AS HARJU ELEKTER

Interim report 1-3/ 2010

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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Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2010
End of the reporting period:	31st of March 2010

The interim report of Harju Elekter Group on 18 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for Q1 2010 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated line-by-line and the results of affiliated company – Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 March 2010, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.03.10	31.12.09	31.03.09
AS Eltek	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%	100.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	7.9%	8.3%	8.3%

Economic environment

The world's economic climate continued its improvement which had started in the 2nd half of 2009. The economies of the U.S.A. and almost all countries in Europe started to grow. Although the Munich Institute for Economic Research assessed that the current situation of states' economic climate was unsatisfactory, rapid growth is expected to continue at least during the first half of this year. Then, due to overall exhaustion of aid packages, growth is expected to slow down and stabilise.

According to analysts from the Estonian Institute of Economic Research, the improvement of the Estonian economy was slower than expected. While domestic demand remained weak, there was some growth in economic activity due to export. In addition, Estonian companies had adapted to the current situation and found new markets. As a result of the poor use of existing production resources and low loan demand caused by banks' strict requirements, investment activity remained low. Private consumption had decreased by a fifth compared to the period prior to crisis, which was mainly caused by extensive unemployment and lower wages. Also, the crisis had made consumers cautious, which in turn prompted them to save more. In addition, the inflation rate as well as the banks' loan interests remained low.

To sum up, the economic environment in Estonia in the Q1 was unfavourable. The Estonian economy was mainly slowed down by low demand and extensive unemployment. The economy is expected to grow mainly via the improvement of the surrounding economic environment and by an increase in demand for exported goods and services. The Government's efforts to keep the budget deficit below the 3% of GDP required by the Maastricht criteria, in order to meet the requirements for joining the euro zone, bore fruit. The final decision on accepting Estonia to the euro zone shall be approved at the meeting of EU finance ministers' council in July.

Main events

Subsidiary Satmatic Oy participated in the Sähkö, Tele, Valo and AV Fair 2010, which took place from 3-5 February in Jyväskylä, Finland. On the fair stand, the wide product range of the company, including new products, vehicle heating panels for car parks, distribution boards and Sivacon board systems, was introduced to cooperation partners and fair visitors who were extremely interested in seeing the products. The fair was visited by more than 16,000 people. At the beginning of April, the annual building fair Estbuild 2010 took place, in which the Harju Elekter trade group participated.

The expansion of the plant of affiliated company Draka Keila Cables was completed during the Q1. A contract signed in February increased the amount of production spaces rented to affiliated companies by 3,799 m^2 to 12,300 m^2.

Operating results

SALES REVENUE

The economic results of the Group in Q1 were strongly affected by the long, snowy winter season. Regardless of the present economic situation, the financial results of the Group were as expected and the Group was profitable. The consolidated sales revenue of the Group in the first quarter was 134.1 million kroons (8.6 million euros), which was 26.2% less than the result of the comparable quarter. The core business of the Group is the production and sales of electrical distribution systems and control panels as well as other supportive side-activities (hereinafter „Production“), which was traditionally the largest share of sales revenues, 87.8% (89.9%). The sales revenue on production received from customers outside of the Group decreased by 28% to 117.7 million kroons (7.5 million euros).

Sales revenue by segment:

1st quarter	growth	EEK (in million)		EUR (in million)		structure	
Segment	Q/Q	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Manufacturing	-28.0%	117.7	163.5	7.5	10.5	87.8%	89.9%
Real estate	1.3%	10.3	10.1	0.7	0.6	7.6%	5.6%
Unallocated activities	-25.0%	6.1	8.2	0.4	0.5	4.6%	4.5%
Total	**-26.2%**	**134.1**	**181.8**	**8.6**	**11.6**	**100.0%**	**100.0%**

Sales revenue by market:

1st quarter	growth	EEK (in million)		EUR (in million)		Share	
Markets	Q/Q	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Estonia	-18.1%	45.4	55.4	2.9	3.5	33.8%	30.5%
Finland	-50.5%	49.2	99.6	3.1	6.4	36.7%	54.8%
Lithuania	-30.8%	10.5	15.1	0.7	1.0	7.8%	8.3%
Other EU countries	299.6%	25.8	6.5	1.7	0.4	19.3%	3.5%
Others	-38.9%	3.2	5.2	0.2	0.3	2.4%	2.9%
Total	**-26.2%**	**134.1**	**181.8**	**8.6**	**11.6**	**100.0%**	**100.0%**

