AS HARJU ELEKTER

Interim report 1-6/ 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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Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2008
End of the reporting period:	30th of June 2008

The interim report of Harju Elekter Group on 19 pages

Contents

EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/ 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 30 June 2008, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.6.2008	31.12.2007	30.6.2007
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%	8.9%

Economic environment

In 2Q2008, the state of the world economy deteriorated significantly, and, on the whole, the year will most likely turn out to be difficult, primarily due to the accelerated rate of inflation. Even though the economic climate has deteriorated in the principal economic regions (US, Western Europe, Asia), there are also positive exceptions, specifically among several trading partners of importance to Estonia (Finland, Sweden).

The rate of economic growth in the Baltic States slowed in 2Q2008, and modest growth is being predicted for next year, too. The situation is better, however, in Lithuania, where 5% growth is being predicted for both this year and next.

Economic growth in Estonia in the first half year was minimal (0.1% and 1.4% by various estimates), as a result of which the government was forced to reduce the national budget. The economic recession, originating in the real estate sector, carried over into other sectors as well. The rate of inflation remained high, since world prices for fuels and foodstuffs continued to grow. Banks toughened loan conditions even further; demand in the domestic market declined and export, too, showed no significant growth. In view of all of this, economic growth in the following quarters may turn out to be even more modest. If at the beginning of the year, it was hoped that the economy would start growing again beginning in 2009, it is now feared that the standstill may last several more years. The difficulties in preparing the 2009 budget may reduce government investments significantly.

Events

Harju Elekter's subsidiary AS Harju Elekter Elektrotehnika won the tender announced by Eesti Energia's subsidiary OÜ Jaotusvõrk for the purchase of integrated substations, as a result of which a 3-year supply contract was entered in June, with an estimated value of MEEK 300. According to the contract, over the next three years Harju Elekter Elektrotehnika will supply OÜ Jaotusvõrk with an average of 400 factory-manufactured integrated 1- or 2-transformer substations per year. The supplies will be directed onto the Estonian market.

During the first half year, the implementation of the integrated management software (Siemens PCS7) for plant production processes, developed by the working group of Finnish subsidiary Satmatic for the mineral wool plant in Poland, was completed. In addition to the process management software, Satmatic supplied and installed various types of electrical equipment in the plant during the course of the project. The total cost of the project was MEUR 1.

At the Finnish subsidiary, a verification of compliance with the standards of the ISO9001:2000 quality system was carried out by a recognised international certification organisation and a successful re-certification was completed. The new certificate will be valid until July 2009.

Operating results

	Growth		EEK (in million) Q2		EEK (in million) 6 months		€ (in million) Q2		€ (in million) 6 months	
	Q/Q	**6 m/6m**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue	32.5%	33.4%	236.2	178.3	440.1	329.9	15.1	11.4	28.1	21.1
Operating profit	10.5%	16.7%	14.3	12.9	25.6	21.9	0.9	0.8	1.6	1.4
Net profit for the current period	-64.6%	-53.8%	18.6	52.5	28.3	61.3	1.2	3.4	1.8	3.9
incl. equity holders of the parent	-66.6%	-55.0%	17.4	52.2	27.2	60.4	1.1	3.3	1.7	3.9

The sales revenue of the Group in the second quarter of 2008 was 236.2 million kroons (15.1 million euros), growing 32.5% and in the first half of 2008 440.1 million kroons (28.1 million euros), growing 33.4% compared to the same period during the previous year.

Despite the current low level in the economy, a good growth rates for business revenue were assured both in 2Q2008 and also in the first half year. The business revenue for 2Q2008 was MEEK 14.3 (MEUR 0.9), 10.5% more than during comparable periods. The six-month business revenue was MEEK 25.6 (MEUR 1.6), a growth of 16.7%. The business profitability for 2Q2008 turned out to be 6.0% (7.2%) and the indicator for the six months was 5.8% (6.6%).

The consolidated net profit for the Group in 2Q2008 was MEEK 18.6 or MEUR 1.2 (2Q2007: MEEK 52.5 or MEUR 3.4), of which the parent company's owners' share accounted for MEEK 17.4 (MEUR 1.1). The net profit for the six months was MEEK 28.3 or MEUR 1.8 (first half year 2007: MEEK 61.3 or MEUR 3.9), of which the parent company's owners' share accounted for MEEK 27.2 or MEUR 1.7 (first half year 2007: MEEK 60.4 or MEUR 3.9). In the six months in 2007, an extraordinary profit of MEEK 32.8 (MEUR 2.1) was made from the sale of financial investments. Hereby, the net profit for the first half year remained at the 2007 level. Net profit was impacted also by the increased income tax expense, which, due to the growth in the profitability of the Finnish operation and the payment of bigger dividends in Estonia, grew by MEEK 2.9 (MEUR 0.2).

