,936	-628	-571
Other income		94	38	6	2
Other expenses		-281	-134	-18	-9
Operating profit	4	**9,029**	**7,970**	**577**	**509**
Net financing income/costs	5	-313	4,910	-20	314
Share of profit of associates		352	1,256	22	80
Profit before tax		**9,068**	**14,136**	**579**	**903**
Allocation of corporate income tax to relevant periods		-365	-231	-23	-15
Profit for the period		**8,703**	**13,905**	**556**	**888**
Attributable to:					
Equity holders of the parent	6	8,087	13,823	517	883
Minority interests		616	82	39	5
Basic and diluted earnings per share	6	0.48	0.82	0.03	0.05

CONSOLIDATED STATEMENT OF CASH FLOWS

		EEK'000		€'000	
For the period 1 January - 31 March	Note	2007	2006	2007	2006
Cash flows from operating activities					
Operating profit	4	9,029	7,970	577	509
Adjustments for:					
Depreciation and amortisation	2	4,397	3,980	281	256
Gain on sale of property, plant and equipment		-21	0	-1	0
Change in receivables related to operating activity		1,333	2,006	85	128
Change in inventories		-10,208	-11,377	-652	-729
Change in payables related to operating activity		1,858	5,567	118	356
Corporate income tax paid		-362	-355	-23	-23
Interest paid		-570	-383	-36	-24
Net cash from operating activities		**5,456**	**7,408**	**349**	**473**
Cash flows from investing activities					
Acquisition of property, plant and equipment		-4,386	-4,988	-280	-318
Acquisition of investment property		-222	0	-14	0
Acquisition of intangible assets		-256	-260	-17	-17
Proceeds from sale of property, plant and equipment		24	0	2	0
Proceeds from sale of other financial investments		258	5,616	17	359
Loans given		0	-8	0	0
Repayment of loans given		2	2	0	0
Interest received		36	93	2	6
Net cash used in investing activities		**-4,544**	**455**	**-290**	**30**
Cash flows from financing activities					
Proceeds from borrowings	3	2,925	0	187	0
Repayment of borrowings	3	-2,508	-3,547	-160	-227
Payment of finance lease principal	3	-254	-359	-17	-23
Net cash used in financing activities		**163**	**-3,906**	**10**	**-250**
Net cash flows		**1,075**	**3,957**	**69**	**253**
Cash and cash equivalents at beginning of period		**6,712**	**25,940**	**429**	**1,658**
Net increase / decrease		1,075	3,957	69	253
Effect of exchange rate fluctuations on cash held		-11	-19	-1	-1
Cash and cash equivalents at end of period		**7,776**	**29,878**	**497**	**1,910**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							
For period 1-3/ 2006	**Share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Mino-rity interest**	**TOTAL**
Balance at 31 December 2005	168,000	6,000	8,600	287,526	82,069	**552,195**	16,138	**568,333**
Profit for period	0	0	0	0	13,823	**13,823**	82	**13,905**
Income recognized directly in equity	0	0	0	23,169	0	**23,169**	0	**23,169**
Total income for period	0	0	0	23,169	13,823	**36,992**	82	**37,074**
Balance at 31 March 2006	**168,000**	**6,000**	**8,600**	**310,695**	**95,892**	**589,187**	**16,220**	**605,407**
For 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							-133	**-133**
Balance at 31 March 2007	**168,000**	**6,000**	**11,000**	**240,366**	**108,165**	**533,531**	**18,912**	**552,443**

€'000								
For period 1-3/ 2006								
Balance at 31 December 2005	10,737	384	550	18,376	5,245	**35,292**	1,031	**36,323**
Profit for period	0	0	0	0	883	**883**	5	**888**
Income recognized directly in equity	0	0	0	1,481	0	**1,481**	0	**1,481**
Total income for period	0	0	0	1,481	883	**2,364**	5	**2,369**
Balance at 31 March 2006	**10,737**	**384**	**550**	**19,857**	**6,128**	**37,656**	**1,036**	**38,692**
For 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							-9	**-9**
Balance at 31 March 2007	**10,737**	**384**	**703**	**15,362**	**6,913**	**34,099**	**1,208**	**35,307**

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 31.03.2007 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 associates AS Draka Keila Cables and AS Saajos Inexa. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 30.17% 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 31.12.2006 except the presentation of financial information of segments (see below).