Of the markets, the domestic markets (Estonia, Lithuania and Finland) of the Group's companies prevailed, where 78.3% (93.7%) of the Group's products and services were sold. 66% (69%) of Group products were sold outside of Estonia. The sales revenue of the Q1 decreased the most in Finland as the economic recession reached Finland slightly later than Baltic States. When the sales volume of the Finnish segment in the Q1 remained at the Q1 2008 level, in Q2, a decline in sales volume began due to a decrease in the volumes of metal and engineering industry exports, which even deepened further on the ending of last and beginning of this year due to a decline in domestic demand in the Finnish market. The decrease in sales revenue was lower on the Estonian market.

The sales to other states of the European Union have increased more than 19 million kroons (1.2 million euros). That includes sales to the market of Sweden which exceeded 21 million kroons (1.3 million euros). France and the Czech Republic have been added as new markets. The Group has also sold its products to Latvia, Portugal and Poland and outside of the European Union to the markets of Belarus, Ukraine, Russia and Norway.

OPERATING EXPENSES

		EEK (in million)		EUR (in million)	
1st quarter	Growth	**2010**	**2009**	**2010**	**2009**
Cost of sales	-26.2%	115.9	157.0	7.4	10.0
Distribution costs	-17.2%	6.3	7.6	0.4	0.5
Admin expenses	-0.7%	10.8	10.9	0.7	0.7
Total expenses	-24.2%	**133.0**	**175.5**	**8.5**	**11.2**
incl. depreciation of fixed assets	11.3%	5.5	4.9	0.3	0.3
Total labour cost	-11.1%	35.9	40.4	2.3	2.6
incl salary cost	-20.4%	26.6	33.7	1.7	2.2

The expenses regarding sold products and services decreased at the same pace as the sales revenue – 26.2% during the first three months of 2010, which accounted for 86.5% of turnover (Q1 2009: 86.4%). Distribution costs and administration expenses shrank by 1.4 million kroons (86,000 euros) which is more than 7% lower in respect to the compared period. The administration expenses have been affected the most by the increase in expenditures on the new software AX2009. The software was taken into use on 1 October 2009. In conclusion, business expenses have decreased by 24.2% compared to the same period of the previous year.

In the first quarter, there was an average of 432 people working in the Group (Q1 2009:461), included 280 (301) employees in Estonia, 71 (77) employees in Lithuania and 81 (83) employees in Finland. As at the balance day on 31 March, there were 452 people working in the Group, whish is 12 employees less than on the beginning of the year and 40 employees less than a year before. Expenses on staff in Q1 2010 were 35.9 million kroons (2.3 million euros) which is 11% less than during the compared period. The Group has stock-based compensation plans which may be settled by way of own equity instruments upon recognition of which in consolidated financial reports IFRS 2 principles have been applied. The value of services (labour input) in the amount of 0.4 million kroons (26,000 euros) received for stock is recognised as labour costs in Q1 2010. At the same time, the wage costs were decreased by a fifth in the accounting quarter and the average wage per employee was decreased by 15% to 20,509 kroons (1,311 euros).

In 2009 over 5,000 sq.m of production spaces were given into use which has brought about the increase in maintenance costs. In the accounting period almost 35 million kroons (more than 2 million euros) were invested in fixed assets, in the compared period the number was 2.5 million kroons (160,000 euros). The depreciation of fixed assets accounted for 5.5 million kroons (348,000 euros) of operational expenditures, which is almost 0.6 million kroons more than during the compared period.

EARNINGS AND MARGINS

The gross profit of the Group was 18.2 million kroons or 1.2 million euros (Q1 2009: 24.8 million kroons or 1.6 million euros). Due to decrease in demand, production and sales volumes, the Group has reduced and optimised fixed and operational costs which caused the costs of sold products to decrease at the same pace as the sales revenue. The gross profit margin of the accounting quarter remained practically at the same level as during the compared period – 13.6% (Q1 2009: 13.6%).

Operating profit in Q1 2010 was 1.1 million kroons or 72,000 euros (Q1 2009: 6.4 million kroons or 408,000 euros). Operating profit margin for the period was 0.8% (3.5%).