SALES REVENUE

The sales revenue, broken down by location of business activity, is as follows:

	Growth		EEK (in million) Q2		EEK (in million) 6 months		EUR (in million) Q2		EUR (in million) 6 months	
Markets	**Q/Q**	**6 m/6m**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Estonia	-0.8%	10.8%	99.4	100.2	197.2	177.9	6.4	6.4	12.6	11.4
Finland	57.1%	55.7%	95.8	61.0	183.3	117.7	6.1	3.9	11.7	7.5
Lithuania	140.3%	74.0%	41.0	17.1	59.6	34.3	2.6	1.1	3.8	2.2
Total	**32.5%**	**33.4%**	**236.2**	**178.3**	**440.1**	**329.9**	**15.1**	**11.4**	**28.1**	**21.1**

The Group sold MEEK 57.9 (MEUR 3.7) worth of products and services during the quarter reported, and MEEK 110.2 (MEUR 7.0) worth in the first half year, that is, a third more than in the corresponding periods the year before.

The greatest contribution to the growth in consolidated sales revenue was made by the Finnish segment, where the steady increase of orders by the Finnish machinery sector (exporters) ensured the continued growth of the Finnish subsidiary's sales volume. The share of high-value projects in sales revenue has grown significantly. The majority of the sales volume (nearly 80%) came from the sales of products (metal and manufacturing equipment manufacturers) directed at the industrial sector. In total, the Finnish subsidiary sold MEEK 34.8 (MEUR 2.2) more worth of products and services in 2Q2008 and a total of MEEK 65.6 (MEUR 4.2) more in the six months, than the year before.

During the quarter reported, sales by the Estonian segment to clients outside the Group remained at virtually the same level as the previous year, yet grew 10.8% in the six months. At the same time, sales to other geographical segments have grown significantly (four-fold). In the end, the sales volume for the Estonian segment in 2Q2008 was MEEK 120.7 (MEUR 7.7) and in the first half year, as a whole, MEEK 232.0 (MEUR 14.8), growing 14.5% and 24.4%, respectively, as a result of which the result for the Estonian segment may be deemed satisfactory in all respects.

The 2Q2008 was also very successful for the Lithuanian segment. Sales to clients outside the Group grew by MEEK 23.9 (MEUR 1.5) and a total of MEEK 25.3 (MEUR 1.6) in the six months, a growth of 2.4 and 1.7 times, respectively, in comparison with the corresponding periods of the year before. During the period reported, sales increased both on the domestic and foreign markets. This year, several significant industrial site construction projects were won in Lithuania. Compared to the year before, the sales revenue from the execution of projects has nearly doubled. Sales to markets abroad grew in the first half year by MEEK 7.0 (EUR 400 000). New markets were added in Denmark and Byelorussia; supplies to Norway and Latvia have grown.

Sales revenue by markets:

			EEK (in million)				EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
Markets	**Q/Q**	**6 m/6m**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Estonia	24.4%	23.3%	87.5	70.3	167.5	135.9	5.6	4.5	10.7	8.7
Finland	46.8%	46.6%	104.5	71.2	203.2	138.6	6.7	4.6	13.0	8.9
Lithuania	124.8%	60.0%	33.5	14.9	49.4	30.9	2.1	1.0	3.1	2.0
Other EU countries	-61.7%	-23.3%	6.0	15.8	13.8	17.9	0.4	1.0	0.9	1.1
Others	-23.3%	-6.5%	4.7	6.1	6.2	6.6	0.3	0.3	0.4	0.4
Total	**32.5%**	**33.4%**	**236.2**	**178.3**	**440.1**	**329.9**	**15.1**	**11.4**	**28.1**	**21.1**

Of the markets, the domestic markets of the Group's companies prevailed, where 95.5% (92.6%) of the Group's products and services were sold. The Group has sold its products to the markets of Latvia, Sweden and Poland, as well as Byelorussia, Russia and Norway.