According to the assessment of the management board, the interim report for 1-3/2007 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	Property, plant and equipment		Investment property		Intangible assets	
EEK’000	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Balance at 1 January	**87,446**	**70,731**	**127,268**	**123,625**	**3,595**	**1,560**
Additions	5,434	6,488	222	0	256	260
Transfer from investment property	2,496	0	-2,496	0	0	0
Disposals	-3	0	0	0	0	0
Amortisation change for the period	-2,926	-2,729	-1,196	-1,050	-275	-201
Balance at the end of the current period	**92,447**	**74,490**	**123,798**	**122,575**	**3,576**	**1,619**
€’000						
Balance at 1 January	**5,589**	**4,521**	**8,134**	**7,901**	**230**	**100**
Additions	346	415	14	0	17	17
Disposals	160	0	-160	0	0	0
Amortisation change for the period	-187	-175	-76	-67	-18	-14
Balance at the end of the current period	**5,908**	**4,761**	**7,912**	**7,834**	**229**	**103**

Note 3 Interest-bearing loans and borrowings

	EEK'000			€'000		
	31.03.07	**31.12.06**	**31.03.06**	**31.03.07**	**31.12.06**	**31.03.06**
Liabilities						
Short-term bank loans	12,627	9,702	10,513	807	620	671
Current portion of long-term bank loans	7,546	10,054	6,571	482	643	420
Current portion of lease liabilities	862	1,016	1,027	55	65	66
Total current liabilities	**21,035**	**20,772**	**18,111**	**1,344**	**1,328**	**1,157**
Long-term bank loans	24,999	24,999	28,477	1,598	1,597	1,820
Lease liabilities	1,893	1,569	1,402	121	101	90
Total non-current liabilities	**26,892**	**26,568**	**29,879**	**1,719**	**1,698**	**1,910**
Total interest-bearing loans and borrowings	**47,927**	**47,340**	**47,990**	**3,063**	**3,026**	**3,067**

Changes during the period 1.01. – 31.03

	EEK'000		€'000	
	2007	**2006**	**2007**	**2006**
Loans and borrowings at the beginning of the year	**47,340**	**51,896**	**3,026**	**3,317**
Changes in short-term loans	2,925	-1,356	187	-87
Long-term loan repaid	-2,508	-2,191	-160	-140
New finance lease liabilities	424	0	27	0
Payment of finance lease principal	-254	-359	-17	-23
Loans and borrowings at the end of the current period	**47,927**	**47,990**	**3,063**	**3,067**

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.
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.

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	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenue from external customers	77,676	69,206	56,741	41,583	17,194	13,106	0	0	151,611	123,895
Inter-segment revenue	3,397	4,392	0	14	132	259	-3,529	-4,665	0	0
Total revenue	**81,073**	**73,598**	**56,741**	**41,597**	**17,326**	**13,365**	**-3,529**	**-4,665**	**151,611**	**123,895**
Segment result	6,376	7,017	1,177	310	1,478	628	-2	15	9,029	7,970

€'000										
Revenue from external customers	4,964	4,423	3,626	2,658	1,100	837	0	0	9,690	7,918
Inter-segment revenue	217	281	0	1	8	17	-225	-299	0	0
Total revenue	**5,181**	**4,704**	**3,626**	**2,659**	**1,108**	**854**	**-225**	**-299**	**9,690**	**7,918**
Segment result	408	448	75	20	94	40	0	1	577	509

Segment revenue based on the geographical location of customers

For the period 1 January - 31 March

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Estonia	65,541	54,169	0	14	132	259	-132	-273	65,541	54,169
Finland	13,822	17,196	56,585	41,455	0	0	-3,048	-3,935	67,359	54,716
Lithuania	790	633	0	0	15,546	9,753	-349	-457	15,987	9,929
Other	920	1,600	156	128	1,648	3,353	0	0	2,724	5,081
Total	**81,073**	**73,598**	**56,741**	**41,597**	**17,326**	**13,365**	**-3,529**	**-4,665**	**151,611**	**123,895**