The Group consolidated 0.7 million kroons (45,000 euros) of loss from an affiliated company which is more than 10 times less than in the Q1 2009. The Group sold 80 (Q1 2009: 100) thousand shares of

PKC Group Ovj in Q1. The profit from sales of shares was 8.2 million kroons (522,000 euros) and 5 million kroons (318,000 euros) in the compared period.

The consolidated net profit of the Q1 2010 was 8.2 million kroons or 523,000 euros (Q1 2009: 2.7 million kroons or 172,000 euros), of which the share of the owners of the parent company was 9.0 million kroons or 572,000 euros. EPS of the reporting period was 0.53 kroons or 0.03 euros (Q1 2009: 0.16 kroons or 0.01 euros).

Financial position and ash flows

The amount of the consolidated balance sheet as of 31 March 2010 was 722.7 million kroons or 46.2 million euros (31.03.2009: 556.3 million kroons or 35.6 million euros), increasing by 104.6 million kroons (6.7 million euros) during the first quarter.

During Q1 business claims increased by 14.1 million kroons (0.9 million euros) and inventory decreased by 8.7 million kroons (0.6 million euros). In total, current assets decreased by 3.5 million kroons (0.2 million euros) to 184.2 million kroons (11.8 million euros). The quick ratio (1.1) as well as the solvency ratio (1.9) improved during the accounting quarter by 0.3 points compared to the Q1 2009.

During the quarter the cost of fixed assets increased by 108.1 million kroons (6.9 million euros) up to 538.5 million kroons (34.4 million euros).

The Group sold 80,000 shares of PKC Group Oyj in the reporting quarter with a book value of 8.2 million kroons (0.5 million euros). During the first quarter the market price of the PKC Group share increased by 4.00 euros (62.59 kroons). The cost of investment in assets and reserves in equity capital increased by the profit of 87.6 million kroons (5.6 million euros) received from stock revaluation. All in all, the book value of financial assets increased by 79.4 million kroons (5.1 million euros) to 232.5 million kroons (14.9 million euros) during the first three months.

In Q1 2010 the Group invested 3.1 million kroons (0.2 million euros) in real estate, 31.5 million kroons (2.0 million euros) in tangible fixed assets and 227 thousand kroons (15 thousand euros) in intangible fixed assets, totally 34.9 million kroons (2.2 million euros). During the compared period 2.5 million kroons (160,000 euros) was invested, and only in tangible assets. At the end of 2009, the addition of a production building for the Finnish affiliated company was completed. Satmatic Oy rented the former administrative and production spaces from the Town of Ulvila. The Group decided to buy the complex of buildings on the basis of financial lease. The contract value of the buildings was 1.9 million euros (29.8 million kroons). The leasing payments are paid on a monthly basis in equal shares as of January 2010. The contract expires in January 2020. The interest rate in respect to the addition is 1.6%, which shall be adjusted once a year. In respect to the older part of the building (300,000 euros or 4.7 million kroons) the annual interest remains fixed at 2%.

During the Q1 2010 the liability of the Group increased by 15.5 million kroons (1.0 million euros) to 129.7 million kroons (8.3 million euros), which is 17.9% (2009: 26.1%) from the total assets.

During Q1 short-term liabilities were decreased by 1.8 million kroons or 116,000 euros (Q1 2009: 24.1 million kroons or 1.54 million euros). Within the first three months, 2.6 million kroons or 163,000 euros (Q1 2009: 8.7 million kroons or 555,000 euros) worth of a long-term loan and 1.2 million kroons or 75,000 euros (Q1 2009: 0.5 million kroons or 34,000 euros) worth of principal amounts of the financial lease were repaid. In total, interest-bearing debt obligations in the statement of financial position increased by 24.3 million kroons (1.55 million euros), debts to suppliers and other debts, however, decreased by 6.1 million kroons (0.39 million euros) to 69.8 million kroons (4.46 million euros) and tax arrears by 2.2 million kroons (0.14 million euros) to 8.2 million kroons (0.52 million euros).

Due to increase in the market price of financial investments increased equity reserves by 80.4 million kroons or 5.14 million euros. As at March 31 2010 the equity constituted 82.1% (2009: 73.9%) of the balance sheet total, of which the share of the parent was 78.9% (2009: 70.0%).