Traditionally, the biggest share of sales revenue – 88.3% (81.9%) came from production, which is the main field of activity of the Group. Supported by the increase in the considerable sales volumes of subsidiaries, manufacturers of electrical equipment; the sales volume of the production segment increased by 43.7 %, amounting to 392.6 million kroons (25.1 million euros). As a result of a noticeably more conservative credit sales policy arising from the deceleration in the growth of the economy originating in the previous financial year, and due to the economic situation, small wholesaling to smaller and medium sized electrical installation companies has declined, entailing a deceleration in the growth rates in the trade segment, the impact of which, however, on the sales volume for the Group is not significant. 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

	Growth		EEK (in million) Q2		EEK (in million) 6 months		EUR (in million) Q2		EUR (in million) 6 months	
	Q/Q	**6 m/6m**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Cost of sales	37.3%	37.7%	198.9	144.9	373.1	270.8	12.7	9.3	23.8	17.3
Distribution costs	27.1%	24.6%	10.5	8.3	18.6	14.9	0.7	0.5	1.3	1.0
Admin expenses	1.7%	1.9%	10.3	10.1	18.9	18.6	0.7	0.7	1.2	1.2
Development costs	10.5%	12.1%	2.1	1.9	3.7	3.3	0.1	0.1	0.2	0.2
Total expenses	**34.3%**	**34.7%**	**221.8**	**165.2**	**414.3**	**307.6**	**14.2**	**10.6**	**26.5**	**19.7**
incl. depreciation of fixed assets	3.5%	6.2%	4.5	4.4	9.3	8.8	0.3	0.3	0.6	0.6
Total labour cost	39.5%	17.9%	45.2	32.4	85.6	72.6	2.9	2.1	5.5	4.6
incl salary cost	35.4%	21.7%	34.8	25.7	67.2	55.2	2.2	1.6	4.3	3.5

Under the conditions of intensifying competition and a rise in payroll expenses, the expenses for products and services sold grew by more than 37%, outstripping the sales revenue growth rate by 4.8 percentage points in 2Q2008 and 4.3 percentage points in the six months. Yet the average growth rate of other business operation expenses was significantly more modest, growing 12.8% to MEEK 22.9 (MEUR 1.5) in 2Q2008 and only 12.0% to MEEK 41.2 (MEUR 2.6) in the six months. Business expenses grew in total by more than 34%, outstripping the sales revenue growth rate by 1.8 percentage points in 2Q2008 and 1.3 percentage points in the six months.

In the second quarter, the average number of employees in the Group was 502 (Q2 2007: 433) and in the first half of the year 486 (H1 2007: 425). As of 30 June 2008 there were 559, which is 112 employees more than a year ago. The growth in production volumes has brought about an increase in both the number of employees and labour expenses. Yet due to the dearth of qualified labour, the pressure from salary increases has been strong in both Estonia and Lithuania. The average number of employees grew by 15.9% during the quarter reported, compared to the same period the year before, yet payroll expenses increased 35.4% to MEEK 34.8 (MEUR 2.2) and 14.4% and 21.7% to MEEK 67.2 (MEUR 4.3) in the six months, respectively.

In H1 2008 the average salary in the Group have increased by 1,400 kroons (89 euros) up to 23.0 thousand kroons (1.5 thousand euros) compared to the same period during the previous year. The costs on labour force have increased by 13.0 million kroons (0.8 million euros) in the first six months of 2008, compared to the same period of 2007.

Depreciation of fixed assets in the second quarter was expensed in a total amount of 4.5 million kroons (0.3 million euros) and in the H1 2008 9.3 million kroons (0.6 million euros), which is 3.5% and 6.2% more compared to the same period of the previous year, respectively. During the first six months investments in tangible and intangible assets of the Group totalled 12.8 million kroons (0.8 million euros) and in the comparing period 11.3 million kroons (0.8 million euros).

Balance sheet

The amount of the consolidated balance sheet as of 30 June 2008 was 680.1 million kroons or 43.5 million euros (30 June 2007: 744.4 million kroons or 47.6 million euros), decreasing by 40.2 million kroons (2.6 million euros) in the first half of the year.

The main reason for the decrease in assets was a change in the market price of a share of PKC Group Oyj in H1 2008. The price of the share on the Helsinki Stock Exchange decreased during the first six months by 1.73 euros (27.07 kroons). The difference resulting from reassessment of shares – 42.8 million kroons (2.7 million euros) – was recognised directly in the equity as a decrease of reserves.

65.2% (30 June 2007: 68.5%) of the balance sheet total is accounted for by capital assets and 74.0% (76.9% 30 June 2007) by equity capital.

Cash flows, investments and financing

The cash flows from operating activities totalled 23.3 million kroons (1.5 million euros) and in the comparable period 22.4 million kroons (1.4 million euros), from investing activities' expenditure -0.7 million kroons (-44 thousand euros) and in the comparable period the cash flow was positive 37.0 million kroons (2.4 million euros), from financing activities' expenditure -35.7 million kroons (-2.3 million euros) and in the comparable period -38.4 million kroons (-2.5 million euros). Cash and cash equivalents decreased in the first six months by 13.1 million kroons (0.8 million euros) to 13.1 million kroons (0.8 million euros) and increase in the comparable period by 21.0 million kroons (1.3 million euros) to 27.6 million kroons (1.8 million euros).