€'000										
Estonia	4,189	3,462	0	1	8	17	-8	-18	4,189	3,462
Finland	884	1,099	3,616	2,650	0	0	-195	-252	4,305	3,497
Lithuania	50	40	0	0	994	623	-22	-29	1,022	634
Other	58	103	10	8	106	214	0	0	174	325
Total	**5,181**	**4,704**	**3,626**	**2,659**	**1,108**	**854**	**-225**	**-299**	**9,690**	**7,918**

Group's business segment report – secondary segment

As at 31 March 2007 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:

For the period 1 January - 31 March

	Revenue		**Eliminations**		**Consolidated**	
EEK'000	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Manufacturing	126,426	100,766	-4,173	-1,222	122,253	99,544
Real estate	12,227	11,478	-3,205	-2,775	9,022	8,703
Trade	17,270	12,739	-75	-54	17,195	12,685
Unallocated activities	4,017	4,072	-876	-1,109	3,141	2,963
Total revenue	**159,940**	**129,055**	**-8,329**	**-5,160**	**151,611**	**123,895**
€'000						
Manufacturing	8,080	6,440	-267	-78	7,813	6,362
Real estate	781	734	-204	-178	577	556
Trade	1,104	814	-5	-3	1,099	811
Unallocated activities	257	260	-56	-71	201	189
Total revenue	**10,222**	**8,248**	**-532**	**-330**	**9,690**	**7,918**

Note 5 Net financing income/costs

	EEK'000		€'000	
For the period 1 January - 31 March	**2007**	**2006**	**2007**	**2006**
Interest income	30	63	2	4
Interest expense	-570	-348	-36	-22
Net loss from foreign exchange differences	-11	-19	-1	-1
Marketable investments:				
Income from sale of investments	238	5,214	15	333
TOTAL	**-313**	**4,910**	**-20**	**314**

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		**2007**	**2006**		**2007**	**2006**
Profit attributable to equity holders of the parent	EEK'000	8,087	13,823	€'000	517	883
Average number of shares outstanding during the period	'000	16,800	16,800	'000	16,800	16,800
Basic and diluted earnings per share	EEK	0.48	0.82	€	0.03	0.05

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 2007, 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 parties of AS Harju Elekter include associated companies AS Draka Keila Cables and AS Saajos Inexa; members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 30.17 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:

	EEK ‘000		€’000	
For the period 1 January - 31 March	**2007**	**2006**	**2007**	**2006**
Purchase of goods and services from related parties:				
- from associates	2,542	2,841	162	181
- from Harju KEK	146	28	9	2
TOTAL	2,688	2,869	171	183
Inclusive:				
- goods and materials for manufacturing	2,508	2,726	160	174
- lease of property, plant and equipment	146	26	9	2
- other	34	117	2	7
Sale of goods and services to related parties:				
- to associates	3,229	3,044	206	195
Inclusive:				
- goods and materials for manufacturing	236	316	15	20
- lease of property, plant and equipment	1,786	1,715	114	110
- management services	678	649	43	42
- other	529	364	34	23
Balances with related parties	31.03. 2007	31.12. 2006	31.03. 2007	31.12. 2006
Receivables with associates: goods and services	3,948	2,926	252	187
Payables with associates: goods and services	2,048	1,266	131	81

Statement of Management responsibility

The management board of AS Harju Elekter acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/ 2007, as set out on pages 9 to 18, and confirms that to the best of its knowledge, information and belief that:

- the policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;

- the consolidated financial statements give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows;

- all significant events that occurred before the date on which the consolidated financial statements were authorised for issue (09 May 2007) have been properly recognised and disclosed; and

- AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Board	„09.“ May 2007
Lembit Libe	Member of the Board	„09.“ May 2007
Karin Padjus	Member of the Board	„09.“ May 2007