In Q1 2010 cash and cash equivalents decreased by 8.6 million kroons (0.6 million euros) up to 27.1 million kroons (1.7 million euros) and increased by 4.8 million kroons (310,000 euros) during the comparable period. As a result of temporary liquidity issues of customers, business related claims increased by more than 13 million kroons (0.86 million euros). During the compared period the claims were decreased by the same amount. A large portion of the claims exceeding the due date has already been paid in April. That caused 5.4 million kroons or 0.34 million euros to be withdrawn from business. During the first three months of 2009, 36.2 million kroons or 2.3 million euros came in. As 9.2 million kroons or 590,000 euros (Q1 2009: 6.3 million kroons or 404,000 euros) was obtained from the sale of a financial investment, the positive cash flow from investing activities in the accounting quarter was 2.4 million kroons or 151,000 euros (Q1 2009: 2.0 million kroons or 127,000 euros). The negative cash flow from investing activities was 5.5 million kroons (0.35 million euros), and 33.3 million kroons (2.13 million euros) in the compared period.

Shares of Harju Elekter

	EEK			EUR		
	Q1 2010	**Q1 2009**	**2009**	**Q1 2010**	**Q1 2009**	**2009**
Number of the shares (’000)	16,800	16,800	16,800	16,800	16,800	16,800
Nominal value	10.00	10.00	10.00	0.64	0.64	0.64
High price	42.72	16.74	46.78	2.73	1.07	2.99
Low price	31.61	10.48	10.48	2.02	0.67	0.67
Closing price	38.96	11.73	32.08	2.49	0.75	2.05
Market value (in million)	654.5	197.1	538.9	41.8	12.6	34.4
EPS	0.53	0.16	1.14	0.03	0.01	0.07

Supervisory and management boards

The annual general meeting of AS Harju Elekter in 2007 appointed the five members Supervisory Board for the next five years. There were no changes to the Supervisory Board of AS Harju Elekter. The Supervisory Board continues with the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Chairman of Kabal&Partners OÜ), Lembit Kirsme (Chairman of OÜ Kirschmann), Madis Talgre (Chairman of the Management Board, AS Harju KEK) and Andres Toome (consultant).

In Q1 2010 there were no changes to the Management Board which continues with the following membership: Andres Allikmäe as a Chairman and members Karin Padjus (Financial Director) and Lembit Libe (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 his contract of service; members of the Management Board receive no special remuneration. The Group does not give the members of the Management Board any benefits related to pension. Chairman of the Management Board has the right to receive severance pay. No other transactions with members of the Group’s governing bodies and people connected to them were carried out.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in Q1 2010 amounted to a total of 1.0 million kroons (64 thousand euros) and in the comparable period 1.2 million kroons (74 thousand euros).

Information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

Post-balance events

On 29th of April 2010 was held the AGM where attended by 75 shareholders and their authorised representatives who represented the total of 58.44 % of the total votes. The general meeting approved the annual report of 2009 and profit distribution. On the basis of a decision the owners are paid dividends for 2009 at the rate of 0.80 kroons (0.051 euros) per share in the total amount of 13.44 million kroons (859 thousand euros).The dividends will be paid to the shareholders on 26 May 2010.

Key indicators

	EEK (in million)			€ (in million)		
	1-3/ 2010	**1-3/ 2009**	**2009**	**1-3/ 2010**	**1-3/ 2009**	**2009**
Accounting period						
Net sales	134.1	181.8	632.7	8.6	11.6	40.4
Operating profit	1.1	6.4	28.3	0.1	0.4	1.8
Net profit for the current period	8.2	2.7	21.7	0.5	0.2	1.4
Incl. equity holders of the parents	9.0	2.6	19.2	0.6	0.2	1.2
At the end of the period						
Total current assets	184.2	225.2	187.7	11.8	14.4	12.0
Total non-current assets	538.5	331.1	430.4	34.4	21.2	27.5
Total assets	722.7	556.3	618.1	46.2	35.6	39.5
Total liabilities	129.7	145.2	114.1	8.3	9.3	7.3
Total equity	593.0	411.1	504.0	37.9	26.3	32.2
Inclusive equity attributable to equity holders of the parent	570.3	389.5	480.5	36.5	24.9	30.7