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

	EEK (in thousand)		EUR (in thousand)	
1 January - 30 June	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	12,419	11,486	794	734
Investment property	316	303	20	20
Intangible assets	76	472	5	30
Total	**12,811**	**12,261**	**819**	**784**

In 3Q2008, a production and office building will be completed in Lithuania; its construction was commenced in the 2Q2007. During 2008 the volume of construction output amounted to 5.4 million kroons (345 thousand euros). In total, the construction has cost MEEK 12.4 (EUR 794 000). In the six months, the Group has invested a total of MEEK 7.1 (EUR 456 000) in buildings, MEEK 4.7 (EUR 300 000) in production equipment and means of transport – MEEK 8.0 (EUR 510 000) and MEEK 1.9 (EUR 120 000), respectively, in the comparable period.

To finance new construction in Lithuania, the Group took out an additional long-term loan in the amount of 2.7 million kroons (173 thousand euros) in H1 2008. The loan contract has been concluded for five years in the amount of 1.8 million litts (8.2 million kroons or 0.5 million euros). AS of 30 June long-term loans have been used in the amount of 7.1 million kroons (453 thousand euros). Long-term loans were repaid within six months in the amount of 5.0 million kroons (323 thousand euros) and in the reference period in the amount of 5.0 million kroons (321 thousand euros).

Due to the rise in production volumes, the Group required additional credit. The short-term bank loan grew to MEEK 1.3 (EUR 81 000) in the six months.

The Group received MEEK 11.1 (EUR 711 000) in dividends and paid MEEK 33.9 (MEUR 2.2) worth of dividends, MEEK 12.7 (EUR 809 000) and MEEK 31.7 (MEUR 2), respectively, in the comparable period.

On a financial lease, a total of MEEK 0.8 (EUR 52 000) of machinery and equipment were acquired, and a total of MEEK 0.7 (EUR 45 000) of principal repayments on the financial lease were made. In the comparable period MEEK 0.4 (EUR 27 000) and MEEK 0.5 (EUR 34 000), respectively.

Shares of Harju Elekter

	EEK			EUR		
	6m 2008	**6m 2007**	**2007**	**6m 2008**	**6m 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	38.33	51.95	47.25	2.45	3.32	3.02
High price	53.98	71.97	71.97	3.45	4.60	4.60
Closing price	41.31	55.55	53.20	2.64	3.55	3.40
EPS	1.62	3.60	5.03	0.10	0.23	0.32

AGM

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 were paid to the shareholders on 19 May 2008.

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 H1 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. The Chairman of the Board receives remuneration in accordance with the contract of service; members of the Management Board receive no special remuneration.

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 5.8 million kroons (0.4 million euros) and sold goods and services to them totally in the amount of 5.4 million kroons (0.4 million euros) and in the comparable period in the amount of 6.7 million kroons (0.4 million euros) and 7.4 million kroons (0.5 million euros) respectively.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in H1 2008 amounted to a total of 2.3 million kroons (147 thousand euros) and in the comparable period 2.0 million kroons (128 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

Consolidate income statement (in million)	EEK Q 2		6 months		year	€ Q 2		6 months		year
Accounting period	**2008**	**2007**	**2008**	**2007**	**2007**	**2008**	**2007**	**2008**	**2007**	**2007**
Turnover	236.2	178.3	440.1	329.9	732.0	15.1	11.4	28.1	21.1	46.8
EBITDA	18.8	17.3	34.9	30.7	69.6	1.2	1.1	2.2	2.0	4.4
Operating profit	14.3	12.9	25.6	21.9	51.5	0.9	0.8	1.6	1.4	3.3
Net profit for the current period	18.6	52.5	28.3	61.3	85.9	1.2	3.4	1.8	3.9	5.5
incl. equity holders of the parent	17.4	52.2	27.2	60.4	84.5	1.1	3.3	1.7	3.9	5.4