	1-3/ 2010	**1-3/ 2009**	**2009**
Performance indicators (%)			
Growth in revenue	-26.2	-10.8	-27.4
Operating profit growth	-82.4	-43.7	-43.4
Net profit growth (Equity holders of the parent)	239.8	-72.9	-50.1
Return of sales (operating profit/revenue *100)	0.8	3.5	4.5
Net profit margin (net profit /net sales *100)	6.7	1.5	3.0
Owners' equity margin (equity / balance sheet total *100)	78.9	70.0	77.7
Employees			
Average number of employees on the current period	432	461	452
Number of employees at the end of the period	452	492	464

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EEK'000			€'000		
	Note	**31.03.10**	**31.12.09**	**31.03.09**	**31.03.10**	**31.12.09**	**31.03.09**
Current assets							
Cash and cash equivalents		27,086	35,640	28,207	1,731	2,278	1,803
Trade receivables and other receivables		84,328	70,238	84,977	5,390	4,489	5,431
Prepayments		2,161	2,499	2,348	138	160	150
Inclusive income tax		307	0	180	20	0	12
Inventories		70,660	79,352	109,673	4,516	5,071	7,009
Total current assets		**184,235**	**187,729**	**225,205**	**11,775**	**11,998**	**14,393**
Non-current assets							
Investments in associates	2	8,977	9,681	10,362	574	619	662
Other long-term financial investments	2	232,532	153,172	62,859	14,861	9,789	4,017
Investment property	2	138,968	137,176	132,395	8,883	8,768	8,462
Property. plant and equipment	2	152,278	124,575	122,636	9,731	7,962	7,838
Intangible assets	2	5,722	5,815	2,897	365	371	185
Total non-current assets		**538,477**	**430,419**	**331,149**	**34,414**	**27,509**	**21,164**
TOTAL ASSETS		**722,712**	**618,148**	**556,354**	**46,189**	**39,507**	**35,557**
Liabilities							
Interest-bearing loans and borrowings	3	13,582	18,166	12,931	868	1,161	827
Trade payables and other payables		69,755	75,890	103,820	4,458	4,850	6,635
Tax liabilities		8,166	10,367	15,270	522	663	976
Inclusive income tax		724	620	1,732	46	39	111
Short-term provision		1,157	1,157	1,092	74	74	70
Deferred income		1,156	1,564	0	74	100	0
Total current liabilities		**93,816**	**107,144**	**133,113**	**5,996**	**6,848**	**8,508**
Non-current liabilities	3	**35,868**	**7,016**	**12,110**	**2,292**	**448**	**773**
Total liabilities		**129,684**	**114,160**	**145,223**	**8,288**	**7,296**	**9,281**
Equity							
Share capital		168,000	168,000	168,000	10,737	10,737	10,737
Share premium		6,000	6,000	6,000	384	384	384
Reserves		230,194	149,760	59,447	14,712	9,571	3,798
Retained earnings		166,141	156,770	156,081	10,618	10,020	9,977
Total equity attributable to equity holders of the parent		**570,335**	**480,530**	**389,528**	**36,451**	**30,712**	**24,896**
Minority interest		**22,693**	**23,458**	**21,603**	**1,450**	**1,499**	**1,380**
Total equity		**593,028**	**503,988**	**411,131**	**37,901**	**32,211**	**26,276**
TOTAL LIABILITIES AND EQUITY		**722,712**	**618,148**	**556,354**	**46,189**	**39,507**	**35,557**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		EEK'000		€'000	
For the period 1 January - 31 March	Note	**2010**	**2009**	**2010**	**2009**
Revenue	4	134,112	181,769	8,571	11,617
Cost of sales		-115,937	-156,999	-7,409	-10,034
Gross profit		**18,175**	**24,770**	**1,162**	**1,583**
Distribution costs		-6,329	-7,644	-405	-489
Administrative expenses		-10,846	-10,925	-693	-698
Other income		298	316	19	20
Other expenses		-172	-132	-11	-8
Operating profit	4	**1,126**	**6,385**	**72**	**408**
Finance income/(costs)	5	8,091	4,454	517	285
Share of profit/loss of associates	2	-704	-7,545	-45	-482
Profit before tax		**8,513**	**3,294**	**544**	**211**
Income tax expense		-322	-607	-21	-39
Profit attributable to:		**8,191**	**2,687**	**523**	**172**
Owners of the Parent		8,956	2,636	572	169
Non-controlling interests		-765	51	-49	3
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		87,621	-10,299	5,600	-659
Realised gain from sale of financial assets (-)		-7,187	0	-459	0
Total other comprehensive income		**80,434**	**-10,299**	**5,141**	**-659**
Total comprehensive income attributable to:		**88,625**	**-7,612**	**5,664**	**-487**
Equity holders of the parent		89,390	-7,663	5,713	-490
Non-controlling interests		-765	51	-49	3
Earnings per share					
Basic earnings per share (EEK, EUR)	6	0.53	0.16	0.03	0.01
Diluted earnings per share (EEK, EUR)	6	0.53	0.16	0.03	0.01

CONSOLIDATED STATEMENT OF CASH FLOWS

		EEK'000		€'000	
For the period 1 January - 31 March	**Note**	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities					
Operating profit	4	1,126	6,385	72	408
Adjustments for:					
Depreciation and amortisation	2	5,450	4,941	348	316
Gain on sale of property. plant and equipment		0	-66	0	-4
Share-based payment transactions		415	0	26	0
Change in receivables related to operating activity		-13,442	12,864	-859	822
Change in inventories		8,692	13,678	556	874
Change in payables related to operating activity		-6,827	-490	-436	-32
Corporate income tax paid		-526	-559	-34	-36
Interest paid		-252	-583	-16	-37
Net cash from operating activities		**-5,364**	**36,170**	**-343**	**2,311**
Cash flows from investing activities					
Acquisition of property. plant and equipment		-5,157	0	-330	0
Acquisition of investment property		-1,680	-4,345	-106	-278
Acquisition of intangible assets		-227	0	-15	0
Proceeds from sale of property. plant and equipment		0	66	0	4
Acquisition of other financial investments		0	-178	0	-11
Proceeds from sale of other financial investments		9,235	6,318	590	404
Interest received		191	118	12	8
Net cash used in investing activities		**2,362**	**1,979**	**151**	**127**
Cash flows from financing activities					
Repayment of borrowings	3	-4,372	-32,767	-279	-2,094
Payment of finance lease principal	3	-1,167	-531	-75	-34
Net cash used in financing activities		**-5,539**	**-33,298**	**-354**	**-2,128**
Net cash flows		**-8,541**	**4,851**	**-546**	**310**
Cash and cash equivalents at beginning of period		**35,640**	**23,379**	**2,278**	**1,494**
Net increase / decrease		-8,541	4,851	-546	310
Effect of exchange rate fluctuations on cash held		-13	-23	-1	-1
Cash and cash equivalents at end of period		**27,086**	**28,207**	**1,731**	**1,803**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK ‘000	Attributable to equity holders of the parent							
For the period 1-3/ 2009	**Share capital**	**Share premium**	**Capital reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-cont-rolling interest**	**TOTAL**
At 31 December 2008	**168,000**	**6,000**	**16,800**	**52,946**	**153,445**	**397,191**	**21,552**	**418,743**
Comprehensive income for period	0	0	0	-10,299	2,636	-7,663	51	**-7,612**
At 31 March 2009	**168,000**	**6,000**	**16,800**	**42,647**	**156,081**	**389,528**	**21,603**	**411,131**
For the period 1-3/ 2010								
At 31 December 2009	**168,000**	**6,000**	**16,800**	**132,960**	**156,770**	**480,530**	**23,458**	**503,988**
Comprehensive income for period	0	0	0	80,434	8,956	**89,390**	-765	**88,625**
Share-based payment transactions	0	0	0	0	415	**415**	0	**415**
At 31 March 2010	**168,000**	**6,000**	**16,800**	**213,394**	**166,141**	**570,335**	**22,693**	**593,028**
€’000								
For the period 1-3/ 2009								
At 31 December 2008	**10,737**	**384**	**1,073**	**3,384**	**9,808**	**25,386**	**1,377**	**26,763**
Comprehensive income for period	0	0	0	-659	169	-490	3	**-487**
At 31 March 2009	**10,737**	**384**	**1,073**	**2,725**	**9,977**	**24,896**	**1,380**	**26,276**
For period 1-3/ 2010								
At 31 December 2009	**10,737**	**384**	**1,073**	**8,498**	**10,020**	**30,712**	**1,499**	**32,211**
Comprehensive income for period	0	0	0	5,141	572	**5,713**	-49	**5,664**
Share-based payment transactions	0	0	0	0	26	**26**	0	**26**
At 31 March 2010	**10,737**	**384**	**1,073**	**13,639**	**10,618**	**36,451**	**1,450**	**37,901**

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 31.03.2010 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 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 31.12.2009

According to the assessment of the management board, the interim report for 1-3/2010 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.