Consolidated balance sheet (in million)	Structure (%) 30.06. 2008	31.12. 2007	30.06. 2007	EEK 30.06. 2008	31.12. 2007	30.06. 2007	€ 30.06. 2008	31.12. 2007	30.06. 2007
Current assets	34.8	33.5	31.5	236.6	241.0	234.3	15.1	15.4	15.0
Fixed assets	65.2	66.5	68.5	443.5	479.3	510.1	28.4	30.6	32.6
Total assets	100.0	100.0	100.0	680.1	720.3	744.4	43.5	46.0	47.6
Expenses	26.0	23.4	23.1	176.9	168.7	172.2	11.3	10.8	11.0
Owner's equity	74.0	76.6	76.9	503.2	551.6	572.2	32.2	35.2	36.6
Incl.owner's equity belonging to the parent	71.2	74.0	74.5	484.0	533.2	554.4	30.9	34.1	35.4

Growth (%)	Q 2 **2008**	**2007**	6 months **2008**	**2007**	year **2007**
Turnover	32.5	4.3	33.4	11.9	17.7
EBITDA	8.7	8.2	13.7	10.0	12.8
Operating profit (EBIT)	10.5	8.8	16.7	10.6	14.0
Net profit for the current period	-64.6	176.8	-53.8	86.6	65.1
incl. equity holders of the parent	-66.6	200.7	-55.0	93.8	78.6
Performance indicators (%)					
Return of sales before depreciation	8.0	9.7	7.9	9.3	9.5
Return of sales (operating profit/turnover *100)	6.0	7.2	5.8	6.6	7.0
Net profit margin (net profit/turnover *100)	7.4	29.3	6.2	18.3	11.7
Employees					
Average number of employees	502	433	486	425	442
Number of employees in the end of the period	559	447	559	447	486

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

		EEK'000		€'000	
	Note	**30.6.2008**	**31.12.2007**	**30.6.2008**	**31.12.2007**
Current assets					
Cash and cash equivalents		13,098	26,257	837	1,678
Trade receivables and other receivables		98,863	84,601	6,319	5,407
Prepayments		1,412	1,548	90	99
Inclusive income tax		606	717	39	46
Inventories		123,255	128,639	7,877	8,222
Total current assets		**236,628**	**241,045**	**15,123**	**15,406**
Non-current assets					
Investments in associates		25,459	21,975	1,626	1,404
Other long-term financial investments		172,468	215,236	11,023	13,756
Investment property	2	131,434	133,839	8,400	8,554
Property, plant and equipment	2	111,288	104,948	7,113	6,707
Intangible assets	2	2,813	3,269	180	209
Total non-current assets		**443,462**	**479,267**	**28,342**	**30,630**
TOTAL ASSETS		**680,090**	**720,312**	**43,465**	**46,036**
Liabilities					
Interest-bearing loans and borrowings	3	23,609	27,942	1,509	1,786
Trade payables and other payables		109,391	106,495	6,992	6,806
Tax liabilities		19,578	12,008	1,251	767
Inclusive income tax		1,412	672	90	43
Short-term provision		630	1,421	40	91
Total current liabilities		**153,208**	**147,866**	**9,792**	**9,450**
Non-current liabilities	3	23,737	20,382	1,517	1,302
Other non-current liabilities		0	469	0	30
Total non-current liabilities		**23,737**	**20,851**	**1,517**	**1,332**
Total liabilities		**176,945**	**168,717**	**11,309**	**10,782**
Equity					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		167,890	207,259	10,730	13,246
Retained earnings		142,061	151,894	9,079	9,708
Total equity attributable to equity holders of the parent		**483,951**	**533,153**	**30,930**	**34,075**
Minority interest		19,194	18,442	1,226	1,179
Total equity		**503,145**	**551,595**	**32,156**	**35,254**
TOTAL LIABILITIES AND EQUITY		**680,090**	**720,312**	**43,465**	**46,036**

CONSOLIDATED INCOME STATEMENT

EEK'000	Note	For the period 4 -6 ended 30 June 2008	2007	For the period 1 – 6 ended 30 June 2008	2007
Revenue	4	236,194	178,287	440,077	329,898
Cost of sales		-198,923	-144,931	-373,066	-270,840
Gross profit		**37,271**	**33,356**	**67,011**	**59,058**
Distribution costs		-10,500	-8,263	-18,601	-14,930
Administrative expenses		-12,407	-12,039	-22,616	-21,858
Other income		110	250	147	345
Other expenses		-217	-402	-345	-684
Operating profit	4	**14,257**	**12,902**	**25,596**	**21,931**
Net financing income/costs	5	10,580	44,760	9,967	44,447
Share of profit of associates		3,677	2,327	3,484	2,814
Profit before tax		**28,514**	**59,989**	**39,047**	**69,192**
Allocation of corporate income tax to relevant periods		-9,939	-7,497	-10,728	-7,861
Profit for the period		**18,575**	**52,492**	**28,319**	**61,331**
Attributable to:					
Equity holders of the parent	6	17,432	52,204	27,167	60,426
Minority interests		1,143	288	1,152	905
Basic and diluted earnings per share	6	1.04	3.11	1.62	3.60

€'000	Note	For the period 4 -6 ended 30 June 2008	2007	For the period 1 – 6 ended 30 June 2008	2007
Revenue	4	15,096	11,395	28,126	21,084
Cost of sales		-12,714	-9,263	-23,843	-17,309
Gross profit		**2,382**	**2,132**	**4,283**	**3,775**
Distribution costs		-671	-528	-1,189	-954
Administrative expenses		-793	-769	-1,445	-1,397
Other income		7	16	9	22
Other expenses		-14	-26	-22	-44
Operating profit	4	**911**	**825**	**1,636**	**1,402**
Net financing income/costs	5	676	2,861	637	2,841
Share of profit of associates		235	148	222	179
Profit before tax		**1,822**	**3,834**	**2,495**	**4,422**
Allocation of corporate income tax to relevant periods		-635	-479	-685	-502
Profit for the period		**1,187**	**3,355**	**1,810**	**3,920**
Attributable to:					
Equity holders of the parent	6	1,114	3,336	1,736	3,862
Minority interests		73	19	74	58
Basic and diluted earnings per share	6	0.07	0.20	0.10	0.23

CONSOLIDATED STATEMENT OF CASH FLOWS

		EEK'000		€'000	
For the period ended 30 June	Note	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Operating profit	4	25,596	21,931	1,636	1,402
Adjustments for:					
Depreciation and amortisation	2	9,332	8,787	596	562
Gain on sale of property, plant and equipment		-13	-435	-1	-28
Change in receivables related to operating activity		-16,262	-15,676	-1,039	-1,002
Change in inventories		5,384	-28,111	344	-1,797
Change in payables related to operating activity		9,776	44,130	625	2,820
Corporate income tax paid		-9,230	-7,137	-590	-456
Interest paid		-1,316	-1,121	-84	-72
Net cash from operating activities		**23,267**	**22,368**	**1,487**	**1,429**
Cash flows from investing activities					
Acquisition of property, plant and equipment		-12,490	-11,163	-798	-714
Acquisition of investment property		-316	-303	-20	-19
Acquisition of intangible assets		-76	-472	-5	-30
Proceeds from sale of property, plant and equipment		756	433	48	28
Proceeds from sale of other financial investments		0	35,770	0	2,286
Loans given		-35	-50	-2	-3
Repayment of loans given		20	11	1	1
Interest received		325	127	21	8
Dividends received		11,125	12,663	711	809
Net cash used in investing activities		**-691**	**37,016**	**-44**	**2,366**
Cash flows from financing activities					
Proceeds from borrowings	3	3,968	0	254	0
Repayment of borrowings	3	-5,047	-6,170	-323	-395
Payment of finance lease principal		-700	-543	-45	-34
Dividends paid	3	-33,933	-31,706	-2,169	-2,026
Net cash used in financing activities		**-35,712**	**-38,419**	**-2,283**	**-2,455**
Net cash flows		**-13,136**	**20,965**	**-840**	**1,340**
Cash and cash equivalents at beginning of period		**26,257**	**6,712**	**1,678**	**429**
Net increase / decrease		-13,136	20,965	-840	1,340
Effect of exchange rate fluctuations on cash held		-23	-32	-1	-2
Cash and cash equivalents at end of period		**13,098**	**27,645**	**837**	**1,767**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							
For the period 1-6/ 2007	**Share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Mino-rity interest**	**TOTAL**
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	60,426	**60,426**	905	**61,331**
Income recognized directly in equity	0	0	0	-81,452	0	**-81,452**	0	**-81,452**
Total income for period	0	0	0	-81,452	60,426	**-21,026**	905	**-20,121**
Dividends	0	0	0	0	-30,240	**-30,240**	-1,466	**-31,706**
Amounts transferred reserves	0	0	2,400	0	-2,400	**0**	0	**0**
Balance at 30 June 2007	**168,000**	**6,000**	**13,400**	**239,100**	**127,864**	**554,364**	**17,868**	**572,232**
For the period 1-6/ 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	27,167	**27,167**	1,152	**28,319**
Income recognized directly in equity	0	0	0	-42,769	0	**-42,769**	0	**-42,769**
Total income for period	0	0	0	-42,769	27,167	**-15,602**	1,152	**-14,450**
Dividends	0	0	0	0	-33,600	**-33,600**	-400	**-34,000**
Amounts transferred reserves	0	0	3,400	0	-3,400	**0**	0	**0**
Balance at 30 June 2008	**168,000**	**6,000**	**16,800**	**151,090**	**142,061**	**483,951**	**19,194**	**503,145**