This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the Group.

Financial reports are applied on the basis of the principle of consistency and comparability. The content of the changes in methodology and their influence has been explained in each of the relevant notes. If the presentation or the method of classification of the entries in the financial statements has been changed the comparable indicators of the previous period have been reclassified accordingly.

From 1st of January 2010 the Group has to follow revised IAS 27 Consolidated and Separate Financial Statements. In the revised Standard the term 'minority interest' has been replaced by 'non-controlling interest'.

Note 2 Non-current assets

	EEK'000		€'000	
For the period 1 January - 31 March	**2010**	**2009**	**2010**	**2009**
Investments in associate				
At 1 January	9,681	17,907	619	1,144
Loss(-)under the equity method	-704	-7,545	-45	-482
At 31 March	**8,977**	**10,362**	**574**	**662**
Other long-term financial investments				
At 1 January	153,172	74,323	9,789	4,750
Additions	0	178	0	11
Sale of shares	-8,261	-4,694	-528	-300
Changes in the fair value reserve	87,621	-6,948	5,600	-444
At 31 March	**232,532**	**62,859**	**14,861**	**4,017**
Investment property				
At 1 January	137,176	133,737	8,768	8,547
Additions	3,140	0	200	0
Depreciation charge	-1,348	-1,342	-85	-85
At 31 March	**138,968**	**132,395**	**8,883**	**8,462**
Property. plant and equipment				
At 1 January	124,575	123,423	7,962	7,889
Additions	31,485	2,508	2,011	160
Depreciation charge	-3,782	-3,295	-242	-211
At 31 March	**152,278**	**122,636**	**9,731**	**7,838**
Intangible assets				
At 1 January	5,815	3,201	371	205
Additions	227	0	15	0
Depreciation charge	-320	-304	-21	-20
At 31 March	**5,722**	**2,897**	**365**	**185**
Total non-current assets	**538,477**	**331,149**	**34,414**	**21,164**

Note 3 Interest-bearing loans and borrowings

	EEK'000			€'000		
	31.3.2010	**31.12.2009**	**31.3.2009**	**31.3.2010**	**31.12.2009**	**31.3.2009**
Liabilities						
Short-term bank loans	11,133	12,947	3,774	711	827	241
Current portion of long-term bank loans	1,125	3,682	7,645	72	235	489
Current portion of lease liabilities	1,324	1,537	1,512	85	99	97
Total current liabilities	**13,582**	**18,166**	**12,931**	**868**	**1,161**	**827**
Long-term bank loans	1,014	1,014	4,696	65	65	300
Lease liabilities	34,854	6,002	7,414	2,227	383	473
Total non-current liabilities	**35,868**	**7,016**	**12,110**	**2,292**	**448**	**773**
TOTAL	**49,450**	**25,182**	**25,041**	**3,160**	**1,609**	**1,600**

Changes during the period 1 January - 31 March

	EEK'000		€'000	
	2010	**2009**	**2010**	**2009**
Loans and borrowings at the beginning of the year	**25,182**	**58,339**	**1,609**	**3,728**
Changes in short-term loans	-1,814	-24,075	-116	-1,539
New long-term loan	-2,558	-8,692	-163	-555
Long-term loan repaid	29,807	0	1,905	0
Payment of finance lease principal	-1,167	-531	-75	-34
Loans and borrowings at the end of the current period	**49,450**	**25,041**	**3,160**	**1,600**

Note 4 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.

"*Manufacturing*" – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy and Rifas UAB.