€'000								
For the period 1-6/ 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	3,862	**3,862**	58	**3,920**
Income recognized directly in equity	0	0	0	-5,206	0	**-5,206**	0	**-5,206**
Total income for period	0	0	0	-5,206	3,862	**-1,344**	58	**-1,286**
Dividends	0	0	0	0	-1,933	**-1,933**	-94	**-2,027**
Amounts transferred reserves	0	0	153	0	-153	**0**	0	**0**
Balance at 30 June 2007	**10,737**	**384**	**856**	**15,281**	**8,172**	**35,430**	**1,142**	**36,572**
For period 1-6/ 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	1,736	**1,736**	74	**1,810**
Income recognized directly in equity	0	0	0	-2,733	0	**-2,733**	0	**-2,733**
Total income for period	0	0	0	-2,733	1,736	**-997**	74	**-923**
Dividends	0	0	0	0	-2,148	**-2,148**	-27	-2,175
Amounts transferred reserves	0	0	217	0	-217	**0**	0	0
Balance at 30 June 2008	**10,737**	**384**	**1,073**	**9,657**	**9,079**	**30,930**	**1,226**	**32,156**

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.6.2008 comprises 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 1-6/2008 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 ended 30 June	Property, plant and equipment		Investment property		Intangible assets	
EEK’000	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Balance at 1 January	**104,948**	**87,446**	**133,839**	**127,268**	**3,269**	**3,595**
Additions	12,419	11,486	316	303	76	472
Transfer from investment property	619	2,496	-619	-2,496	0	0
Disposals	0	-115	0	0	0	0
Amortisation change for the period	-6,698	-5,867	-2,102	-2,391	-532	-529
Balance at the end of the current period	**111,288**	**95,446**	**131,434**	**122,684**	**2,813**	**3,538**
€’000						
Balance at 1 January	**6,707**	**5,589**	**8,554**	**8,134**	**209**	**230**
Additions	794	734	20	20	5	30
Transfer from investment property	40	160	-40	-160	0	0
Disposals	0	-7	0	0	0	0
Amortisation change for the period	-428	-375	-134	-153	-34	-34
Balance at the end of the current period	**7,113**	**6,101**	**8,400**	**7,841**	**180**	**226**

Note 3 Interest-bearing loans and borrowings

	EEK'000			€'000		
	30.6.08	**31.12.07**	**30.6.07**	**30.6.08**	**31.12.07**	**30.6.07**
Liabilities						
Short-term bank loans	17,778	16,509	8,548	1,136	1,055	546
Current portion of long-term bank loans	5,070	10,118	5,038	324	646	322
Current portion of lease liabilities	761	1,315	573	49	85	37
Total current liabilities	**23,609**	**27,942**	**14,159**	**1,509**	**1,786**	**905**
Long-term bank loans	21,974	19,274	24,999	1,404	1,232	1,597
Lease liabilities	1,763	1,108	1,892	113	70	122
Total non-current liabilities	**23,737**	**20,382**	**26,891**	**1,517**	**1,302**	**1,719**
Total interest-bearing loans and borrowings	**47,346**	**48,324**	**41,050**	**3,026**	**3,088**	**2,624**

Changes during the period ended 30 June:

	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	1,268	-1,154	81	-74
New long-term loan	2,700	0	173	0
Long-term loan repaid	-5,047	-5,016	-323	-321
New finance lease liabilities	801	423	52	27
Payment of finance lease principal	-700	-543	-45	-34
Loans and borrowings at the end of the current period	**47,346**	**41,050**	**3,026**	**2,624**

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 ended 30 June

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue from external customers	197,181	177,941	183,297	117,701	59,599	34,256	0	0	440,077	329,898
Inter-segment revenue	34,826	8,575	-1	6	318	380	-35,143	-8,961	0	0
Total revenue	**232,007**	**186,516**	**183,296**	**117,707**	**59,917**	**34,636**	**-35,143**	**-8,961**	**440,077**	**329,898**
Segment result	15,936	16,478	6,116	3,142	3,535	2,318	9	-7	25,596	21,931

€'000										
Revenue from external customers	12,602	11,373	11,715	7,523	3,809	2,188	0	0	28,126	21,084
Inter-segment revenue	2,226	548	0	0	20	25	-2,246	-573	0	0
Total revenue	**14,828**	**11,921**	**11,715**	**7,523**	**3,829**	**2,213**	**-2,246**	**-573**	**28,126**	**21,084**
Segment result	1,019	1,053	391	201	226	148	0	0	1,636	1,402

Segment revenue based on the geographical location of customers

For the period ended 30 June

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Estonia	167,507	135,924	-1	0	324	332	-317	-387	167,513	135,869
Finland	53,164	30,597	181,171	114,900	672	867	-31,784	-7,775	203,223	138,589
Lithuania	4,005	1,585	0	0	48,423	30,085	-3,042	-799	49,386	30,871
Other EU countries	7,192	12,744	2,126	2,807	4,443	2,391	0	0	13,761	17,942
Other	139	5,666	0	0	6,055	961	0	0	6,194	6,627
Total	**232,007**	**186,516**	**183,296**	**117,707**	**59,917**	**34,636**	**-35,143**	**-8,961**	**440,077**	**329,898**

€'000										
Estonia	10,706	8,687	0	1	21	21	-21	-25	10,706	8,684
Finland	3,398	1,956	11,579	7,343	43	55	-2,031	-497	12,989	8,857
Lithuania	255	101	0	0	3,095	1,923	-194	-51	3,156	1,973
Other EU countries	460	815	136	179	283	153	0	0	879	1,147
Other	9	362	0	0	387	61	0	0	396	423
Total	**14,828**	**11,921**	**11,715**	**7,523**	**3,829**	**2,213**	**-2,246**	**-573**	**28,126**	**21,084**

Group's business segment report – secondary segment

As at 30 June 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:

	Revenue		**Eliminations**		**Consolidated**	
For the period ended 30 June	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
EEK'000						
Manufacturing	392,603	274,477	-4,219	-4,275	388,384	270,202
Real estate	24,881	23,592	-6,597	-5,976	18,284	17,616
Trade	31,159	35,001	-93	-109	31,066	34,892
Unallocated activities	4,080	8,980	-1,737	-1,792	2,343	7,188
Total revenue	**452,723**	**342,050**	**-12,646**	**-12,152**	**440,077**	**329,898**
€'000						
Manufacturing	25,092	17,542	-270	-273	24,822	17,269
Real estate	1,590	1,508	-421	-382	1,169	1,126
Trade	1,991	2,237	-6	-7	1,985	2,230
Unallocated activities	261	574	-111	-115	150	459
Total revenue	**28,934**	**21,861**	**-808**	**-777**	**28,126**	**21,084**

Note 5 Net financing income/costs

	EEK'000		€'000	
For the period ended 30 June	**2008**	**2007**	**2008**	**2007**
Interest income	325	121	21	8
Interest expense	-1,460	-1,121	-93	-72
Dividend income	11,125	12,663	711	809
Net loss from foreign exchange differences	-23	-32	-2	-2
Marketable investments:				
Income from sale of investments	0	32,816	0	2,098
TOTAL	**9,967**	**44,447**	**637**	**2,841**

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 ended 30 June		**2008**	**2007**		**2008**	**2007**
Profit attributable to equity holders of the parent	EEK'000	27,167	60,426	€'000	1,736	3,862
Average number of shares outstanding	'000	16,800	16,800	'000	16,800	16,800
Basic and diluted earnings per share	EEK	1.62	3.60	€	0.10	0.23

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 30 June 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:

	EEK '000		€'000	
For the period ended 30 June	**2008**	**2007**	**2008**	**2007**
Purchase of goods and services from related parties:				
- from associates	5,469	6,401	350	409
- from Harju KEK	348	344	22	22
TOTAL	5,817	6,745	372	431
Inclusive:				
- goods and materials for manufacturing	5,469	6,388	350	408
- lease of property, plant and equipment	288	291	18	19
- other	60	66	4	4
Sale of goods and services to related parties:				
- to associates	5,419	7,332	346	469
- to Harju KEK	16	35	1	2
TOTAL	5,435	7,367	347	471
Inclusive:				
- goods and materials for manufacturing	261	1,310	17	84
- lease of property, plant and equipment	3,044	3,630	194	232
- management services	1,357	1,357	87	87
- other	773	1,070	49	68
Balances with related parties at 30 June				
Receivables with associates: goods and services	2,309	4,079	148	261
Payables with associates: goods and services	1,304	3,671	83	235

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/ 2008, as set out on pages 3 to 18, and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a Group; and reflects significant transactions with related parties

- the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;

- the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and

- AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Board	/signature/	6th of August 2008
Lembit Libe	Member of the Board	/signature/	6th of August 2008
Karin Padjus	Member of the Board	/signature/	6th of August 2008