"*Real estate*" – Real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

Unallocated items – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies; management services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

EEK'000

1.1. -31.3.	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
2009					
Revenue from external customers	163,476	10,120	8,173	0	181,769
Inter-segment revenue	4,855	3,751	729	-9,335	0
Total revenue	**168,331**	**13,871**	**8,902**	**-9,335**	**181,769**
Operating profit	2,863	3,828	-311	5	**6,385**
2010					
Revenue from external customers	117,730	10,255	6,127	0	134,112
Inter-segment revenue	867	4,187	1,313	-6,367	0
Total revenue	**118,597**	**14,442**	**7,440**	**-6,367**	**134,112**
Operating profit	-2,888	4,619	-612	7	**1,126**

€'000

1.1. -31.3.	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
2009					
Revenue from external customers	10,448	647	522	0	11,617
Inter-segment revenue	310	240	47	-597	0
Total revenue	**10,758**	**887**	**569**	**-597**	**11,617**
Operating profit	183	245	-20	0	**408**
2010					
Revenue from external customers	7,524	655	392	0	8,571
Inter-segment revenue	55	268	84	-407	0
Total revenue	**7,579**	**923**	**476**	**-407**	**8,571**
Operating profit	-184	295	-39	0	**72**

1.1. -31.3.	EEK'000 2010	2009	€'000 2010	2009
Revenue by markets				
Estonia	45,391	55,399	2,901	3,541
Finland	49,247	99,587	3,148	6,365
Lithuania	10,428	15,078	666	964
Ohter EU countries	25,849	6,469	1,652	412
Non-EU countries	3,197	5,236	204	335
Total	**134,112**	**181,769**	**8,571**	**11,617**
Revenue by business area				
Electrical equipment	106,231	150,528	6,789	9,621
Sheet metal products and services	4,225	4,558	270	291
Boxes for telecom sector and services	3,215	4,721	206	302
Intermediary sale of electrical products and components	9,441	10,097	603	645
Commerce and mediation of services	2,723	2,754	174	176
Rental income	7,741	7,652	495	489
Other services	536	1,459	34	93
Total	**134,112**	**181,769**	**8,571**	**11,617**

Note 5 Net financing income/costs

For the period 1 January - 31 March	EEK'000 2010	2009	€'000 2010	2009
Interest income	191	83	12	5
Interest expense	-248	-581	-16	-37
Net loss from foreign exchange differences	-13	-23	-1	-1
Marketable investments:				
Income from sale of investments	8,161	4,975	522	318
TOTAL	**8,091**	**4,454**	**517**	**285**

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.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 31.3.2010 the Group had 578.4 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 23 April 2009 the price of a share was established at the level of 1.10 euros (17.21 kroons). As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.55 euros (8.61 kroons). Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 euros (25.82 kroons) and the potential shares become dilutive only after their average market price of the period exceed 1.65 euros (25.82 kroons).

The average market price of the share was 39.22 kroons (2.51 euros). The issue of shares would account for 14.9 million kroons (954 thousand euros). In order to obtain the same amount 380.8 thousand (14.9/39.22) new shares at the average market price would be issued. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 164.6 thousand shares (578.4-380.8) could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

		EEK		EUR	
For the period 1 January - 31 March	Unit	**2010**	**2009**	**2010**	**2009**
Profit attributable to equity holders of the parent	‘000	8,956	2,636	572	169
Average number of shares outstanding	’000	16,800	16,800	16,800	16,800
Basic earnings per share		0.53	0.16	0.03	0.01
Adjusted number of shares during the period	‘000	16,965	16,800	16,965	16,800
Diluted earnings per share		0.53	0.16	0.03	0.01

Note 7 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 32.14% 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	**2010**	**2009**	**2010**	**2009**
Purchase of goods and services from related parties:				
- from associates	557	1,261	36	81
- from Harju KEK	256	256	16	16
TOTAL	813	1,517	52	97
Inclusive:				
- goods and materials for manufacturing	557	1,261	36	81
- lease of property. plant and equipment	256	256	16	16
Sale of goods and services to related parties:				
- to associates	2,585	2,734	165	175
Inclusive:				
- goods and materials for manufacturing	7	44	0	3
- lease of property. plant and equipment	2,215	1,807	142	116
- management services	0	678	0	43
- other	363	205	23	13
Balances with related parties at 31 March				
Receivables with associates: goods and services	2,257	2,638	144	169
Payables with associates: goods and services	218	793	14	51

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-3/2010, 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/	„05.“ May 2010
Lembit Libe	Member of the Board	/signature/	„05.“ May 2010
Karin Padjus	Member of the Board	/signature/	„05.“ May 2010